

# Toyota Financial Services (UK) PLC Pension Scheme

## Implementation Statement for the year ended 30 June 2024

### 1. Purpose

This Implementation Statement has been prepared by the Trustees of the Toyota Financial Services (UK) PLC Pension Scheme (the “Scheme”). It reports on how, and the extent to which, the policies as set out in the Scheme’s Statement of Investment Principles (“SIP”) have been complied with during the year ended 30 June 2024. In preparing this statement, voting and stewardship policies, conflicts of interest and engagement have been reviewed. This review has been conducted by the Scheme’s investment adviser and the Trustees have reviewed and approved the conclusions within this statement. This includes the exercise of rights (including voting) and other engagement activities undertaken in respect of the Scheme’s investments. The statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

### 2. Background

This Statement has been prepared by the Trustees, with the assistance of its Investment Adviser (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees, or the Investment Adviser on the Trustees’ behalf.

### 3. Executive summary

Over the Scheme year:

- The Trustees’ Investment Adviser reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are satisfied with their Investment Adviser’s conclusion that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- The Trustees are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP. The SIP was updated shortly after the year-end to reflect changes that were made to the Scheme’s investment strategy during the Scheme year.
- The Trustees have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

Funds that do not hold equities do not have voting rights. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they actively engage with their investments.

## 4. Investment Manager's voting and stewardship policies and activity

### Trustees' voting and stewardship policies

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used proxy voting services over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustees, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

During the Scheme year, the Trustees did not have any stewardship priorities in place. However, since the Scheme's year end the Trustees have agreed stewardship priorities and will review whether or not the investment managers' stewardship priorities are aligned with these thereafter. Should the voting activities and stewardship policies of an invested fund not appropriately align with the Scheme's stewardship priorities, the Trustees will escalate these concerns with the relevant investment manager and if necessary review the Scheme's position within the fund.

Over the Scheme year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustees:

- LGIM Global Equity Fixed Weights (50:50) Index Fund - GBP Currency Hedged
- LGIM World Equity Index Fund

The Trustees have only reported on the funds that were held at the year-end date.

Furthermore, the general stewardship policies of the above funds and the funds listed below have also been reviewed by Quantum Advisory on behalf of the Trustees:

- LGIM Single Stock and Index Linked Gilt fund range
- LGIM Leveraged Single Stock and Index Linked Gilt fund range
- LGIM Sterling Liquidity Fund
- M&G Total Return Credit Investment Fund

### Manager's voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this Statement, Quantum Advisory has noted the investment managers stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. Quantum Advisory are satisfied that the voting and policies/procedures of the investment managers are reasonable and consistent with industry practice. Quantum Advisory are also satisfied that the general stewardship policies of all the investment managers are reasonable and consistent with industry practice. This includes investments in bonds and other instruments. The Trustees have approved of these conclusions.

### Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year.

Statistic	LGIM Global Equity 50:50 Fund	LGIM World Equity Index Fund
Number of equity holdings	3,007	2,907
Meetings eligible to vote at	3,008	2,964
Resolutions eligible to vote on	38,340	36,188
Proportion of eligible resolutions voted on (%)	99.7	99.7
Votes with management (%)	82.2	79.4
Votes against management (%)	17.6	20.3
Votes abstained from (%)	0.3	0.3
Meetings where at least one vote was against management (%)	68.7	74.0
Votes contrary to the recommendation of the proxy adviser (%)	13.1	14.9

Source: LGIM. Note: Totals may not sum due to rounding.

Quantum Advisory has noted that, as a whole, the voting activity meets expectations and Trustees are satisfied with the voting activity that has been undertaken within the invested funds during the Scheme year.

### Significant votes over the reporting year

Quantum Advisory has reviewed the most significant votes cast by the investment managers on behalf of the Trustees and, as a whole, are satisfied that these meet expectations.

The Trustees have interpreted the most significant votes to mean its choice of votes from an extended list of significant votes provided by each of the investment managers in accordance with the PLSA guidance.

The significant votes provided by investment managers are determined by the stewardship policies they have in place. As the Scheme has not set any stewardship priorities at the end of the Scheme year, significant votes will be classified according to these manager policies. However, the Trustees have reviewed and are satisfied with the manager's classifications of significant votes during the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 5. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed. These conflicts are not specific to the scheme and relate to the general conflicts of interest within the investment managers.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

### LGIM

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. In place of providing a direct response, LGIM referred the Trustees to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here: [https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-conflicts-of-interest.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-conflicts-of-interest.pdf)

The Trustees have reviewed the conflicts of interest policy.

### M&G

M&G have confirmed that to the best of their knowledge they are not impacted by any of the conflicts of interest detailed above within the funds that the Scheme invests. They also stated that they use all reasonable endeavours to identify conflicts of interest and then take steps to either avoid or manage them effectively to treat clients fairly. All potential conflicts are managed in accordance with their conflicts of interest policy.

This is available here:

<https://www.mandg.com/dam/investments/common/shared/en/documents/m-g-luxembourg-policies/conflicts-of-interest-disclosure-statement.pdf>

The Trustees have received a copy of the conflicts of interest policy.

## Appendix 1 - Investment manager voting policies and procedures

### LGIM

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. Please note, however, this approach does not extend to the Scheme's passive corporate bond holdings with LGIM as they invest passively in UK Government Gilts. Quantum believes this is reasonable given their underlying investments. For Equity holdings, LGIM's Investment Stewardship team make all voting decisions, in accordance with LGIM's 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.

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 strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

### M&G

M&G aim to systematically include the consideration of ESG capabilities into investment analysis and decision making in all asset classes on an iterative and continuous basis, as they believe ESG issues can significantly impact investment outcomes. For this reason, they explicitly and systematically include ESG issues in investment analysis and investment decisions, where these are expected to be meaningful to risk and potential return. M&G therefore considers a range of materiality frameworks including those set out by the Sustainability Accounting Standards Board.

## Appendix 2 – Most significant votes cast

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme's investment managers has been reviewed by the Trustees through their investment adviser.

### Significant vote definitions

#### **LGIM**

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the 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 of: people, nature, health, technology, governance and climate change.

## Significant votes

### LGIM Global Equity Fixed Weight 50:50 GBP Hedged Fund

Company Name	Shell Plc	London Stock Exchange Group plc
Date of vote	May 2024	April 2024
Summary of the resolution	Approve the Shell Energy Transition Strategy	Approve Remuneration Policy
Size of the holding (% of portfolio)	3.9	0.9
How the firm voted	Against	For
Was the vote against management and was this communicated beforehand?	The vote was against management but the vote was not communicated beforehand. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM.	The vote was with management and the vote intention was not communicated prior to the meeting. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM.
On which criteria has the vote been deemed as 'significant'?	LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	High Profile meeting: This resolution is considered significant as LGIM overrode their custom vote policy on the basis of the engagement that they had with the company.
Outcome of the vote	The vote passed.	The vote passed.
Does the trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM

### LGIM World Equity Index Fund

Company Name	Microsoft Corporation	Bank of America Corporation
Date of Vote	December 2023	April 2024
Summary of the resolution	Elect Director Satya Nadella	Report on Clean Energy Supply Financing Ratio
Size of the holding (% of portfolio)	4.7	0.4
How the firm voted	Against	For (Shareholder resolution)
Was the vote against management and was this communicated beforehand?	The vote was against management but the vote was not communicated beforehand. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM.	The vote was against management and was communicated beforehand.
On which criteria has the vote been deemed as 'significant'?	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their voting policy on the topic of the combination of the board chair and CEO.	Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant as LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects companies to be undertaking appropriate analysis and reporting on climate change matters, as we consider this issue to be a material risk to companies.
Outcome of the vote	Not provided	Not provided
Does the Trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM