

Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024

The Trustee of the RSM UK (2006) Retirement Benefit 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, the Trustee (including the most significant votes cast by the Trustee or on its 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.

Introduction

The Trustee reviewed its voting and engagement policies during the previous Scheme Year and subsequently revised its SIP shortly after (in May 2023) to formally document changes over the year. The revised SIP reflects that the Scheme’s equity mandate has an explicit carbon intensity reduction target relative to a broad, market-capitalisation weighted index to help manage climate-related risks and incorporates some changes to the Trustee’s voting and engagement policy (including the selection of stewardship priorities).

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

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.

LCP monitors the investment managers on an ongoing basis, through regular research meetings and ad-hoc meetings where appropriate eg in response to any developments at the investment managers. LCP informs the Trustee promptly about any significant updates or events they become aware of with regard to the Scheme’s investment managers that may affect the managers’ ability to achieve their investment objectives. These updates are typically included in the regular performance reports provided by LCP or via email, and include any significant change to the investment process, key staff for any of the funds the Scheme invests in, any material change in the level of diversification in the fund or changes to the managers’ approach to ESG considerations.

The Trustee reviews LCP’s responsible investment (RI) scores for the Scheme’s managers and funds as part of its ongoing monitoring. These scores cover the approach to ESG factors, voting and engagement. The fund scores are based on LCP’s ongoing manager research programme and it is these scores that directly affect LCP’s manager and fund recommendations. The manager scores are based on LCP’s latest Responsible Investment Survey which is carried out every two years. The Trustee was satisfied with the results over the period and no further action was taken. LCP also provides information on ESG and topical issues in its quarterly investment update paper. Furthermore, the Trustee has set LCP an objective in relation to advising and assisting the Trustee on managing ESG matters and will monitor their adviser’s performance on an annual basis.

Following the introduction of DWP’s guidance, the Trustee received further training from its investment adviser on stewardship and the new guidance in February 2023. At this meeting, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific environmental, social and governance (“ESG”) factors. The Trustee discussed and agreed stewardship priorities for the Scheme which were:

- climate change;
- diversity, equity & inclusion; and
- board remuneration.

The Trustee selected these priorities as market-wide risks and areas where it believes that good stewardship and engagement can improve long-term financial outcomes for the Scheme's members. These stewardship priorities also cover each of environmental, social, and governance factors. The Trustee communicated its stewardship priorities to the Scheme's investment managers, as guidance for when managers encounter voting opportunities and engage with the funds' underlying holdings.

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.

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 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 Fund (GBP hedged and unhedged share classes);
- Pyrford Global Total Return Fund; and
- Capital Emerging Market Total Opportunities Fund.

In addition to the above, the Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Commentary provided by these managers is set out below and an example of IFM's engagement is included in section 3.4.

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 reviewed these policies in February 2023, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustee's views. The SIP was updated to reflect these changes in May 2023.

LGIM

All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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, with the aim of fully integrating engagement into the voting process and sending consistent messaging to companies.

LGIM uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares and augments its own research and proprietary ESG assessment tools. All decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure its proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions that apply to all markets globally. The Investment Stewardship team retains the ability to override any vote decisions that were based on its custom voting policy, for example due to additional information gained when engaging with a firm, and monitors votes including a regular manual check of votes that have been input on the ProxyExchange platform.

LGIM holds an annual stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the Investment Stewardship team. The views expressed at the roundtable form a key consideration in the development of LGIM's engagement policies, which are reviewed on an annual basis, with ad-hoc feedback also being taken into account.

Pyrford

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.

Pyrford has appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client proxy voting guidelines, or Pyrford's guidelines where a client does not provide their own. While Pyrford consider ISS to be providing it with a 'proxy adviser' service, Pyrford's portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines.

Capital

Capital's proxy voting process is informed by a set of proxy guidelines that are updated annually by the Guidelines Committee. The Guidelines Committee is comprised of senior members of the Investment Group. Its in-house Global Stewardship & Engagement (GSE) team researches each proxy and incorporates insights from any engagement with the company. The GSE team then provides guidance on proxy items to the Analysts, who add further commentary and finalise their recommendations. From there, the proxy may proceed for additional review by senior investment professionals in each region, known as Proxy Coordinators and Proxy Voting Committees. The process is designed to benefit from multiple decision-makers, whose collective experience brings a breadth of knowledge to the specific issues. Its proxy voting process is applied globally.

Capital Group does not outsource the execution of its internal proxy voting principles to any third-party advisory service. Capital Group uses Institutional Shareholder Services (ISS) ProxyExchange as the company's voting platform. ISS is a leading provider of proxy voting products and services to participants in the global financial markets. In addition to its proprietary proxy voting, governance and executive compensation research, Capital Group may utilise research provided by ISS, Glass-Lewis & Co. or other third-party advisory firms on a case-by-case basis.

Hayfin

Hayfin would not generally have voting opportunities for the investments in the Direct Lending Fund II which the Scheme invests in. It is possible that Hayfin might become a controlling shareholder following a restructuring, and in these cases, Hayfin would have the ability to exert direct control. However, this is not relevant for the vast majority of investments in the portfolio.

IFM

As the IFM Global Infrastructure Fund owns or co-owns unlisted Infrastructure holdings within the fund, IFM exerts its influence both through the Board seats it holds at the underlying portfolio companies and regular engagement with company management.

3.2 Summary of voting behaviour over the Scheme Year

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

In July 2023, the Trustee disinvested from the Pyrford Global Total Return Fund and transferred the proceeds to the Columbia Threadneedle Sterling Liquidity Fund. As Pyrford was not able to provide voting data for the invested period only, we have included voting data for the whole Scheme Year.

| | LGIM | Pyrford | Capital |
|--|--|--------------------------|---|
| Fund name | Low Carbon Transition Global Equity Index Fund | Global Total Return Fund | Emerging Markets Total Opportunities Fund |
| Total size of fund at end of the Scheme Year | £5,988m | £800m | £456m |
| Value of Scheme assets at end of the Scheme Year | £24.6m | - | £6.0m |
| Number of equity holdings at end of the Scheme Year | 2,838 | 64 | 117 |
| Number of meetings eligible to vote | 4,698 | 62 | 174 |
| Number of resolutions eligible to vote | 46,620 | 1,001 | 1,773 |
| % of resolutions voted | 99.9% | 94.3% | 97.1% |
| Of the resolutions on which voted, % voted with management | 78.9% | 94.6% | 93.5% |
| Of the resolutions on which voted, % voted against management | 20.8% | 5.4% | 6.0% |
| Of the resolutions on which voted, % abstained from voting | 0.3% | 0.0% | 0.5% |
| Of the meetings in which the manager voted, % with at least one vote against management | 65.3% | 60.0% | 21.1% |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | 12.0% | 3.1% | N/A* |

Figures may not sum due to rounding.

*Capital was not able to provide this data, noting that it does not rely on the recommendations of proxy research firms when voting.

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.

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, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist.

The Trustee has interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance; or
- the investment manager believes to represent a significant escalation in engagement.

The Trustee has reported on one or two of these significant votes per fund as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

Note that Pyrford did not provide information on whether votes were in line with management or whether they engaged with management beforehand for all votes, so this information has not been included below.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Low Carbon Transition Global Equity Index Fund (GBP hedged and unhedged share classes)

Amazon.com, Inc., 24 May 2023

- **Relevant stewardship priority:** Diversity, equity and inclusion
- **Fund manager vote cast:** For
- **Company management recommendation:** Against resolution
- **Outcome of the vote:** Not passed
- **Summary of resolution:** Report on Median and Adjusted Gender/Racial Pay Gaps
- **Rationale for the voting decision:** A vote in favour was applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
- **Approximate size of the mandate's holding at the date of the vote:** 1.7%
- **The reason the Trustee considered this vote to be "most significant":** Relates to one of the Trustee's chosen stewardship priorities: Diversity, equity and inclusion.
- **Next steps:** LGIM will continue to engage with the company and monitor progress.

JPMorgan Chase & Co, 16 May 2023

- **Relevant stewardship priority:** Climate change
- **Fund manager vote cast:** For
- **Company management recommendation:** Against resolution
- **Outcome of the vote:** Not passed
- **Summary of resolution:** Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
- **Rationale for the voting decision:** LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
- **Approximate size of the mandate's holding at the date of the vote:** 0.7%
- **The reason the Trustee considered this vote to be "most significant":** Relates to one of the Trustee's chosen stewardship priorities: Climate change.
- **Next steps:** LGIM will continue to engage with the company and monitor progress.

Pyrford Global Total Return Fund

Intel Corp, 11 May 2023

- **Relevant stewardship priority:** Board remuneration
- **Fund manager vote cast:** Against resolution
- **Outcome of the vote:** Passed
- **Summary of resolution:** Amend Omnibus Stock Plan
- **Rationale for the voting decision:** Management should be incentivised to improve the operational performance of the company and only really benefit if meaningful shareholder value is created. With the share price at current levels this is yet to be achieved. The option for management to amend the OSP, as well as the cost of the program, loose change-in-control language and the option for accelerated vesting all warranted a vote against this proposal. Management and shareholder interests should be closely aligned and warrant close future monitoring.
- **Approximate size of the mandate's holding at the date of the vote:** 0.1%
- **The reason the Trustee considered this vote to be "most significant":** Relates to one of the Trustee's chosen stewardship priorities: Board remuneration.
- **Next steps:** Where it is deemed necessary to follow up, Pyrford's portfolio managers will do so directly through a process of direct engagement with the company. Pyrford notes that in most cases, follow up is not required.

Capital Emerging Market Total Opportunities Fund

Anheuser-Busch InBev SA/NV, 26 April 2023

- **Relevant stewardship priority:** Board Remuneration
- **Fund manager vote cast:** Against resolution
- **Company management recommendation:** For resolution
- **Outcome of the vote:** Passed
- **Summary of resolution:** Approve Remuneration Report
- **Rationale for the voting decision:** Insufficient disclosure on director remuneration.
- **Approximate size of the mandate's holding at the date of the vote:** 0.4%
- **The reason the Trustee considered this vote to be "most significant":** Relates to one of the Trustee's chosen stewardship priorities: Board Remuneration.
- **Next steps:** Capital Group will continue to engage with the company regarding their vote rationale, in order to provide better outcomes for shareholders.

Tencent Holdings Limited, 17 May 2023

- **Relevant stewardship priority:** Board remuneration
- **Fund manager vote cast:** Against resolution
- **Company management recommendation:** For resolution
- **Outcome of the vote:** Passed
- **Summary of resolution:** Authorise Board to fix Remuneration of Directors

- **Rationale for the voting decision:** Director Compensation is too generous.
- **Approximate size of the mandate's holding at the date of the vote:** 1.4%
- **The reason the Trustee considered this vote to be "most significant":** Relates to one of the Trustee's chosen stewardship priorities: Board Remuneration.
- **Next steps:** Capital Group will continue to engage with the company regarding their vote rationale, in order to provide better outcomes for shareholders.

3.4. Engagement in relation to assets other than listed equity

IFM Global Infrastructure Fund

Veolia Energia Polska ("VEP").

- **Relevant stewardship priority:** Climate change
- **Engagement:** "A 40% stake in Veolia Energia Polska was acquired in March 2006. IFM engages with Veolia through its active management approach, either at the Board level where it has two seats, or through frequent direct interactions with VEP management. Through IFM's active management, Veolia has committed to transitioning away from coal, and in doing so, seeks to support Poland's transition towards a cleaner energy mix. VEP's strategy sees an estimated 40% reduction in tonnes of CO₂e by 2030. The strategy focuses on future-proofing energy generation assets for use with lower emissions fuels, while increasing output to support a lower coal energy mix."
- **Outcomes and next steps:** "The development of the new gas-fired combined heat and power plants ("CHPs") at Poznan and Lodz, to replace existing coal facilities, is progressing. In September 2023, Veolia Poznan held a ceremony for the construction of its gas units in the presence of the mayor, and Veolia Lodz is currently awaiting binding EPC offers. In December 2023, at Veolia Poznan turbines were delivered on site and key equipment assembly has started. Veolia Lodz was analysing EPC offers received. Gas supply is not expected to be an issue as Poland has been diversifying its sources with an LNG terminal and pipeline with Norway. Looking to the future, phase two of VEP's transition plan is for the remaining energy generation capacity to switch to biomass by 2029. IFM believes conversion plans at VEP will create new employment opportunities. To maximise the benefits of the transition and minimise the impacts on activity, workers and their communities, IFM anticipates that specific training plans will be created to redeploy the headcount where needed."