

Implementation Statement, covering the Scheme Year from 1 January 2024 to 31 December 2024

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 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

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 in December 2023.

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 listed equity manager.

- [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 eleven different case studies across three of its managers covering all three priorities. As a result of these case studies, the Trustee was provided comfort that its managers are taking action in relation to its priorities. The Trustee has used these case studies to help challenge its managers on engagement when they have presented to the Trustee over the year. The Trustee also received case studies relating to each of its managers’ engagement on climate change, another key ESG risk highlighted in its SIP.

Engagement Case Study – pollution and waste

Manager	Insight
Asset class	Buy and Maintain bonds
Company	BASF SE
Engagement Subject	Scope 3 emissions, water management and disclosures of hazardous chemicals in the issuer's product footprint.
Outcome of engagement	<p>Water: The issuer operates in an industry which has high water impacts. Insight conducted mapping using the World Resources Institute Aqueduct tool to identify sites which operate in areas of high water risk, around 25% of BASF's sites are in areas of high water stress. BASF's reporting on water is fairly strong, and the company is rated an A- in its CDP water questionnaire. Following its review Insight are comfortable the issuer has comprehensive reporting in this area.</p> <p>Hazardous chemicals: On the issues surrounding pollutants Insight asked the issuer if it has a timebound commitment to phase its use of hazardous and persistent chemicals in its product portfolio. The issuer responded that it is engaging with Chemsec (a non-profit environmental organisation), but that it has a different view on hazardous chemicals than the organisation. For example, Chemsec have penalised the issuer's score for certain chemicals in the product portfolio which the issuer doesn't produce, but Chemsec want the issuer to make a public statement. Insight continue to engage on the issue.</p>

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, the most recent published in 2024. 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 IFM, 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 2024 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.

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, on the Scheme's fund that holds listed equities, as follows:

- L&G World Equity Index Fund.

We have omitted the IFM Global Infrastructure Fund on materiality grounds. 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.

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 reviewed these policies in May 2024, focussing on the elements which relate to its stewardship priorities and is comfortable that the policies are 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 uses research reports from Institutional Voting Information Services ("IVIS") 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 has 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 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

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)	£1,629.3m
Value of Scheme assets at end of reporting period (£m)	£14.3m
Number of equity holdings at end of reporting period (£m)	2,840
Number of meetings eligible to vote	2,912
Number of resolutions eligible to vote	35,761
% of resolutions voted	99.7%
Of the resolutions on which voted, % voted with management	79.3%
Of the resolutions on which voted, % voted against management	20.4%
Of the resolutions on which voted, % abstained from voting	0.3%
Of the meetings in which the manager voted, % with at least one vote against management	74.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14.9%

3.3 Most significant votes

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 invest in on its behalf.

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

Tesla, Inc., June 2024	
Relevant stewardship priority	Remuneration
Vote	Against resolution
Outcome of the vote:	Passed
Management recommendation	For resolution
Summary of resolution	Advisory vote to ratify named executive officers' compensation
Rationale for the voting decision	L&G believes that the approved remuneration policy should be sufficient to retain and motivate executives. L&G had concerns that one executive was granted an outsized, time-based stock option award upon his promotion, the magnitude and design for which were not adequately explained. The grant did not require the achievement of pre-set performance criteria and L&G felt the value considered to be excessive.

Approximate size of the fund's holding at the date of the vote	0.71%
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 L&G's vote. L&G will continue to engage with the company and monitor progress.

Amazon.com, Inc., May 2024	
Relevant stewardship priority	Human Rights
Vote	For
Outcome of the vote:	Failed
Management recommendation	Against
Summary of resolution	Report on Customer Due Diligence
Rationale for the voting decision	<p>Enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation.</p> <p>Amazon is one of the largest companies and employers not only within its sector but in the world. L&G believes that Amazon's approach to human capital management issues has the potential to drive improvements across both its industry and supply chain.</p> <p>While the company has disclosed that it internally reviews material human rights risks these for its products (RING doorbells and Rekognition) and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.</p> <p>Despite this, Amazon's coverage and reporting of risks falls short of L&G's baseline expectations surrounding AI. In particular, it would welcome additional information on the internal education of AI and AI-related risks.</p>
Approximate size of the fund's holding at the date of the vote	2.4%
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. Amazon is also one of the largest holdings in the index.
Was the vote communicated to the company ahead of the vote	Yes
Outcome and next steps	L&G voted in favour of this proposal last year and continue to support this request, as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. L&G will continue to engage with Amazon on the issue, publicly advocate its position on the issue and monitor company and market-level progress.

We also contacted the Scheme's equity manager, L&G, to provide examples on any votes conducted over the year related to pollution and waste, which is one of the Trustee's stewardship priorities. L&G have confirmed that no votes were cast over the year specific to pollution and waste. However, L&G confirmed it had engaged with several of its portfolio companies over the year on the theme of pollution and waste. For example, L&G engaged with

Macquarie Group Ltd and RWE AG at their company meetings in February and November 2024 respectively. The Trustee will continue to encourage L&G to engage on its chosen stewardship priorities.