

Implementation Statement, covering the Scheme Year from 31 January 2021 to 31 January 2022

The Trustee of the Stephenson Harwood Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was in September 2019.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took steps to review the Scheme’s existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

3. Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme’s funds that hold equities as follows:

- LGIM UK Equity Index Fund
- LGIM Global Equity Fixed Weights (50:50) Index Fund
- LGIM World Emerging Markets Equity Index Fund
- Pyrford Global Total Returns Fund
- ASI Diversified Growth Fund

The Trustee has sought to obtain the relevant voting data from all the investment managers listed above, however LGIM was not able to provide voting information over the period 31 January 2021 to 31 January 2022 and instead provided data for the calendar year 2021.

In addition to the above, the Trustee contacted the Scheme’s other asset manager (BMO) that doesn’t hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. No votes were disclosed.

3.1 Description of the voting processes

Each of the managers were asked to provide an overview of the process for deciding how to vote. The managers’ responses are detailed in sections 3.1.1-3.1.3 below.

3.1.1 LGIM

“All decisions are made by LGIM’s Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.

Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.”

3.1.2 Pyrford International

“Pyrford’s policy is to consider every resolution individually and to cast a proxy on each issue with. The sole criterion for reaching these voting decisions is taken in the best interests of the client. This is part of Pyrford’s broader fiduciary responsibility to its clients.”

3.1.3 abrdn

“In our view, good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly in relation to its customers, employees, shareholders, and the wider community. We also believe that markets and companies which adopt best practices in corporate governance and risk management – including the management of environmental and social risks – are more likely to deliver sustainable, long-term investment performance.” Further details can be found at:

https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	LGIM	LGIM	LGIM	Pyrford International	abrdn
Fund name	Global Equity Fixed Weights (50:50) Index Fund	UK Equity Index Fund	World Emerging Markets Equity Index Fund	Global Total Returns Fund	ASI Diversified Growth Fund
Reporting period year end	31 Dec 2021	31 Dec 2021	31 Dec 2021	31 Jan 2022	31 Jan 2022
Total size of fund at end of reporting period	£4,093m	£20,416m	£7,331m	£2,031m	£1,884m
Value of Scheme assets at 31 Jan 2022, £ (% of total Scheme assets)	£20.2m (32%)	£2.6m (4%)	£2.5m (4%)	£10.6m (17%)	£10.8m (17%)
Number of equity holdings at end of reporting period	2,796	572	1,618	61	Not provided
Number of meetings eligible to vote	2,764	707	3,627	65	637
Number of resolutions eligible to vote	34,597	9,923	31,303	978	8,738
% of resolutions voted	99.92%	100.00%	99.79%	88.65%**	97.99%
Of the resolutions on which voted, % voted with management	82.89%	92.77%	81.82%	96.19%	87.09%
Of the resolutions on which voted, % voted against management	17.00%	7.23%	16.29%	3.81%	12.14%
Of the resolutions on which voted, % abstained from voting	0.12%	0.00%	1.90%	0%	0.77%
Of the meetings in which the manager voted, % with at least one vote against management	68.58%	45.69%	49.17%	33.86%	61.12%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.72%	5.51%	6.24%	0.81%	2.52%

Figures may not sum due to rounding. * Number of meetings with at least 1 vote Against, Withhold or Abstain. **Pyrford has confirmed that the relatively low number of resolutions voted on was due to an administrative error for three Swedish ballots. Sweden is a documented market for voting where a Power of Attorney (PoA) needs to be in place. The PoAs had elapsed for the Fund at the time of these meetings. Pyrford is working with all parties to ensure that does not happen again.

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have asked the managers to comment on votes that they believe to be significant, and the Trustee has taken this into account when selecting votes for this report.

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below.

Given the number of funds held with listed equity and the total number of significant votes provided by the managers, we have selected three votes for each fund, which relate to a range of environmental, social and corporate governance factors. All commentary is provided directly by the managers. Details of further votes that may be deemed to be significant can be provided upon request.

3.3.1 LGIM Global Equity Fixed Weight (50:50) Index Fund

LGIM stated: “As regulation on vote reporting has recently evolved with the introduction of the concept of ‘significant vote’ by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM’s vote positions to clients for what we deemed were ‘material votes’. We are evolving our approach in line with the new regulation and are committed to provide our clients access to ‘significant vote’ information.

In determining significant votes, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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 we 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.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact and annual active ownership publications.

We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

If you have any additional questions on specific votes, please note that we publicly disclose our votes for the major markets on our website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting ‘Voting Report’ on the following page:

<https://www.lgim.com/uk/en/capabilities/corporate-governance/policies-and-voting-disclosures-uk-en/>

All holdings in the LGIM Global Equity Fixed Weight (50:50) Index Fund are also held in the LGIM UK Equity Index Fund. Significant votes pertaining to the UK holdings in the Global Equity Fixed Weight (50:50) Index Fund are detailed in Section 3.3.2 below.

Company name	Facebook, Inc.
Date of vote	26-May-2021
Summary of the resolutions	Resolution 1.9 Elect Director Mark Zuckerberg
How you voted	LGIM withheld from this vote
Outcome	97.2% of shareholders supported the resolution.
Rationale for the voting decision	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Company name	NVIDIA Corporation
Date of vote	3-June-2021
Summary of the resolutions	Resolution 1g Elect Director Harvey C. Jones
How you voted	LGIM voted against the resolution.
Outcome	94.2% of shareholders supported the resolution.

Rationale for the voting decision	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, in 2020, LGIM increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, we expanded the scope of our vote policy to include all companies in the S&P 500 and the S&P/TSX. Our expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.
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Company name	Mitsubishi UFJ Financial Group, Inc.
Date of vote	29-June-2021
Summary of the resolution	Resolution 3 Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement
How you voted	LGIM voted for the resolution
Outcome	22.7% of shareholders supported the resolution.
Rationale for the voting decision	Climate change: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While we positively note the company's recent announcements around net-zero targets and exclusion policies, we think that these commitments could be further strengthened and we believe the shareholder proposal provides a good directional push.

3.3.2 LGIM UK Equity Index Fund

LGIM's process for determining the most significant votes is the same as for the LGIM Global Equity Fixed Weight (50:50) Index Fund, as per Section 3.3.1 above.

Company name	Imperial Brands plc
Date of vote	3-Feb-2021
Summary of the resolution	Resolutions 2 and 3, respectively, Approve Remuneration Report and Approve Remuneration Policy.
How you voted	LGIM voted against both resolutions.
Outcome	Resolution 2 (Approve Remuneration Report) received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.
Rationale for the voting decision	The company appointed a new CEO during 2020, who was granted a significantly higher base salary than his predecessor. A higher base salary has a consequential ripple effect on short- and long-term incentives, as well as pension contributions. Further, the company did not apply best practice in relation to post-exit shareholding guidelines as outlined by both LGIM and the Investment Association. An incoming CEO with no previous experience in the specific sector, or CEO experience at a FTSE100 company, should have to prove her or himself beforehand to be set a base salary at the level, or higher, of an outgoing CEO with multiple years of such experience. Further, we would expect companies to adopt general best practice standards. Prior to the AGM, we engaged with the company outlining what our concerns over the remuneration structure were. We also indicated that we publish specific remuneration guidelines for UK-listed companies and keep remuneration consultants up to date with our thinking.

Company name	Informa Plc
Date of vote	3-June-2021
Summary of the resolutions	Resolution 3, Re-elect Stephen Davidson as Director Resolution 5, Re-elect Mary McDowell as Director Resolution 7, Re-elect Helen Owers as Director Resolution 11, Approve Remuneration Report
How you voted	LGIM voted against Resolutions 3, 5, 7, and 11 (against management recommendation).
Outcome	Resolution 3 - 53.4% of shareholders supported the resolution. Resolution 5 - 80% of shareholders supported the resolution. Resolution 7 - 78.1% of shareholders supported the resolution. Resolution 11 - 38.3% of shareholders supported the resolution.

Rationale for the voting decision	<p>The company's prior three Remuneration Policy votes – in 2018, June 2020, and at a General Meeting that was called in December 2020 – each received high levels of dissent, with 35% or more of votes cast against. At the December 2020 meeting, the Remuneration Policy and the Equity Revitalisation Plan (EVP) received over 40% of votes against. The EVP was structured to award the CEO restricted shares to a value of 600% of salary. LGIM has noted our concerns with the company's remuneration practices for many years. Due to continued dissatisfaction, we again voted against the proposed Policy at the December 2020 meeting. However, despite significant shareholder dissent at the 2018 and 2020 meetings, the company implemented the awards under the plan, a few weeks after the December meeting. Additionally, the Remuneration Committee has adjusted the performance conditions for the FY2018 long-term incentive plan (LTIP) awards while the plan is running, resulting in awards vesting where they would otherwise have lapsed. Due to consistent problems with the implementation of the company's Remuneration Policy and the most recent events as described above, LGIM has voted against the Chair of the Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, LGIM has taken the decision to escalate our vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.</p>
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Company name	EVRAZ Plc
Date of vote	15-June-2021
Summary of the resolution	Resolution 3 Re-elect Alexander Abramov as Director
How you voted	LGIM voted against the resolution.
Outcome	82.8% of shareholders supported the resolution.
Rationale for the voting decision	<p>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, we apply voting sanctions to those FTSE 350 companies that do not have a minimum of 30% women on the board. We also apply voting sanctions to the FTSE 100 companies that do not have 30% women on their executive committee. For smaller companies we expect at least one woman at board level.</p>

3.3.3 LGIM World Emerging Markets Equity Index Fund

LGIM's process for determining the most significant votes is the same as for the UK Equity Index Fund and the Global Equity Fixed Weight (50:50) Index Fund, as per Section 3.3.1 above.

Company name	Alibaba Group Holding Limited
Date of vote	17-Sep-2021
Summary of the resolution	Resolution 1.1 - Elect Director Joseph C. Tsai
How you voted	LGIM voted against the resolution
Outcome	73.6% of shareholders supported the resolution
Rationale for the voting decision	<p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p>

Company name	MediaTek, Inc.
Date of vote	10-June-2021
Summary of the resolution	Resolution 5.1 Elect Ming-Kai Tsai with Shareholder No. 1 as Non-independent Director

How you voted	LGIM voted against the resolution (management recommendation: for).
Outcome	Not provided
Rationale for the voting decision	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, we have been using our position to engage with companies on this issue. As part of our efforts to influence our investee companies on having greater gender balance, we expect all companies in which we invest globally to have at least one female on their board. Please note we have stronger requirements in the UK, North American, European and Japanese markets, in line with our engagement in these markets. For further details, please refer to our vote policies on our website.

Company name	China Construction Bank Corporation
Date of vote	15-June-2021
Summary of the resolution	Resolution 1 Approve Report of the Board of Directors
How you voted	LGIM voted against the resolution
Outcome	Not provided
Rationale for the voting decision	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.

3.3.4 Pyrford Global Total Returns Fund

Pyrford stated “At Pyrford we believe that all proxy votes are important and aim to vote all ballots received on behalf of our clients. All proxy votes are reviewed by our ESG Forum on a quarterly basis. Those deemed to be “significant” are where we believe the outcome could have a meaningful impact on shareholder returns over our five-year investment horizon. These could include management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures.”

Company name	Imperial Brands Plc
Date of vote	03/02/2021
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation - Approve Remuneration Report
How you voted	Against Management
Outcome	Passed
Rationale for the voting decision	A vote against this proposal is warranted: - CEO Stefan Bomhard's salary rate is significantly increased (+12.7%) relative to his predecessor, and the Company has not provided a compelling explanation to justify this.

Company name	American Express Company
Date of vote	04/05/2021
Summary of the resolution	Publish Annually a Report Assessing Diversity, Equity, and Inclusion Efforts
How you voted	Against Management
Outcome	Passed
Rationale for the voting decision	A vote FOR this resolution is warranted, as reporting quantitative, comparable diversity data would allow shareholders to better assess the effectiveness of the company's diversity, equity and inclusion efforts and management of related risks.

Company name	Imperial Oil Limited
Date of vote	04/05/2021
Summary of the resolution	Adopt a Corporate Wide Ambition to Achieve Net Zero Carbon Emissions

How you voted	Against Management
Outcome	Shareholder proposal not passed.
Rationale for the voting decision	A vote FOR is recommended for the proposal. Although Imperial Oil's climate risk strategy mirrors that of its US parent, it is a major player in Canada. Based on the public disclosures, it is comparatively lagging behind its domestic peers in climate change disclosures, the recognition of the vital role it has in addressing climate risk and the federal government's net zero pledge. This may affect its position in the ongoing energy transition taking place in Canada.

3.3.5 ASI Diversified Growth Fund

abrdrn stated:

“At abrdrn we view all votes as significant and vote all shares globally for which we have voting authority, unless there are significant voting obstacles such as share blocking. In line with PLSA requirements we identify and record what we deem to be the most significant votes across all our holdings. We have identified five categories of votes we consider as significant and have ordered these based our view of their importance. This enables us to provide a specified number of votes across a client’s portfolio upon request. Members of our Central ESG Investment Function carry out a monthly review to identify and categorise significant votes. These categories and details of the underlying votes captured are as follows:

- *Significant Vote Category 1 ('SV1'): High Profile Votes*
- *Significant Vote Category 2 ('SV2'): Shareholder and Environmental & Social (E&S) Resolutions*
- *Significant Vote Category 3 ('SV3'): Engagement*
- *Significant Vote Category 4 ('SV4'): Corporate Transactions*
- *Significant Vote Category 5 ('SV5'): Votes contrary to custom policy*

In addition, our voting policy can also be found on our website:

https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf ”

Company name	BP Plc
Date of vote	12-May-21
Summary of the resolution	Approve Shareholder Resolution on Climate Change Targets
How you voted	Against
Rationale for the voting decision	BP announced its net zero by 2050 ambition in February 2020 and has since established interim reduction targets for absolute emissions and carbon intensity. With targets set, the climate strategy is entering the implementation phase. The company’s positive response to Climate Action 100+ requests for a Paris aligned climate strategy and improved disclosure have already addressed the purpose of this resolution and made it more feasible for shareholders to monitor progress. This resolution is substantially the same as one submitted by the proponent in 2019 and does not take into consideration the changes that have occurred in the intervening period. We therefore consider it preferable for the company to pursue implementation of the existing climate strategy and will continue to monitor its progress.

Company name	Akzo Nobel NV
Date of vote	22-Apr-21
Summary of the resolution	Approve Remuneration Report
How you voted	For
Rationale for the voting decision	We are concerned regarding the CEO's variable remuneration outcomes in view of the receipt of government support of EUR 33m.

Company name	CMS Energy Corporation
Date of vote	07-May-21
Summary of the resolution	Report on Costs and Benefits of Environmental Related Expenditures
How you voted	Against
Rationale for the voting decision	At this time we believe that this vote is onerous upon the company. The company currently discloses its sustainability practices and investment strategies on its website and in SEC filings, and voluntarily reports its climate risk strategy and related data to the CDP. We recognise that reporting on climate transition is an evolving area and expect the company to continue to develop upon its existing reporting mechanisms.