

# YKK UK LIMITED RETIREMENT AND DEATH BENEFITS SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 5 April 2021

### Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Trustees’ Statement of Investment Principles (“SIP”) have been followed during the year to 5 April 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended, and the guidance published by the Pensions Regulator.

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees’ primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

The objectives set out above provide a framework for the Trustees when making investment decisions.

### Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. Over the last 12 months, the SIP was updated to include new policies in relation to the Trustees’ arrangements with investment managers.

In order to establish the Trustees’ latest policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies at the Trustees’ meeting on 24 September 2020. The latest SIP and policies in question were approved on 20 October 2020. The previous SIP was dated 10 January 2019

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

### Scheme’s Investment Structure

The Scheme does not hold securities directly. The Scheme invests in pooled investment funds and therefore the Trustees have no ability to engage directly with the companies ultimately invested in through the pooled funds.

### Trustee Engagement

The Trustees receive investment performance reports on a quarterly basis from the Scheme’s Investment Manager, Legal and General Investment Management (LGIM). These reports include LGIM’s Corporate Governance Policies.

The Trustees are satisfied that LGIM’s policies are satisfactory.

## Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2021

The Trustees are satisfied that the Engagement Policies set out in the SIPs which have been in place over the year have been followed.

### Voting Activity

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, they will exercise their right in accordance with what they believe to be the best interests of the Scheme's members holistically.

The Trustees have not been asked to vote on any specific matters over the last year.

The Scheme only invests in pooled funds and therefore the Trustees have no direct voting rights in relation to the Scheme's investments.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings).

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Votes cast			Significant vote examples
	Votes in total	Votes against management endorsement	Abstentions	
<b>LGIM</b> World Equity Index	40,987 resolutions eligible for (99.84% of votes cast)	18.07% of votes cast	0.55% of eligible votes	<p><b>International Consolidated Airlines Group</b> – a vote 'against' approving a remuneration report.</p> <p><b>Rationale:</b> LGIM voted against the proposal that would permit the company to have a level of bonus payments of 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. Whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders).</p> <p><b>Outcome of vote:</b> 28.4% of shareholders opposed the remuneration report</p> <p><b>Implications:</b> LGIM have been engaging with the company behind the scenes for a few years and this eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. LGIM will continue to engage closely with the renewed board.</p>
<b>LGIM</b> World Emerging Markets Equity Index	36,036 resolutions eligible for (99.9% of votes cast)	13.40% of votes cast	1.38% of eligible votes	<p><b>No significant votes</b></p>
<b>LGIM</b> Diversified	115,604 resolutions eligible for (98.98% of votes cast)	17.71% of votes cast	0.56% of eligible votes	<p><b>Whitehaven Coal</b> – Vote "FOR" the resolution in which shareholders asked the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.</p> <p><b>Rationale:</b> The continuing advocacy for a "managed decline" for fossil fuel companies, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets.</p> <p><b>Outcome:</b> The resolution did not pass as only 4% of shareholders voted in favour.</p> <p><b>Implications:</b> LGIM will continue to monitor this company.</p> <p><b>Significance:</b> The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.</p>

## **Use of Proxy Voting Services**

LGIM's Investment Stewardship team uses Institutional Shareholder Services (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares.

The use of ISS recommendations is purely to augment internal research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the ISS research reports for UK companies when making specific voting decisions.

All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions.

## **LGIM's process for determining "most significant" votes is as follows:**

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 we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our 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 we 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.

We provide information on significant votes in the format of detailed case studies in our 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. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

Note: Above information on LGIM voting and policies sourced from LGIM

The above sets out is includes information on what LGIM consider to be a significant vote, and examples of these. The Trustees have no influence on LGIM's definition of significant votes but have noted it and are satisfied that it is reasonable and appropriate.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.