

## **GREENVALE PRODUCE PENSION PLAN**

### **Implementation Statement - voting and engagement – For the year ended 30 June 2021**

The Trustees of the Greenvale Produce Pension Plan (the “Trustees” and the “Plan” respectively) have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Trustees have followed the policy on voting, stewardship and engagement as set out in the Plan’s Statement of Investment Principles (“SIP”), dated September 2020. This statement covers the year to 30 June 2021.

The Plan’s assets are held in pooled investment funds and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund manager of those pooled investment funds. The fund manager is Legal & General Investment Management Ltd (“LGIM”).

As Trustees of the Plan’s assets, we are responsible for the selection and retention of these funds. Reviewing the voting and engagement activities, for which we include details below, is an important exercise to help us ensure they remain appropriate and are consistent with LGIM’s stated policies in this regard.

We are satisfied with the voting and engagement activities of the fund manager, and in particular, that they are using their position as stakeholder to engage constructively with investee companies; however, we will engage with them should we have any concerns about the voting and/or engagement activities carried out on our behalf. The Trustees had no cause to challenge LGIM’s voting and/or engagement activities during the year to 30 June 2021.

During the year to 30 June 2021, the Trustees updated the SIP to ensure it met new regulations which came into effect from 1 October 2020.

#### **Voting and engagement**

Details on voting and engagement activities provided by LGIM are set out below. In order to produce this statement, we have asked the fund manager a series of questions about their policies, actions and examples relating to their voting and engagement activities. We have then reviewed this and summarised their response for the purpose of this statement.

LGIM have provided information relating to the Global Equity (70:30) Index Fund. This fund holds equities for which they have voting rights. The Active Corporate Bond Over 10 Years Fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, LGIM’s engagement activities are undertaken for all the companies that they hold and so they engage with the companies whose bonds are held in this fund.

The following information is based on the information which LGIM have provided in response to our questions and provides an illustration as to how they co-ordinate their voting and engagement activities with companies.

*“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 all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.*

*All decisions are made by LGIM’s Investment Stewardship team and in accordance with our relevant 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. This ensures our stewardship approach flows smoothly throughout the*

*engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.*

## TRUSTEES' REPORT (continued)

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*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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.*

*To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.*

*We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA)."*

### **Global Equity (70:30) Index Fund**

LGIM were eligible to vote on 72,992 resolutions. They voted on 99.9% of these. Votes: For 84%, Against 15%, Abstained <1%. In 8.6% of occasions, LGIM voted against the recommendation provided by a proxy advisor (ISS).

LGIM engagement activity covered 68% of the fund value that was eligible. There were 943 engagements over the period including 698 engagements with unique companies.

### **Most significant votes**

LGIM provided the following examples in response to our request to provide details of their most significant votes.

#### **1. THE PROCTER & GAMBLE COMPANY (P&G)**

Date: 13/10/2020

Resolution: Report on effort to eliminate deforestation

Vote: For

*"P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for approximately 12.5% of greenhouse gas emissions that contribute to climate change. The fact that Tier 1 suppliers have been found to have links with deforestation calls into question due diligence and supplier audits. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests.*

## TRUSTEES' REPORT (continued)

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*LGIM engaged with P&G to hear its response to the concerns raised and the requests raised in the resolution. We spoke to representatives from the proponent of the resolution, Green Century. In addition, we engaged with the Natural Resource Defence Counsel to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, we felt it was not doing as much as it could. The company has not responded to CDP Forest disclosure; this was a red flag to LGIM in terms of its level of commitment. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies we invest our clients' assets in are not contributing to deforestation. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC certified sources.*

*LGIM consider the vote to be significant because it is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest."*

### **2. SUMITOMO CORPORATION**

Date: 18/06/2021

Resolution: Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

Vote: For

*"Having reviewed Sumitomo Corporation's disclosures and engaged in dialogue with the company, LGIM has decided to vote in favour of this Shareholder Resolution. We note the company's efforts on the climate transition, in particular the enhanced commitments announced over the past couple of months. However, we continue to have concerns regarding the alignment of interim pathways with a 1.5 degree scenario. We believe our support for the shareholder resolution will help signal the importance of the climate emergency for us as a large investor and our expectations for companies to align urgently with the goals of the Paris Agreement. We look forward to engaging further and hope to see the company provide increased transparency around its short and medium-term targets and expedite its efforts to give shareholders comfort that it is on track to achieve its 2050 carbon neutrality commitment.*

*LGIM consider this vote to be significant as we took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring our vote intention is an important tool for our engagement activities. We decide to pre-declare our vote intention for a number of reasons, including as part of our escalation strategy, where we consider the vote to be contentious, or as part of a specific engagement program. In addition, LGIM views climate change as a financially material issue for our clients, with implications for the assets we manage on their behalf. This was also a high profile proposal in Japan, where climate-related shareholder proposals are still rare."*

## TRUSTEES' REPORT (continued)

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### 3. MCDONALDS'S CORPORATION

Date: 20/05/2021

Resolution: Report on Antibiotics and Public Health Costs

Vote: For

*"Given our recent engagement with the company on the topic of antibiotic use in their supply chain and our decision to publicly pre-declare our support to the shareholder resolution on the topic, we exceptionally decided to communicate our vote intentions to the company as part of our continuous engagement with them.*

*LGIM voted in favour as we believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) is a key focus of the engagement strategy of LGIM's Investment Stewardship team. We believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, its people, and global GDP.*

*Whilst LGIM applauds the company's efforts over the past few years on reducing the use of antibiotics in its supply chain for chicken and beef as well as pork, we believe AMR is a financially material issue for the company and other stakeholders, and we want to signal the importance of this topic to the company's board of directors.*

*LGIM consider this vote to be significant as we took the rare step of publicly pre-declaring it before the shareholder meeting."*

### 4. WHITEHAVEN COAL

Date: 22/10/2020

Resolution: Approve capital protection. Shareholders are asking 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.

Vote: For

*"The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal – Japan, South Korea and China – have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.*

*The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds – and select exchange-traded funds – were not invested in the company.*

*LGIM consider this vote to be significant as the vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism."*

