

# YKK UK LIMITED RETIREMENT AND DEATH BENEFITS SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 5 April 2024

### Introduction

This Engagement Policy Implementation Statement (the '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 in the Statement of Investment Principles ("SIP") have been followed during the year to 5 April 2024 (the 'Scheme Year'). This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have 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 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 Trustees understand that they must consider all financially relevant factors in making investment decisions on behalf of the Scheme. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustees' policies on ESG factors, stewardship and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Scheme's assets are invested in pooled funds and therefore the Trustees accept that they have very limited ability to influence the ESG policies and practices of the companies in which the managers invest.

The Trustees have confirmed the investment managers evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to investments and engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. Over the last 12 months, there have been no changes made to the Trustees' policies. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

## **Scheme's Investment Structure**

Over the year, the Scheme invested in pooled investment funds and therefore the Trustees have no ability to engage directly with the companies ultimately invested in through the pooled funds. The Trustees have the responsibility of monitoring 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.

As the Trustees have no direct relationship with the companies invested in through the pooled funds, the engagement initiatives are driven by LGIM, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

Further information on LGIM's approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following website: <https://www.lgim.com/es/en/responsible-investing/>

Taking all the above into consideration, the Trustees are satisfied that LGIM's responsible investment policies are satisfactory.

## **Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2024**

The Trustees are satisfied that the engagement policies set out in the SIP, which have been in place over the year, have been followed.

## **Voting Activity**

As noted earlier, the Trustees have no direct relationship with the companies invested in via the pooled funds, and therefore the Trustees have no voting rights in relation to the Scheme's investments and no direct ability to influence the managers of the pooled funds.

As a result, the Trustees do not use the direct services of a proxy voter as this is not relevant, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the pooled funds in which the Trustees invest.

LGIM has been asked to confirm significant voting activity undertaken in relation to the pooled funds in which the Trustees were invested, over the year to 5 April 2024. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

The table below sets out a summary of the voting activity, for which voting is possible (i.e., those funds which include equity holdings). Therefore, the Scheme's credit and LDI (including cash collateral) funds have not been included, as LGIM do not have any voting rights in respect of these.

The Trustees have identified that climate change & carbon neutrality is their most important stewardship priority and therefore determined that votes in relation to this subject are most significant to them. Therefore, the table shows those significant votes supplied by LGIM, which the Trustees also determine to be a significant vote – i.e. those that are in relation to climate change and carbon neutrality. Given the number of significant votes supplied, the Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 1% or more of the specific fund.

Manager / Fund	Votes cast			Significant vote examples
	Votes in total	Votes against management endorsement	Abstentions	
<b>LGIM World Emerging Markets Equity Index Fund</b>	33,679 resolutions eligible for (99.9% of votes cast)	19.0% of votes cast	0.9% of eligible votes	<p><b>Tencent Holdings Limited</b> – a vote “against” election of Jacobus Petrus (Koos) Bekker as Director</p> <p><b>Date of vote:</b> 17 May 2023</p> <p><b>Size of holding</b> – 4.2% of fund</p> <p><b>Rationale:</b> Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.</p> <p><b>Outcome:</b> The resolution passed as 88% of shareholders voted in favour.</p> <p><b>Implications:</b> LGIM will continue to engage with the company and monitor progress.</p> <p><b>Significance:</b> LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting companies in climate-critical sectors.</p>
<b>LGIM Diversified Fund</b>	92,895 resolutions eligible for (99.8% of votes cast)	23.1% of votes cast	0.3% of eligible votes	<p><b>There are no significant vote that meet the Trustees size filter, however, we have included below an example of a climate change related vote.</b></p> <p><b>Shell Plc</b> – a vote “against” approval of the Shell Energy Transition Progress.</p> <p><b>Date of vote:</b> 23 May 2023</p> <p><b>Size of holding</b> – 0.30% of fund</p> <p><b>Rationale:</b> Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p> <p><b>Outcome:</b> The resolution passed as 80% of shareholders voted in favour.</p> <p><b>Implications:</b> LGIM continues to undertake extensive engagement with Shell on its climate transition plans.</p> <p><b>Significance:</b> LGIM considers this vote significant as they are publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</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 they continue to help their clients in fulfilling their reporting obligations. LGIM also believe public transparency of their vote activity is critical for clients and interested parties to hold them to account.

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

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

*Source: LGIM*