

The Environmental Campaigns Pension and Assurance Scheme

Trustees' Report (continued)

Implementation Statement

Environmental Campaigns Pension and Assurance Scheme

Engagement policy implementation statement for the year ended 31 March 2023

During the year ended 31 March 2023, the Scheme's investment policies were implemented in line with the principles set out in the Scheme's Statement of Investment Principles.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager, Legal and General Investment management (LGIM) and to encourage the manager to exercise those rights in accordance with the Statement of Investment Principles. The Scheme invests through pooled fund arrangements and so acknowledges that the investment manager exercises those rights in accordance with their own corporate governance policies on behalf of all investors in its funds. In doing so LGIM takes account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustees have considered LGIM's stewardship activities in relation to the specific funds the Scheme holds having received information from LGIM on the topic. The Trustees reviewed LGIM's approach to stewardship and are comfortable with the activity taken on the Scheme's behalf. The Trustees concluded that, based on these considerations, LGIM has followed the requirements of the SIP. The Trustees continue to consider best practice developments and investigate options for reflecting their ESG preferences in the investment strategy.

Voting behaviour

LGIM's voting decisions are made internally within LGIM's Corporate Governance team, and independently from the investment teams. They are primarily based on LGIM's global corporate governance and responsible investment principles, which set out their global approach to key governance issues. LGIM has supplementary regional policies which set out their approach to more specific regional or country issues taking into account specific market regulation or best practice. LGIM discloses monthly voting records on their website. The reports are published at the end of each month. Additionally, for votes that have received significant press attention, LGIM produces summaries of the firm's positions. The full voting record can be found on LGIM's website linked here:

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

LGIM does not outsource any part of its strategic voting decisions; however ISS (Institutional Shareholder Services) is used for the customisation of LGIM's voting policy, the execution and processing of the voting instruction. LGIM aims to minimise abstentions. Since 2011, it has not abstained in the UK. In other markets, LGIM seeks to minimise abstentions unless it is technically impossible to vote. LGIM regularly engages with the proxy execution agent ISS via direct meetings and through our participation in consultations on regional voting policies. LGIM summarises its voting record across all markets each quarter. This information is available on request.

Examples of LGIM's engagement activities during 2022:

Active ownership, which is a broader topic than voting in isolation, forms a key part of how LGIM conducts responsible investing. This is reflected in the following activities that are conducted on behalf of the Scheme:

- Company engagement
- Using voting rights globally, with one voice across all active and index funds

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- Addressing systemic risks and opportunities
- Seeking to influence regulators and policymakers
- Collaborating with other investors and stakeholders.

The examples below demonstrate some of the specific initiatives undertaken by LGIM in this regard during the year.

Climate impact pledge 2022

At LGIM, climate change and supporting a drive to net zero remain a priority. As such, we have further expanded our dedicated climate engagement programme, the Climate Impact Pledge, by strengthening our climate expectations and red lines for investee companies, with the goal of accelerating progress towards net zero greenhouse gas (GHG) emissions globally. We have expanded the scope of our climate engagement programme in three main ways:

1. **Increased the number of sectors:** In 2016, our first iteration of the Climate Impact Pledge covered 6 sectors. In 2020 we increased this to 15 and we have now expanded coverage to 20 sectors. These companies are responsible for the majority of global carbon emissions from listed companies and also have been identified as the most carbon-intensive sectors within our portfolio.
2. **Increased the number of companies covered by our data driven assessment:** By publishing our climate ratings on our dedicated website, we enable companies to verify their progress and identify areas in their climate disclosures and strategies which need improvement. There may be voting implications for those companies not meeting our minimum standards.
3. **Increased the number of companies subject to direct engagement from 60 to over 100 companies:** In October 2022, we began our next cycle of direct climate engagement with selected companies. These companies are influential in their sectors, but not yet leaders on climate change and sustainability; we believe they can and should embrace the transition to net zero carbon emissions in the next few years. Complementing our data-driven approach, this qualitative approach enables our stewardship team sector experts to conduct an in-depth assessment of each company, based on the framework set out in the net zero sector guidelines published on our website – the sector and net zero guides have also been updated further details are available on the website or on request. This engagement aims to help companies remove roadblocks and encourage progress. We expect these in-depth engagement companies to meet our published sector-specific red lines. There are potential voting and divestment implications for companies not meeting these after a certain period of engagement.

COP27 Event

International leadership and collaboration are key to delivering a decarbonised future. In November 2022, Egypt played host to world leaders, heads of state, industry chiefs and civil society organisations at the UN global climate summit, COP27. Michael Marks, Head of Investment Stewardship and Responsible Investment Integration, Kurt Morriesen, Head of ESG Advisory, and Fahad Ali, Director, CEO Office, attended COP27 and represented LGIM.

LGIM hosted two events:

- 'Trillions to the transition. Unlocking the framework: How to harness the potential of SDG-aligned investments in emerging markets.'
- A panel discussion on the 'Impact investing and its role in achieving SDGs with special focus on SDG13.'

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Company specific

Sainsbury's: income inequality – living wage engagement Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. We joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, we then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer.

This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. We welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely. Sainsbury's increased wages again for all employees in October 2022, and again in January 2023, taking the hourly pay rate for London employees to £11.95 and the national rate to £11. Store discounts were increased in October and free food during shifts will be extended for a further 6 months of 2023. We will continue our engagements with the company.

Why did LGIM conduct this engagement?

Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, our work on income inequality and our expectations of companies regarding the living wage have acquired a new level of urgency.

LGIM's expectations of companies:

- i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.
- ii) We expect the company board to challenge decisions to pay employees less than the living wage.
- iii) We ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.
- iv) In the midst of the pandemic, we went a step further by tightening our criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.

With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.

Significant votes for the Scheme during the year

In determining significant votes, LGIM takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA). 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
- Sanction vote as a result of a direct or collaborative engagement
- Vote linked to an LGIM engagement campaign

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The Scheme is invested c. 11.0% in LGIM's Multi Asset Target Return Fund and 41.3% in LGIM's Future World Multi Asset Fund. The most significant votes for the Scheme in relation to this Fund are summarised in the table below.

The Trustees deem this voting behaviour to be in line with the Scheme's stewardship priorities, which include but are not limited to climate change, biodiversity, diversity and ethnicity, remuneration and governance. The most significant votes for the Scheme during the year to **31 March 2023** have been summarised in the table below:

LGIM Multi Asset Target Return Fund

Company Name	Details of Vote
Consolidated Edison, Inc.	<p>Date of vote: 18/05/2022</p> <p>Approximate size of Fund's holding: 0.15%</p> <p>Summary of the resolution: Resolution 1.9 - Elect Director Michael W. Ranger</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Joint Chair/CEO: A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.</p> <p>Why was the vote significant? LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles.</p> <p>Outcome of the vote: 89.2% of shareholders supported the resolution.</p>
Royal Caribbean Cruises Ltd.	<p>Date of vote: 02/06/2022</p> <p>Approximate size of Fund's holding: 0.14%</p> <p>Summary of the resolution: Elect Director Stephen R. Howe, Jr.</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.</p> <p>Why was the vote significant? LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>Outcome of the vote: 95.8% of shareholders supported the resolution.</p>
Getlink SE	<p>Date of vote: 27/04/2022</p> <p>Approximate size of Fund's holding: 0.06%</p> <p>Summary of the resolution:</p>

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	<p>Approve Company's Climate Transition Plan (Advisory)</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Climate change: A vote against is applied due to the lack of clarity around long-term goals and net zero ambitions.</p> <p>Why was the vote significant? LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p> <p>Outcome of the vote: 97.3% of shareholders supported the resolution.</p>
<p>NextEra Energy, Inc.</p>	<p>Date of vote: 19/05/2022</p> <p>Approximate size of Fund's holding: 0.08%</p> <p>Summary of the resolution: Elect Director Rudy E. Schupp</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Why was the vote significant? LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>Outcome of the vote: 85.9% of shareholders supported the resolution.</p>
<p>Alphabet Inc.</p>	<p>Date of vote: 01/06/2022</p> <p>Approximate size of Fund's holding: 0.03%</p> <p>Summary of the resolution: Resolution 7 - Report on Physical Risks of Climate Change</p> <p>How LGIM voted: For</p> <p>Rationale for voting decision: Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.</p> <p>Why was the vote significant? LGIM considers this vote significant as it is an escalation of our climate-related</p>

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	<p>engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p> <p>Outcome of the vote: 17.7% of shareholders supported the resolution.</p>
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How many meetings were you eligible to vote at over the year	355
How many resolutions were you eligible to vote on over the year	3,682
What % of resolutions LGIM voted on where eligible	100.00%
Of the resolutions on which LGIM voted, the % voted with management was	72.57%
Of the resolutions on which LGIM voted, the % voted against management was	27.32%
Of the resolutions on which LGIM voted, the % abstained was	0.11%

LGIM Future World Multi-Asset Fund

Company Name	Details of Vote
Prologis, Inc.	<p>Date of vote: 04/05/2022</p> <p>Approximate size of Fund's holding: 0.40%</p> <p>Summary of the resolution: Resolution 1a - Elect Director Hamid R. Moghadam</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Why was the vote significant? LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles.</p> <p>Outcome of the vote: 92.9% of shareholders supported the resolution.</p>
Rio Tinto Plc	<p>Date of vote: 08/04/2022</p> <p>Approximate size of Fund's holding: 0.35%</p> <p>Summary of the resolution: Resolution 17 - Approve Climate Action Plan</p> <p>How LGIM voted: Against</p>

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	<p>Rationale for voting decision: Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.</p> <p>Why was the vote significant? LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p> <p>Outcome of the vote: 84.3% of shareholders supported the resolution.</p>
Royal Dutch Shell Plc	<p>Date of vote: 24/05/2022</p> <p>Approximate size of Fund's holding: 0.32%</p> <p>Summary of the resolution: Resolution 20 - Approve the Shell Energy Transition Progress Update</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p> <p>Why was the vote significant? LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</p> <p>Outcome of the vote: 78.9% of shareholders supported the resolution.</p>
NextEra Energy, Inc.	<p>Date of vote: 19/05/2022</p> <p>Approximate size of Fund's holding: 0.27%</p> <p>Summary of the resolution: Resolution 1j - Elect Director Rudy E. Schupp</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies</p>

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	<p>as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Why was the vote significant? LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>Outcome of the vote: 85.9% of shareholders supported the resolution.</p>
<p>American Tower Corporation</p>	<p>Date of vote: 18/05/2022</p> <p>Approximate size of Fund's holding: 0.20%</p> <p>Summary of the resolution: Resolution 1f - Elect Director Robert D. Hormats</p> <p>How LGIM voted: Against</p> <p>Rationale for voting decision: Diversity: A vote against is applied as the company has an all-male Executive Committee.</p> <p>Why was the vote significant? LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p> <p>Outcome of the vote: 98.1% of shareholder supported the resolution.</p>

How many meetings were you eligible to vote at over the year	8,913
How many resolutions were you eligible to vote on over the year	93,332
What % of resolutions LGIM voted on where eligible	99.83%
Of the resolutions on which LGIM voted, the % voted with management was	77.59%
Of the resolutions on which LGIM voted, the % voted against management was	21.74%
Of the resolutions on which LGIM voted, the % abstained was	0.67%