

Implementation Statement for the year ended 30 June 2023 for the W.A. Fairhurst & Partners Staff Pension Fund

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee has followed the policies documented in its Statement of Investment Principles ("SIP") in relation to the exercising of rights (including voting rights), attached to the Fund's investments, and engagement activities during the year ended 30 June 2023 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustee's policies in relation to the responsible investment of the Fund's assets are documented in their Statement of Investment Principles ("SIP"). The latest version of this document is dated December 2022. The Trustee's responsible investment policies cover two broad areas:

1. The consideration of environmental, social and governance ('ESG') considerations into investment decision making
2. The effective and appropriate stewardship of the Fund's assets including voting rights (where applicable) and engagement activities

The Trustee's SIP is reviewed at least every 3 years, or sooner if there are any material changes to any of the Trustee's policies or changes to the Fund's strategic investment allocation.

The Trustee's policies in relation to ESG and stewardship of assets

The Trustees believe that there can be financially material risks relating to environmental, social and governance ('ESG') issues. The Trustee's policies in relation to ESG and stewardship of assets are documented in their SIP. The latest version of the SIP is dated December 2022.

The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Fund's investment manager (Legal and General Investment Management). The Trustee requires the Fund's investment manager to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest, and the investment management approach (i.e. active v passive management).

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to Fund's investments to the investment manager and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which the Trustee applies its policies on ESG and stewardship of assets is via investment manager selection exercises. When considering the appointment of a new investment manager the Trustee will seek advice from its investment advisor on the extent to which the Trustee's views on ESG and climate change risks are being taken into account by the investment manager.

In September 2022, the Trustee made significant changes to the Fund's strategic asset allocation by fully redeeming the Fund's holdings in the LGIM Diversified Fund, using the proceeds to increase exposure to the existing pooled corporate bond fund as well as making an investment in a selection of pooled gilt funds. The new pooled gilt funds invest in single maturity gilts on a 'buy and hold' basis. Due to the simplicity of this investment the Trustee did not undertake an extensive manager selection exercise. ESG and stewardship of assets has very limited application when investing in buy and hold gilts and therefore this was not a significant area considered by the Trustee prior to making this investment.

Ongoing governance

The Trustee, with the assistance of its investment adviser, XPS Investment Limited ("XPS"), monitors the processes and operational behaviour of the investment manager from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in the SIP. Further, the Trustee has set XPS the objective of ensuring that any selected managers reflect the Trustee's views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustee believes that its approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. The Trustee has not, to date, introduced specific stewardship priorities, however this is an area that it will discuss from time to time with the Fund's investment advisor and the Trustee's policies may evolve accordingly.

As set out further in the below section titled 'voting activity', as at 30 June 2023 the Fund no longer holds any investments which carry voting rights.

Adherence to the Statement of Investment Principles

During the reporting year the Trustee is satisfied that it followed its policies on ESG and stewardship of assets to an acceptable degree.

Voting activity

The main asset class where the Fund's investment manager will have voting rights is equities. As at 30 June 2023, the Fund had no exposure to equity assets through the pooled funds it invests in. However, equity assets did form part of the LGIM Diversified Fund, which the Fund held up until September 2022 (within the reporting year). Therefore, a summary of the voting behaviour and most significant votes cast by LGIM in respect of the Diversified Fund is shown below.

Note that the voting information has been provided by LGIM and the Trustee, with the support of XPS, has selected five significant votes on the basis they are linked to key ESG issues including, but not limited to; climate change, other climate issues such as natural capital; executive remuneration; governance; independence; modern slavery or other factors such as the size of the holding.

Please note that all information provided on voting activity set out below has been written by LGIM, and this is reflected in the use of "we/us" throughout. Any views expressed are not necessarily those of the Trustee.

LGIM Diversified Fund

The manager voted on 99.8% of resolutions of which they were eligible out of 92,836 eligible votes.

Investment Manager Client Consultation Policy on Voting

LGIM'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 our clients. Our voting policies are reviewed annually and take into account feedback from our 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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 our 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.

How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure that it continues to help its clients in fulfilling their reporting obligations. LGIM believe public transparency of LGIM's vote activity is critical for clients and interested parties to hold them to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what is deemed 'material votes'. LGIM are evolving their approach in line with the new regulation and are committed to provide clients access to 'significant vote' information. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- 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 by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote.
- Sanction vote as a result of a direct or collaborative engagement.
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provide information on significant votes in the format of detailed case studies in its quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. LGIM also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. LGIM publicly discloses its vote instructions on LGIM's website.

Does the manager utilise a Proxy Voting System? If so, please detail

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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Voting Subject	How LGIM Vote?	Result
American Tower Corporation	Resolution 1f - Elect Director Robert D. Hormats	Against management recommendation	98% (Pass)
Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.			
Toyota Motor Corp.	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	For shareholder resolution	15.1% (Fail)

LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.

Shell Plc	Resolution 25 - Approve the Shell Energy Transition Progress	Against management recommendation	80% (Pass)
Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory.			
Tencent Holdings Limited	Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director	Against management recommendation	88% (Pass)
Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.			
Public Storage	Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For shareholder resolution	35% (Fail)
Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.			

Signed: _____, Chair of Trustee

Date: _____