

# *Implementation Statement, covering the Scheme Year from 31 January 2024 to 31 January 2025 (the “Scheme Year”)*

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.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions \(“DWP’s guidance”\) in June 2022.](#)

## **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 December 2023.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies in the SIP during the Scheme Year.

## **2. Voting and engagement**

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers as detailed below.

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.

The Trustee has set a Net Zero Ambition to help mitigate climate risk. It aims to align the Scheme’s assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

Following the introduction of DWP’s guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors. These are: Climate change, and Diversity, Equity & Inclusion.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

## **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 itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers’ voting and engagement behaviour on an annual basis, as part of producing this IS, and challenges managers where their activity has not been in line with the Trustee’s expectations.

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

- LGIM Low Carbon Transition Global Equity Index Funds (GBP hedged and unhedged)

- **Pyrford Global Total Returns 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 year to 31 January 2025 and instead provided data for the year to 31 December 2024.

In addition to the above, the Trustee contacted the Scheme's other asset manager (Columbia Threadneedle Investments) 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

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee reviews these policies as part of producing the annual IS's, focusing on the elements which relate to its stewardship priorities, to ensure it is comfortable that the policies are aligned with the Trustee's views.

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 3.1.1-3.1.2 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. The sole criterion for reaching these voting decisions is being in the best interests of the client. This is part of Pyrford's broader fiduciary responsibility to its clients."*

### 3.2 Summary of voting behaviour

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

	LGIM Low Carbon Transition Global Equity Index Fund <sup>1</sup>		Pyrford Global Total Return (Sterling) Fund
	Currency unhedged	GBP hedged	
Total size of fund at end of the Scheme Year	£5,806m	£1,688m	£716m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£4.5m / 10%	£4.5m / 10%	£7.4m / 17%
Number of equity holdings at end of the Scheme Year		2,719	64
Number of meetings eligible to vote		4,786	61
Number of resolutions eligible to vote		47,788	956
% of resolutions voted		99.8%	89.4%
Of the resolutions on which voted, % voted with management		79.5%	95.0%

Of the resolutions on which voted, % voted against management	19.5%	5.0%
Of the resolutions on which voted, % abstained from voting	1.0%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	62.2%	42.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.1%	1.8%

<sup>1</sup> Voting data for LGIM is provided over the year to 31 December 2024.

### 3.3 Most significant votes

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

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, and suggested the managers could use the PLSA's criteria for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

All commentary below 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

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 (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 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 report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

#### 3.3.1.4 Low Carbon Transition Global Equity Index Fund (Currency unhedged and GBP hedged)

Company name	Alphabet Inc.
Date of vote	07 June 2024
Stewardship priority to which the vote relates	Diversity, equity & inclusion.
Why the vote was considered significant	The vote related to one of the Trustee's stewardship priorities and was a vote against management.
Mandate holding	1.4%
Summary of the resolution	Resolution 1d: Elect Director John L. Hennessy
How you voted	LGIM voted against the resolution.
Vote in line with/against management	LGIM voted against management.
Outcome of the vote and next steps	Pass. "LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."
Rationale for the voting decision	"Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. We expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure."
Was the vote communicated to the company ahead of the vote	No.

Company name	Unilever Plc
Date of vote	1 May 2024
Stewardship priority to which the vote relates	Climate change.
Why the vote was considered significant	The vote related to one of the Trustee's stewardship priorities and was a vote in line with management.
Mandate holding	0.2%
Summary of the resolution	Resolution 4: Approve Climate Transition Action Plan
How you voted	LGIM voted for this resolution.

Vote in line with/against management	LGIM voted in line with management.
Outcome of the vote and next steps	Pass. <i>“LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.”</i>
Rationale for the voting decision	<i>“A vote FOR the CTAP [Climate Transition Action Plan] is applied as we understand it to meet LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5Å°C Paris goal. Despite the SBTi [Science Based Targets initiative] recently removing their approval of the company's long-term scope 3 target, we note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. We therefore remain supportive of the net zero trajectory of the company at this stage.”</i>
Was the vote communicated to the company ahead of the vote	No.

### 3.3.2 Pyrford Global Total Return (Sterling) Fund

Pyrford stated *“At Pyrford we believe that all proxy votes are important and aim to vote on 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 and/or could have a bearing on the decision to continue holding a stock. These could include, but not limited to, management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures.”*

Company name	Woodside Energy
Date of vote	24 April 2024
Stewardship priority to which the vote relates	Climate change.
Why the vote was considered significant	The vote related to one of the Trustee's stewardship priorities and was a vote against management.
Mandate holding	0.5%
Summary of the resolution	Approve Climate Transition Action Plan and 2023 Progress Report
How you voted	Pyrford voted against the proposal.
Vote in line with/against management	Pyrford voted against management.
Outcome of the vote and next steps	The Climate Transition Plan was opposed by 58% of the votes at the AGM. The advisory resolution did not pass. <i>“We will discuss progress with developing the plan a future meetings with the company.”</i>
Rationale for the voting decision	<i>“Woodside presented its “Climate Transition Plan and 2023 Progress Report” to shareholders in April 2024. The resolution was advisory only and is non-binding on the directors or the company, however it was designed as a means of engaging with shareholders and giving them the opportunity to signal their view on the company's climate strategy. We are broadly supportive of Woodside's efforts in reducing its emissions. The company has aspirational targets to be net zero for Scope 1 and 2 emissions by 2050 and has committed to make investments of \$5bn in new energy products and lower carbon services. We also recognise the challenges in an oil and gas company reducing its Scope 3 emissions. However, given the urgency of the requirement we felt it was appropriate to vote against the report at this meeting. In doing so we aim to signal our expectation that work continues in hardening the current “aspirations” to firm targets by accelerating work on developing new technologies and reducing their cost.”</i>

Was the vote communicated to the company ahead of the vote	No.
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