

Implementation Statement, covering the Scheme Year from 1 January 2023 to 31 December 2023

The Trustee of the Castle 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 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 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

The SIP was formally reviewed and updated during the Scheme year, in December 2023, to include additional wording around stewardship in relation to DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and Implementation Statement, which expects trustees to take a more active role in monitoring and engaging with managers on stewardship.

The SIP was also updated to include a new climate-related investment belief. The accompanying SIP Addendum was updated to reflect the Trustee’s new stewardship priorities and monitoring process in line with DWP’s new guidance, as well as the inclusion of climate risk as a separate risk to help strengthen the Trustee’s approach to climate change. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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

2. Voting and engagement

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are listed in the link below for L&G, the Scheme’s only investment manager which held listed equities at year end.

- [LGIM Vote Disclosures \(issgovernance.com\)](#)

However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with its 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.

Following the introduction of DWP’s guidance, the Trustee set the following stewardship priorities, to focus monitoring and engagement with its investment managers on specific ESG factors:

- Pollution
- Human Rights
- Remuneration

These priorities were selected as the Trustee believes that poor management of these factors could have a material impact on the financial performance of a company.

The Trustee communicated these priorities to its managers in March 2023. Each manager confirmed that the Trustee's stewardship priorities were key areas of engagement for them and has provided the Trustee with examples of how they are managing ESG risks relating to its priorities in their portfolios.

The Trustee reviews case studies of the managers' votes and engagement activities which relate to the Trustee's stewardship priorities on a quarterly basis, through their ongoing investment monitoring. This helps the Trustee to better understand its managers' different approaches to voting and engagement and form a view on their appropriateness for the Scheme. Over the year the Trustee reviewed 10 different case studies across three of their managers covering all three priorities. As a result of these case studies, the Trustee was provided comfort that their managers are taking action in relation to their priorities and has used them to help challenge managers on engagement when they have presented to the Trustee over the year. The Trustee also received case studies relating to each of their managers' engagement on climate change, another key ESG risk highlighted in their SIP.

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

The Trustee reports on LCP's responsible investment (RI) scores for the Scheme's managers and funds in its quarterly performance monitoring reports. These scores cover the managers' approaches to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores are based on LCP's Responsible Investment Survey 2022. In addition to this, as part of the Trustee's quarterly review of the Scheme's investments, LCP highlights to the Trustee whether there have been any developments in this area that require the Trustee's attention. The Trustee was comfortable with the manager and fund scores over the year and no further action was taken.

A sub-set of Trustee Directors sit on a Joint Investment Sub-Committee ("JISC") comprising of Trustees from three schemes associated with the sponsoring employer. The JISC regularly invites the Scheme's investment managers to present at Trustee meetings. Over the year, the JISC met with CTI and Insight to discuss the Scheme's investments and, where relevant, discussed the managers' approaches to ESG and climate risk management. The JISC was comfortable with the managers' approaches.

The Trustee undertakes a review of its managers' voting and engagement practices on an annual basis. During the year, a review was carried out in May 2023 and included a summary of the managers' voting and engagement policies and summary statistics for their voting and engagement over the previous Scheme year where available.

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 year. However, the Trustee monitors managers' voting and engagement behaviour on a quarterly basis and will challenge managers if their activity has not been in line with the Trustee's expectations.

Over the year, the Scheme held listed equities in the L&G World Equity Index Fund. In this section we have sought to include voting data on this fund in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance.

The underlying holdings of the IFM Global Infrastructure fund are primarily private equity investments rather than public listed equities. However, IFM may invest in listed equity assets from time-to-time to help gain long-term strategic positions. IFM holds board seats for all investments in their fund (including listed equity assets) and uses these positions to help influence their portfolio companies. We have omitted data relating to IFM's listed equity investment on materiality grounds since they are only a small proportion of the Scheme's total equity holdings and given IFM's position on the board of these companies.

In addition to the above, the Trustee contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. The Scheme's other investment managers confirmed that there were no voting opportunities for their funds over the period.

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 its managers' stewardship activities in relation to their stewardship priorities on a quarterly basis and is comfortable that actions taken by the managers over the year were aligned with the Trustee's views.

A summary of L&G's voting processes

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all L&G clients. L&G's voting policies are reviewed annually and take into account feedback from clients. Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team.

All voting decisions are made by L&G's Investment Stewardship team and in accordance with L&G's 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 L&G's stewardship approach flows smoothly and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

L&G's Investment Stewardship team uses International Shareholder Services ("ISS")'s electronic voting platform to electronically vote using clients' shares. All voting decisions are made by L&G and no part of the strategic decision-making process is outsourced. L&G's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. L&G also use research reports from Institutional Voting Information Services to supplement the reports it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with L&G's position on ESG, L&G have put in place a custom voting policy with specific voting instructions. L&G retains the ability in all markets to override any vote decisions. L&G has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

In determining significant votes, L&G takes into account the criteria provided by the PLSA guidance. This includes but is not limited to:

- a 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 to L&G at its stakeholder roundtable event, or where there is a significant increase in requests on a particular vote;
- a sanction vote as a result of a direct or collaborative engagement; and
- a vote linked to an L&G engagement campaign.

It is vital that the proxy voting service are regularly monitored and L&G does this through quarterly due diligence meetings with ISS. L&G has its own internal Risk Management System (RMS) to provide effective oversight of key processes.

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

3.2 Summary of voting behaviour over the year

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

L&G – World Equity Index Fund	
Manager name	Legal and General Investment Management (“L&G”)
Fund name	World Equity Index Fund
Total size of fund at end of reporting period (£m)	£1,716.6m
Value of Scheme assets at end of reporting period (£m)	£12.2m
Number of equity holdings at end of reporting period (£m)	2,945
Number of meetings eligible to vote	3,055
Number of resolutions eligible to vote	37,810
% of resolutions voted	99.9%
Of the resolutions on which voted, % voted with management	78.9%
Of the resolutions on which voted, % voted against management	20.9%
Of the resolutions on which voted, % abstained from voting	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	75.5%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15.4%

3.3 Most significant votes over the year

Commentary on the most significant votes over the period from L&G with respect to its World Equity Index Fund is set out below.

In March 2023, the Trustee communicated its Stewardship priorities to its investment managers to help inform them of their stewardship priorities and highlight which votes it considers significant for the year ahead. By informing its investment managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its investment managers will understand how it expects them to vote on issues for the companies they invests in on its behalf.

L&G have provided multiple examples of their most significant votes over the year. The Trustee has selected three votes by L&G over the year, each based on one of the stewardship priorities set by the Trustee.

Fisher & Paykel Healthcare Corporation, August 2023

- **Relevant stewardship priority:** Remuneration
- **Vote:** Against resolution
Outcome of the vote: Passed
Management recommendation: For resolution
- **Summary of resolution:** Approve Increase in Maximum Remuneration of Non-Executive Directors (“NEDs”).
- **Rationale for the voting decision:** The proposed NED fee pool increase was substantial. Concerns were highlighted that the level of chair and NED fees were higher than New Zealand market capitalisation peers. The proposed increase in NED fee cap would allow the company to increase individual fees which would further contribute to put NED fees at this company well above its NZX-listed market capitalisation peers.
- **Approximate size of the fund’s holding at the date of the vote:** 0.01%
- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to Remuneration, which is one of the Trustee’s chosen stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome and next steps:** The outcome of the vote was not in line with the manager’s vote. L&G will continue to engage with the company and monitor progress.

Yum! Brands Inc, May 2023

- **Relevant stewardship priority:** Pollution
- **Vote:** For resolution.
Outcome of the vote: Not passed.
Management recommendation: Against resolution.
- **Summary of resolution:** Report on efforts to reduce plastic use.
- **Rationale for the voting decision:** The issue at stake in this resolution was plastic pollution and transparency around the company’s efforts to reduce plastic use, as L&G felt that the company had not aligned with industry recommended targets for reducing use of single-use plastics. L&G believes that improving the recyclability of products will have a positive impact on climate change and biodiversity.
- **Approximate size of the fund’s holding at the date of the vote:** 0.06%
- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to Pollution, which is one of the Trustee’s chosen stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome and next steps:** The outcome of the vote was not in line with the manager’s vote. L&G will continue to engage with the company and monitor progress.

Amazon Inc, May 2023

- **Relevant stewardship priority:** Human Rights.
- **Vote:** For resolution.
Outcome of the vote: Not passed.
Management recommendation: Against resolution.
- **Summary of resolution:** Perform a third party audit on working conditions.
- **Rationale for the voting decision:** Amazon has received this proposal for a second time and has not performed a third party audit on working conditions, despite strong support for the resolution last year. LGIM believes Human Rights issues pose an important risk to investee companies and so this warranted a vote in favour of the resolution.
- **Approximate size of the fund's holding at the date of the vote:** 1.63%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to Human Rights, which is one of the Trustee's chosen stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. L&G will continue to engage with the company and monitor progress.