

Implementation Statement, covering the Plan Year from 1 January 2021 to 31 December 2021

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

The Statement is also required to include a description of the voting behaviour during the Plan 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.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Plan Year. The last time these policies were formally reviewed was June 2021, when the SIP was updated to reflect investment de-risking actions.

The Trustee has, in its opinion, followed the Plan’s voting and engagement policies during the Plan Year, by continuing to delegate to 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.

2. Voting and engagement

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

Over the Plan Year, the Trustee invested in new funds with Legal & General (the “Matching Core” LDI range). As part of this decision, Legal & General’s approach to selecting and monitoring trading counterparties was considered and determined as both high quality and aligned with the Trustee’s own policies.

3. Description of voting behaviour during the Plan Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to the 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 Plan Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Plan’s funds that held equities. As at 31 December 2021, this was relevant for the Legal & General Dynamic Diversified Fund.

Over the Plan Year, the Trustee fully redeemed from its pooled equity fund holdings as part of investment de-risking actions. As such, voting data for these funds have not been included.

In addition to the above, the Trustee contacted the Plan’s other asset managers that don’t hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the period.

This included the, the Legal & General Active Corporate Bond – All Stock Fund, Legal & General Active Corporate Bond – Over 10 Years Fund, a range of Legal & General LDI and Cash Funds, a range of Legal & General Gilt Funds, and a range of Legal & General Index-Linked Gilt Funds. LGIM confirmed that there were no voting opportunities in relation to these funds over the period in question and, as such, these funds have been omitted from the Statement.

3.1 Description of the voting processes

Legal and General Investment Management (“LGIM”)

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

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the

Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

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. This ensures LGIM's 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.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position on ESG, it has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with LGIM's voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

3.2 Summary of voting behaviour over the Plan Year

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

	LGIM Dynamic Diversified Fund
Total size of fund at end of reporting period	£2,808m
Value of Plan assets at end of reporting period	£15.1m
Number of equity holdings at end of reporting period	6,669
Number of meetings eligible to vote	5,834
Number of resolutions eligible to vote	59,616
% of resolutions voted	99.8%
Of the resolutions on which voted, % voted with management	80.8%
Of the resolutions on which voted, % voted against management	18.3%
Of the resolutions on which voted, % abstained from voting	0.9%
Of the meetings in which the manager voted, % with at least one vote against management	62.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.8%

3.3 Most significant votes over the Plan Year

Commentary on some of the most significant votes over the period is set out below, including those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor; and
- have a high media profile or are seen as being controversial.

Legal & General Dynamic Diversified Fund

Recruit Holdings Co., Ltd, Japan, June 2021

LGIM voted against the proposal to amend articles to allow virtual only shareholder meetings. A vote against this proposal is warranted because Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal will authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. Also, the proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.

83.8% of shareholders supported the resolution. Despite this, LGIM will continue to engage on this important ESG issue.

Mitsubishi UFJ Financial Group, Inc. , Japan, June 2021

LGIM voted for the proposal to amend articles to disclose the plan outlining the company's business strategy to align investments with the goals of the Paris Agreement. LGIM voted in favour of this shareholder proposal as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively notes the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and believe the shareholder proposal provides a good directional push.

22.7% of shareholders supported this proposal, however LGIM will continue to engage with the company on this issue.

Facebook, Inc. , USA, May 2021

LGIM voted to withhold the proposal to re-elect Director Mark Zuckerberg. 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 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has voted against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and LGIM has reinforced its position on leadership structures across its stewardship activities – eg, via individual corporate engagements and director conferences.

97.2% of shareholders supported the re-election of combined chair and CEO Mark Zuckerberg. Despite this, LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.