



# Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023

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.

## 1. Introduction

The Trustee reviewed its voting and engagement policies during the Scheme Year and subsequently revised its SIP shortly after the Scheme Year end (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.

## 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.

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 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.

Following a training session on climate-related risks, the Trustee decided to review the Scheme's passive equity mandate and consider switching it to climate-tilted passive equity funds to reduce the Scheme's overall exposure to climate-related risks. A working group met with LGIM and LCP in March 2022 to discuss the LGIM Low Carbon Transition Equity Fund (climate-tilted passive equity funds). Voting and engagement were considered as part of LCP's recommendation and were discussed during the meeting. The Trustee subsequently agreed to switch the Scheme's equity holdings to the LGIM Low Carbon Transition Equity Fund and implemented this change between August and September 2022.

### 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 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);
- LGIM World (ex UK) Equity Index Fund (GBP hedged and unhedged share classes);
- LGIM UK Equity Index Fund;
- LGIM World Emerging Markets Equity Index Fund;
- 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.

#### 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 (ie shortly after the Scheme Year).

#### 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, in line with Pyrford’s broader fiduciary responsibility to its clients.

Pyrford has appointed ISS Proxy Voting Services to monitor meeting data and to produce a voting schedule based upon Pyrford’s bespoke proxy voting guidelines. While Pyrford considers ISS to be providing 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 votes according to its internal proxy voting guidelines and does not typically follow any outside entity's guidelines. Capital votes on proxies provided there is sufficient time and information available. After a proxy is received, a summary of the proposals contained in the proxy is prepared and a discussion of any potential conflicts of interest is included in the summary. The proxy summary and voting recommendations are typically prepared by the relevant investment analyst(s) and proxy coordinators and made available to the appropriate proxy voting committee for a final voting decision. Proxies for the funds are voted by the appropriate investment committee of Capital’s equity investment divisions under delegated authority. Therefore, if more than one fund invests in the same company, certain funds may vote differently on the same proposal.

ISS is used for electronic vote execution services only; Capital does not follow proxy advisers' vote recommendations in order to reach its own vote decision. Each proxy ballot is reviewed by the Governance and Proxy team who facilitate the proxy voting process. Capital relies primarily on its own proprietary research in evaluating companies. For supplementary analysis of resolutions at shareholder meetings, Capital may review proxy research from third party vendors. Voting decisions are made according to its internal voting policies and investment analysts’ recommendations, with the final decision being made by the Proxy Voting Committee of the relevant division who oversee the voting process.

## **Hayfin**

Hayfin would not generally have voting opportunities for the investments in the Direct Lending Fund II which the Scheme invested 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 IFM does not currently hold any listed investments across the IFM Global Infrastructure Fund portfolio companies and due to confidentiality restrictions with regards to voting on matters in private companies, IFM does not periodically report on voting matters. With regards to the voting and engagement activities in respect of its private investments, IFM’s influence is made directly by IFM through its Board representation on the underlying portfolio companies rather than through any form of proxy voting.

## **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.

Between August and September 2022, the Trustee switched its equity holdings from the LGIM World (ex UK), UK Equity and World Emerging Markets Equity Index Funds to the LGIM Low Carbon Transition Global Equity Index Fund. As LGIM was not able to provide voting data for invested period only, we have included voting data for the whole Scheme Year.

	<b>LGIM</b>	<b>LGIM</b>	<b>LGIM</b>	<b>LGIM</b>	<b>Pyrford</b>	<b>Capital</b>
Fund name	LGIM World (ex UK) Equity Index Fund	UK Equity Index Fund	World Emerging Markets Equity Index Fund	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	£6,387m	£13,897m	£4,389m	£4,139m	£1,534m	£453m
Value of Scheme assets at end of the Scheme Year	-	-	-	£20.0m	£4.1m	£5.5m
Number of equity holdings at end of the Scheme Year	3,203	541	1,679	2,791	62	119
Number of meetings eligible to vote	3,008	733	4,231	4,828	64	165
Number of resolutions eligible to vote	36,202	10,870	36,506	50,462	1,015	1,719
% of resolutions voted	99.8%	99.9%	99.9%	99.9%	90.9%	99.0%
Of the resolutions on which voted, % voted with management	77.6%	94.5%	79.5%	79.0%	95.0%	92.1%
Of the resolutions on which voted, % voted against management	21.7%	5.5%	18.4%	19.9%	5.0%	5.0%
Of the resolutions on which voted, % abstained from voting	0.8%	0.0%	2.1%	1.2%	0.0%	2.9%
Of the meetings in which the manager voted, % with at least one vote against management	77.1%	37.9%	53.9%	66.1%	39.1%	25.8%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15.1%	4.2%	6.8%	11.1%	1.4%	N/a <sup>1</sup>

Figures may not sum due to rounding.

<sup>1</sup> 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 criteria<sup>1</sup> 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 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.

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

The managers 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.

## LGIM World (ex UK) Equity Index Fund (GBP hedged and unhedged share classes)

### Alphabet Inc, 1 June 2022

- **Relevant stewardship priority:** Climate change.
- **Vote cast:** For.
- **Outcome of the vote:** Not passed.
- **Summary of resolution:** Report on physical risks of climate change.
- **Rationale for the voting decision:** A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- **Approximate size of the mandate's holding at the date of the vote:** 1.1%
- **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 its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

## LGIM UK Equity Index Fund

### Royal Dutch Shell Plc, 24 May 2022

- **Relevant stewardship priority:** Climate change.
- **Vote cast:** Against.
- **Outcome of the vote:** Passed.
- **Summary of resolution:** Approve the Shell energy transition progress update.
- **Rationale for the voting decision:** A vote against was applied, though not without reservations. LGIM acknowledged the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.
- **Approximate size of the mandate's holding at the date of the vote:** 6.7%
- **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 its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

## LGIM World Emerging Markets Equity Index Fund

### Meituan, 18 May 2022

- **Relevant stewardship priority:** Diversity, equity and inclusion.
- **Vote cast:** Against.
- **Outcome of the vote:** Passed.
- **Summary of resolution:** Elect Wang Xing as Director.
- **Rationale for the voting decision:** A vote against was applied as LGIM expects a company to have at least one female on the board. LGIM also expects the roles of Chair and CEO to be separate as it believes the two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
- **Approximate size of the mandate's holding at the date of the vote:** 1.3%
- **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:** The resolution was passed, and LGIM will continue to engage with its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

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

### Costco Wholesale Corporation, 19 January 2023

- **Relevant stewardship priority:** Diversity, equity and inclusion.
- **Vote cast:** Against.
- **Outcome of the vote:** Passed.
- **Summary of resolution:** Elect Director Jeffrey S. Raikes.
- **Rationale for the voting decision:** A vote against was applied as LGIM expects a company to have at least one-third women on the board and as the company has an all-male Executive Committee. LGIM also expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
- **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: diversity, equity and inclusion.
- **Next steps:** LGIM will continue to engage with its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

## Pyrford Global Total Return Fund

### Texas Instruments Inc, 28 April 2022

- **Relevant stewardship priority:** n/a
- **Vote cast:** For.
- **Outcome of the vote:** Not passed.
- **Summary of resolution:** Reduce Ownership Threshold for Shareholders to Call Special Meeting.
- **Rationale for the voting decision:** Pyrford voted for this proposal (against management's recommendation) as lowering the threshold to call special meetings would enhance the rights of shareholders.
- **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":** Reported by Pyrford as a significant vote. Relates to corporate governance rather than any of the Trustee's explicit stewardship priorities.
- **Next steps:** The portfolio manager would decide whether to follow up with the company directly.

## Capital Emerging Market Total Opportunities Fund

### Varun Beverages Limited, 7 April 2022

- **Relevant stewardship priority:** Board remuneration.
- **Vote cast:** Against.
- **Outcome of the vote:** Passed.
- **Summary of resolution:** Approve payment of profit related commission to non-executive directors.
- **Rationale for the voting decision:** Insufficient disclosure on director remuneration.
- **Approximate size of the mandate's holding at the date of the vote:** 0.3%
- **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 will continue to engage with the company regarding their vote rationale, to provide better outcomes for shareholders.