



W & J Leigh Staff Pension Scheme

Implementation Statement for year ended 5 April 2024

August 2024

isio.

Introduction

This statement has been prepared by the Trustee (the "Trustee") of the W & J Leigh Staff Pension Scheme (the "Scheme") with input from its Investment Consultants. The statement demonstrates how the Trustee has acted on certain policies within their Statement of Investment Principles (SIP).

Each year the Trustee must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This Implementation Statement covers the year from 6 April 2023 to 5 April 2024.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (DB) investments held by the Scheme. Note that this excludes any Additional Voluntary Contribution investments held by the Scheme.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Scheme's SIP covering the year under review, which gives details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives. Over the year to 5 April 2024 the Scheme's SIP included policies covering the Trustee's view regarding the importance of ESG factors on long term performance and both immediate and future downside risks.

The Trustee stated the following policies in the SIP covering the exercise of voting rights and engagement activities related to its investments:

- "The Trustees' policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function through investment in pooled index-tracking funds. The investment manager produces regular reports on their engagement with companies on environmental, social and governance considerations."
- "In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG."
- "If the Trustees believe that the Fund's Investment Manager is no longer acting in accordance with the Trustees' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:
 - engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
 - if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustees' policies and views"

This Implementation Statement reviews the voting and engagement activities, as well as the extent to which the Trustee believes its policies have been followed, over the 12-month period to the year end 5 April 2024.

Description of voting behaviour

The Trustee reviews and monitors the voting and engagement activity taken by the investment manager, Legal & General Investment Management ("LGIM") on their behalf. Information published by LGIM provides the Trustee with comfort that its voting and engagement policies have been followed during the year.

Over the year to 5 April 2024, the Scheme was invested in one mandate where the underlying assets included publicly listed equities. This is the sterling hedged share class of the All World Equity Index Fund managed by LGIM. The following table shows LGIM's voting summary covering the Scheme's investment in the All World Equity Index Fund over the period 1 April 2023 – 31 March 2024. Note that this is because, at time of reporting, LGIM was only able to provide data to standard quarter ends.

No. of meetings eligible to vote at	6,679
No. of resolutions eligible to vote on	65,048
Eligible resolutions voted on	99.8%
Of resolutions voted on, resolutions voted with management	79.0%
Of resolutions voted on, resolutions voted against management	20.1%
Of resolutions voted on, resolutions abstained from voting	0.9%
Percentage of eligible meetings where LGIM voted at least once against management	63.8%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser	10.8%

Note: totals may not sum due to rounding.

Proxy voting

The Trustee did not employ a proxy-voting service during the year under review.

LGIM votes by proxy as, given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Services' (ISS) electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service (IVIS). To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management.

How engagement policies have been followed

The Trustee reviews and monitors the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Manager on their voting policies has provided the Trustee with comfort that their voting and engagement policies have been followed during the Scheme year.

As set out in the SIP, the Trustee expects LGIM to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments.

Details of specific voting and engagement topics are shown in the following table:

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	LGIM voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy	✓	LGIM believes that board independence, diversity and remuneration can have a financially material impact on the assets it invests within, with the Board ultimately responsible for the strategy for any company that LGIM invests in or holds as a counterparty. LGIM have clear voting policies covering each of these topics and have acted on them throughout the Scheme year on behalf of the Trustee.

Risks	✓	LGIM has clear voting policies on ensuring that companies manage risk effectively and have robust internal controls. As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors.
Social and environmental impact	✓	LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change. LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.
Corporate governance	✓	<p>LGIM's policy from 2020 is to vote against all elections which combine the roles of CEO and Chair. LGIM has reinforced their position on leadership structures across our stewardship activities such as via individual corporate engagements and director conferences.</p> <p>In 2024, LGIM further enhanced its global policy expectations that at least 40% of company boards and executive leadership teams are women.</p>
Conflicts of interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not fully align remuneration with company performance.
Capital structure	✓	LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance. For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.

Significant votes

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

A large number of the most significant votes cast by LGIM related to the election of directors with the majority of instances being against such resolutions or in favour of requiring an independent board chair. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair noting the belief that the two roles are substantially different and require distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has adopted the view of voting against all combined board chair/CEO roles.

A number of significant votes related to the issue of gender diversity at board level. LGIM views gender diversity as a financially material issue with implications for the return on assets. LGIM seeks to engage with companies on this issue and applied voting sanctions to those FTSE 350 companies that do not have a minimum of 40% women on the board.

Example: All World Equity Index Fund – GBP Currency Hedged

Vote details	Apple Inc. – 28 February 2024. Vote on a report on risks of omitting viewpoint and Ideological diversity from EEO Policy.
Approximate size of fund's holding as at date of vote	3.7%
Rationale for significance	LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
Voting decision	Against.
Where the Investment Manager voted against management, did the Investment Manager communicate the intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM said a vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.
Vote outcome	Fail.
Next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Scheme's corporate bond holdings can also include engagement activities but these investments do not carry voting rights.

The Trustee expects the investment manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so, while the corporate bond mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2024, LGIM undertook 2,144 engagements with 2,006 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 1,820 on environmental topics;
- 274 on social topics;
- 528 on governance issues; and
- 119 on other topics including finance and strategy.

The top five engagement topics included climate change, remuneration, deforestation, diversity and strategy.

The engagement statistics for each of the funds invested in, excluding the Over 5 Year Index-Linked Gilts Index Fund, are shown below. The engagement statistics are for the 12-month period to 31 March 2024. Note that the LGIM Buy & Maintain Credit Fund was invested in on 2 January 2024, however the engagement statistics below cover the full 12-month period to 31 March 2024.

	Total engagements	No. unique companies engaged	Environmental topics	Social topics	Governance topics	Other topics
LGIM All World Equity Index Fund – GBP Currency Hedged	816	542	552	166	249	82
LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund	24	10	14	5	11	14
LGIM Buy & Maintain Credit Fund	177	83	80	60	90	34

The remainder of the Scheme's assets are invested in index-linked government bonds with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Scheme's liabilities. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these assets.

Extent to which the Trustee's policies have been followed during the year

Having reviewed the actions taken by LGIM, the Trustee believes that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Manager's policies over the year. The Trustee will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from LGIM, particularly with respect to ESG factors.

If the Investment Manager deviates substantially from the Trustee's stated policies, the Trustee will initially engage with LGIM in an attempt to influence its policies on ESG and stewardship. If it is concluded that the difference between the policies and LGIM's actions are material, the Trustee will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustee's policies and views.

For and on behalf of the Trustee of the W & J Leigh Staff Pension Scheme

August 2024

