

Implementation Statement

Chaucer Pension Scheme

Purpose of Implementation Statement

This Implementation Statement has been prepared by the Trustee of the Chaucer Pension Scheme (“the Scheme”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 31 March 2023.

Please note investment managers typically report on voting data based on calendar quarters. As such, the voting information within this statement relates to the 12 months to 31 March 2023, rather than the 12 months to 30 April 2023 (the Scheme’s year-end).

Stewardship policy

The Trustee’s SIP in force at year-end describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in December 2022 and has been made available online here:

[Statement of Investment Principles](#)

There were no changes made to the stewardship policy over the year.

The Trustee has delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme’s investment managers.

At this time, the Trustee has not set stewardship priorities or themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

How voting and engagement policies have been followed

Based on the information provided by the Scheme’s investment managers, the Trustee believes that their policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.
- The Trustee receives a report from their investment adviser annually, which includes ESG integration information, voting statistics and engagement statistics for the investment managers. Having reviewed this, and the information contained in this Statement, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

**Prepared by the Trustee of the Chaucer Pension Scheme
September 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's growth portfolio on behalf of the Trustee over the year to 31 March 2023. The LDI, absolute return bonds and cash funds with LGIM, multi asset credit fund with Baillie Gifford, and property fund with M&G have no voting rights and limited ability to engage with key stakeholders given the nature of the mandates.

Manager	Baillie Gifford	LGIM	LGIM
Fund name	Multi Asset Growth Fund	UK Equity Index	World (ex UK) Equity Index GBP Hedged
Structure	Pooled	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
Number of company meetings the manager was eligible to vote at over the year	84	733	3,008
Number of resolutions the manager was eligible to vote on over the year	885	10,870	36,202
Percentage of resolutions the manager voted on	97.06%	99.94%	99.83%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	1.16%	0.00%	0.75%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	95.23%	94.46%	77.58%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	3.61%	5.54%	21.67%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor*	N/A	4.23%	15.13%

*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 they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

Baillie Gifford use ISS and Glass Lewis as proxy advisors. Baillie Gifford do not delegate or outsource any of their stewardship activities or follow or rely upon the proxy advisors' recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out in this statement. Recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities or themes. At this time, the Trustee has not set stewardship priorities or themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a "significant vote". The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities or themes.

The investment managers have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities or themes, the Trustee has selected 3 votes from the investment managers to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings are shown below.

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Duke Reality Corporation	LGE Immobilien SE	Greggs Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.88%	0.42%	0.25%
Date of vote	28 September 2022	19 May 2022	17 May 2022
Summary of the resolution	Vote 1: Say on Pay Frequency Vote 2: Remuneration	Remuneration	Remuneration
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	While Baillie Gifford were supportive of the proposed merger with Prologis, they were uncomfortable with the compensation arrangements planned for Duke Realty NEOs in connection with the merger and therefore opposed this resolution, which ultimately received 91.64% of votes against the resolution. They unsuccessfully attempted to engage the company on its approach to compensation at this year's AGM and will continue their efforts to do so going forward.	Baillie Gifford opposed the executive compensation policy as they do not believe the performance conditions are sufficiently stretching.	Baillie Gifford voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	Baillie Gifford will continue their efforts to engage with the company on these matters going forward.	Following their vote decision, Baillie Gifford have reached out to the company to let them know about their dissent on remuneration and set out their expectation on pay.	Following casting a vote, Baillie Gifford reached out to the Company to provide reasons for their opposition on the remuneration report and to ask for clarification on pay setting for the CEO. The Company acknowledged Baillie Gifford's feedback on pensions and pay increases for one executive and explained how the new CEO's salary was set.
Criteria on which the vote is considered "significant"	Baillie Gifford believe that the resolution is significant because it received greater than 20% opposition.	Baillie Gifford believe that the resolution is significant because they opposed remuneration.	Baillie Gifford believe that the resolution is significant because they opposed remuneration.

LGIM UK Equity Index

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc

	Vote 1	Vote 2	Vote 3
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.70%	3.03%	2.67%
Date of vote	24 May 2022	12 May 2022	8 April 2022
Summary of the resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 3 - Approve Net Zero - From Ambition to Action Report	Resolution 17 – Approve Climate Action Plan
How the manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. LGIM 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, LGIM 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.	Climate change: A vote FOR is applied, though not without reservations. While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	Climate change: LGIM 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 LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they 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.
Outcome of the vote	79.9% of shareholders supported the resolution.	88.5% of shareholders supported the resolution.	84.3% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.		

LGIM World (ex UK) Equity Index GDP Hedged

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Alphabet Inc.	Meta Platforms, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.91%	1.19%	0.82%
Date of vote	25 May 2022	1 June 2022	25 May 2022
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 7 - Report on Physical Risks of Climate Change	Resolution 5 - Require Independent Board Chair
How the manager voted	Against	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	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.	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
Outcome of the vote	93.3% of shareholders supported the resolution.	17.7% of shareholders supported the resolution.	16.7% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		

	Vote 1	Vote 2	Vote 3
Criteria on which the vote is considered "significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Baillie Gifford	Barings	LGIM	LGIM	LGIM	M&G
Fund name	Multi Asset Growth Fund	Global High Yield Credit Strategies Fund	UK Equity Index	World (ex UK) Equity Index GDP Hedged	Absolute Return Bond Fund	UK Property Fund
Does the manager perform engagement on behalf of the holdings of the fund?	Yes	Yes	Yes	Yes	Yes	No
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes	No

Manager	Baillie Gifford	Barings	LGIM	LGIM	LGIM	M&G
Number of engagements undertaken on behalf of the holdings in this fund in the year	27	457	328	477	133	n/a
Number of engagements undertaken at a firm level in the year	666	741	1,088	1,088	1,088	150

Examples of engagement activity undertaken over the year

The table below summarises examples of engagement activity undertaken across all funds held by the Scheme during the year.

Fund	Engagement example
Baillie Gifford Multi Asset Growth Fund	<p>Meituan Baillie Gifford joined an investment meeting to seek some updates on Meituan's ESG management.</p> <p>On the carbon front, Meituan is working completely in-house, and a carbon-neutral target is under discussion (currently, basic carbon emission disclosure is included in its annual report). The company has adopted renewable energy in data centres, and more details will be disclosed soon. Baillie Gifford believe that it is interesting to learn that the company is quite ambitious in developing autonomous delivery designed for different scenarios, like drones in Shenzhen.</p> <p>The company is confident to handle the technology development by itself as management reckons it is more of an engineering problem. Meituan continues to improve its food supply value chain to provide standardised and affordable lunch boxes to blue-collar workers. Regarding ESG disclosure,</p>

investor relations said it would disclose an English version this year for the first time, probably a few months after the disclosure of the Mandarin version. At present, Meituan has not established a specialised ESG team yet. Employees who work on ESG wear other hats.

Barings Global High Yield Credit Strategies Fund

Ineos

Barings holds an existing investment in a global vertically integrated commodity chemicals producer. The company has a history of making dividends to fund other investment projects and business ventures within the wider group. It became evident to Barings via news articles that the principal shareholder of the company had registered his interest in a bid for a Premier League Football club with a high anticipated valuation.

During a virtual small group meeting with the CFO and wider senior management team, Barings requested further disclosure on the likelihood of the business increasing the size of their future dividends to fund any potential bid. Barings also expressed that such a transaction could be viewed negatively by the market and lead to downward pressure on the secondary pricing of debt instruments in the existing capital structure.

The company indicated that there will be no future dividends from the group to fund the potential football club bid, which Barings viewed positively and decided to take no further actions in relation to changing the existing Barings ESG rating or fund positioning.

The top engagement topics at a fund level over the year were:

- Climate Change
- Remuneration
- Board Composition
- Gender Diversity
- Climate Impact Pledge
- Ethnic Diversity
- Corporate Strategy

LGIM UK Equity Fund, LGIM World (ex UK) Equity Index GDP Hedged & LGIM Absolute Return Bond Fund

Climate Impact Pledge

LGIM launched its 6th engagement cycle of the Climate Impact Pledge over the year. Since 2021, LGIM increased the number of companies subject to direct engagement from 60 to over 100 companies in 20 climate-critical sectors on their approach to strategic approach to climate change, and to what extent they are aligning their businesses with the constraints and opportunities of a net-zero transition. Of their deeper engagement companies, 53% now have net-zero targets, versus 22% previously, and over recent years they have reinstated five companies previously on their Climate Impact Pledge divestment list into relevant funds. described above.

M&G UK Property Fund

The M&G UK Property Fund is in the process of closing. As such, M&G did not provide any engagement examples.
