



RLC Langford Lodge Limited Section of the Pensions Master Plan

Implementation Statement for the year ended 31 March
2023

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Introduction

This Implementation Statement (the "Statement") has been prepared by the Trustee (the "Trustee") of the RLC Langford Lodge Limited Section of the Pensions Master Plan (the "Section") to demonstrate how the Trustee has acted on certain policies within the Statement of Investment Principles ("SIP").

This Implementation Statement covers the Section year from 1 April 2022 to 31 March 2023 and has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit ("DB") investments held by the Section.

Trustees of pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including (where applicable) a description of their voting behaviour, the most significant votes cast and any use of proxy voting on their behalf over the year.

SIP policies

This Implementation Statement should be read in conjunction with the Section's SIP covering the year under review, which provides details of the Section's investment policies along with details of the Section's governance structure and objectives.

The Section's SIP includes policies on:

- How "financially material considerations" including environmental, social and governance ("ESG") considerations, are taken into account when making investment decisions for the Section.
- The extent to which non-financial matters are taken into account in the investment decision-making process.
- Stewardship and voting policies, including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders) on relevant matters (including performance, strategy, risks, corporate governance, ESG, capital structure and the management of actual or potential conflicts of interest).
- A policy on monitoring the Section's asset managers, particularly concerning financial arrangements and ESG factors.
- A policy covering the duration of arrangements with the Section's investment manager.

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Section year-end and the extent to which the Trustee believes the policies within the SIP have been followed.

The Section was invested in pooled funds managed by Legal & General Investment Management ("LGIM", or the "Investment Manager") over the period from 1 April 2022 to 31 March 2023.

The Section's SIP states the following policies on the exercise of voting rights and engagement activities related to their investments:

- The Trustee's policy is to invest in pooled investment vehicles. It is the investment manager that is responsible for the policy on taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.
- The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Section's investments and the likelihood that the Section's objectives will be achieved.
- The Trustee, in consultation with their Investment Advisor, has reviewed the ESG and stewardship policies of the investment managers and are comfortable that these policies are consistent with their views.

Description of voting behaviour

The Section's voting behaviour over the Section year is summarised below.

Over the year to 31 March 2023, the Section held the following pooled fund investments, all managed by LGIM:

- a UK equity fund,

- a sterling hedged all-world equity fund.
- a AAA-AA-A UK corporate bond fund,
- a managed property fund,
- leverage liability driven investment (“LDI”) funds.

The Section therefore had investments which carried voting rights within the LGIM UK Equity Index Fund and the LGIM All World Equity Index – GBP Hedged Fund, which the Trustee were invested in throughout the Section year.

The table below shows LGIM’s voting summary covering the Section’s investment in the UK Equity Index Fund over the year to 31 March 2023.

LGIM UK Equity Index Fund (£1.5m or c. 26% of total Section assets as at 31 March 2023)	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	733
Number of resolutions LGIM was eligible to vote on over the year	10,870
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	94.5%
Of the resolutions voted, percentage that LGIM voted against management.	5.5%
Of the resolutions voted, percentage where LGIM abstained .	0.0%
Percentage of eligible meetings where LGIM voted at least once against management.	37.9%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	4.2%

Note: Totals may not sum due to rounding.

The second table shows LGIM’s voting summary covering the Section’s investment in the All-World Equity Index Fund – GBP Hedged over the year to 31 March 2023.

LGIM All World Equity Index Fund – GBP Hedged (£1.7m or c. 29% of total Section assets as at 31 March 2023)	1 April 2022 – 31 March 2023
Number of meetings LGIM was eligible to vote at over the year	6,728
Number of resolutions LGIM was eligible to vote on over the year	68,320
Of the eligible resolutions, percentage that LGIM voted on.	99.9%
Of the resolutions voted, percentage that LGIM voted with management.	79.1%
Of the resolutions voted, percentage that LGIM voted against management.	19.7%
Of the resolutions voted, percentage where LGIM abstained .	1.2%
Percentage of eligible meetings where LGIM voted at least once against management.	63.4%

Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.

10.4%

Proxy voting

The Trustee did not employ a proxy-voting service during the Section year to 31 March 2023.

LGIM votes by proxy through the ISS' electronic voting platform as given the scale of its holdings, the manager cannot be present at shareholder meetings to cast votes. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service.

How Voting and Engagement Policies Have Been Followed

The Trustee reviews and monitors the voting and engagement activity taken on their behalf on an annual basis. The information published by the investment manager has provided the Trustee with comfort that the voting and engagement policies have been followed during the year. Details of specific voting and engagement topics are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of the Trustee?	Comments
Performance of debt or equity issuer	✓	LGIM's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which has been undertaken aims to improve the long-term future performance of the investee companies.
Strategy and Corporate Governance	✓	<p>The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the board and the CEO, as well as policies covering independence, diversity and remuneration.</p> <p>LGIM have clear policies on each of these topics and have acted on them throughout the Section year on behalf of the Trustee. In 2023, LGIM further enhanced its global policy expectations that at least one-third of the directors on non-controlled company boards are women. In addition, LGIM expanded its expectations to cover smaller companies, voting against boards where female directors do not make up at least 25% of the total.</p>
Risks	✓	<p>LGIM have clear voting and engagement policies on ensuring that companies manage risk effectively and have robust internal controls.</p> <p>As an example of reducing risk, LGIM has identified that cybersecurity is one of the fastest growing and most critical risks facing institutions, especially with the growth of remote working, which has created new opportunities for cyber-attacks. To understand more about this risk, LGIM contacted 400 companies to complete a survey addressing their key concerns including cyber insurance and the effectiveness of cyber-strategy.</p>

Social and environmental impact	✓	<p>LGIM has engaged with companies that have poor climate scores relative to their size and for those that don't meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p> <p>As part of this Climate Impact Pledge, in 2022 LGIM expanded to around 1,000 companies with exclusions applied to over £157.6 billion of their assets. In 2022, LGIM voted on 48 companies 'Say on Climate' proposals including climate-transition plans by management, with 67% of the votes being against.</p> <p>In 2022, LGIM voted against electing an Amazon director due to his links with human capital management failings whilst being part of the Leadership & Development Committee.</p>
Conflicts of interest	✓	<p>Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not fully align remuneration with company performance.</p> <p>LGIM voted against 127 remuneration reports (21%) proposed at UK companies, including for those that don't align remuneration for executives with long-term decision making and achievements as a result of the business strategy. LGIM set minimum expectations on pay practices globally and hold companies to account when voting.</p>
Capital structure	✓	<p>LGIM has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.</p> <p>These policies aim to protect minority shareholder rights including "one share, one vote" policies to avoid weakening of corporate governance as investors ability to influence and hold directors accountable would be reduced. Over the year, LGIM voted against Board proposals to elect members that support dual class shares at the Pinterest and Coupang AGMs</p> <p>LGIM recently voted to approve the proposed acquisition of WM Morrison Supermarkets plc by CD&R as LGIM deemed it was beneficial from the view of shareholders with concerns over a leveraged buy-out explored which could have impacted the leverage levels and credit profile of the company and future ability to service debt including that held by LGIM on behalf of clients.</p>

Significant Votes

LGIM has provided details of its voting actions including a summary of the activity covering the reporting year up to 31 March 2023. The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities. LGIM has provided examples of votes it deems to be significant, and the Trustee has shown the votes relating to the greatest exposure within the Section's investment.

Example 1: LGIM UK Equity Index Fund	
Vote Details	Royal Dutch Shell Plc, 24/05/2022
Approximate size of fund's holding as at date of vote	6.7% of the UK Equity Index Fund
Rationale for significance	This voted is an escalation of LGIM's climate-related engagement activity, under which LGIM believe transition plans need to be high quality, credible and subject to a shareholder vote.

Voting decision	LGIM voted against the approval of the Shell Energy's transition progress update. While LGIM acknowledge that there has been substantial progress made by the company in strengthening its' operational emissions reduction targets, LGIM are concerned of the disclosed plans for oil and gas production and believe the company should disclose further targets associated with upstream and downstream business.
Voting against management	N/A – voted in line with management.
Vote outcome	79.9% in favour
Next Steps	LGIM will continue to engage with the investee company, publicly advocate its position on this issue and monitor company and market-level progress.

Example 2: LGIM All World Equity Index Fund – GBP Hedged

Vote Details	Amazon.com, Inc, 25/05/2022
Approximate size of fund's holding as at date of vote	1.7% of LGIM All World Equity Index Fund – GBP Hedged.
Rationale for significance	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.
Voting decision	LGIM voted against the election a director at Amazon.com, Inc as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
Voting against management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Vote outcome	93.3% in favour
Next Steps	LGIM will continue to engage with the investee company, publicly advocate their position on this issue and monitor company and market-level progress.

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the majority of the Section's fixed income investments within the LGIM AAA-AA-A Bond Over 15Y Index Fund (c. 4% of Section assets as at 31 March 2023) or property investment within the LGIM Managed Property Fund (c. 25% of Section assets as at 31 March 2023), as these investments do not carry voting rights. However, the Trustee expects the investment manager to engage on its behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practices. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so, while the corporate bonds mandate does not hold voting rights, LGIM's position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company's practices.

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 clients. LGIM's voting policies are reviewed annually and take into account client feedback.

Over the 12 months to 31 March 2023, LGIM undertook 1,088 engagements with 950 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 571 on environmental topics;
- 327 on social topics;
- 433 on governance issues; and
- 123 on other topics including finance and strategy.

LGIM has begun to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis. Data for the LGIM UK Equity Index Fund, the LGIM All World Equity Index – GBP Hedged Fund and the AAA-AA-A Bonds Over 15Y Index Fund relates to the year to 31 March 2023.

	Total Engagements	No. Unique Companies Engaged	% of eligible fund value engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
UK Equity Index Fund	332	208	67%	74	113	196	45
All World Equity Index – GBP Hedged Fund	668	422	41%	360	205	249	95
AAA-AA-A Bonds Over 15Y Index Fund	65	26	21%	40	18	32	15

The Section was invested in leveraged nominal and index-linked government bonds and interest rate and inflation swaps through the LGIM Matching Core Funds. These funds are held with the purpose of reducing risk by hedging a proportion of the exposure to interest rate and inflation inherent in the Section's liabilities. LGIM has governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which Trustee's policies have been followed during the year

Having reviewed the actions taken by the investment managers over the Section year, the Trustee believes that the policies on stewardship and engagement have been implemented appropriately over the year and in line with their views. The Trustee will continue to monitor the actions taken on their behalf each year.

If the investment managers deviate substantially from the Trustee's stated policies, the Trustee will initially engage and discuss this with each investment manager, and if the Trustee still believes the difference between their policies and the investment manager's actions are material, the Trustee will consider terminating and replacing the mandate if necessary.

