

# YKK UK LIMITED RETIREMENT AND DEATH BENEFITS SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 5 April 2025

### 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 2025 (the 'Scheme Year'). This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019, and subsequent amendments, as well as the guidance published by the Pensions Regulator.

### 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 applicable at the 5 April 2025, 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 SIP has been reviewed and updated since the end of the reporting period to reflect changes to both the Trustees' investment objectives and to the Scheme's investment strategy that were implemented in May 2025. The Scheme's investment strategy is subject to different emphases post Scheme year-end and these changes will be reflected in the 2026 EPIS. The updated SIP can be found [here](#).

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 limited ability to influence the ESG policies and practices of the companies in which the managers invest.

The Trustees expect the investment managers to 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.

In the 12 months to 5 April 2025, no changes have been made to the Trustees' policies or SIP as there were no changes to the Trustees' objectives or investment strategy.

over the period. The Trustees regularly review their policies, with the SIP being reviewed at least every three years.

As noted above the SIP has been reviewed and updated since the end of the reporting period in May 2025, and next year's report will reflect the changes in the SIP.

### **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.

Over the reporting period a representative Trustee attended a webinar organised by LGIM on LGIM's ESG policies and implementation as part of their ongoing monitoring process.

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 2025**

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

Below we have set out examples of engagements carried out by LGIM during the year under review:

#### **LGIM Diversified Fund**

##### **Engagement Example – Shell PLC**

Engagement Topic: Climate Change

Rationale for engagement

LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under their Climate Impact Pledge, they publish a minimum expectation for companies in 20 climate-critical sectors. Accordingly, LGIM expect companies to meet their minimum expectations as set out in our relevant Climate Impact Pledge sector guides; companies failing to do so may be subject to voting sanctions (and/ or divestment sanctions, for companies selected for in-depth engagement).

LGIM have engaged individually with Shell Plc for a number of years on climate change; while they also do so as part of the Climate Action 100+.

LGIM's current objectives for engagement with Shell are:

- Demonstration of alignment to Shell's 1.5C objectives through enhanced disclosure of scenarios and assumptions
- Enhanced disclosure across the company's value chain (scope 3) to demonstrate agility when (if) markets are pivoting (against a range of inputs and scenarios)
- Enhanced lobbying disclosure (specifically in regions where hydrocarbon exposure is expected to remain material)
- Remuneration: KPIs linked to progress made towards a balanced multi-energy transition including elements like biofuels, EV charging, CCS and hydrogen

- Disclosure and application of responsible divestment standards in asset sale process

#### What has been done

Having voted against the company's Energy Transition Strategy in 2021, 2022 and 2023, LGIM assessed the plan put forward in their 2024 AGM very carefully against their published expectations, and in light of their frequent engagements with them.

LGIM have met with Shell 11 times in 2024 to discuss their approach to the climate transition (with reference to LGIM's objectives, which set out where they believe they are falling short).

LGIM acknowledge the substantive progress the company has made in respect of climate-related disclosure over recent years, and view positively the commitments to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, and the company's pledge not to pursue frontier exploration activities beyond 2025.

Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and liquified natural gas business this decade, LGIM expect Shell to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050.

LGIM therefore voted against the company's Energy Transition Strategy in their 2024 AGM.

#### Outcomes and next steps

LGIM's engagements with the company have continued since their AGM and, in summary, LGIM will continue, through voting and ongoing engagement both as LGIM and as part of the CA100+ group, to drive Shell to strengthen key elements of disclosure and targets, to meet the strategic engagement objectives as set out above.

LGIM consider the objectives above to be in progress.

### **LGIM Over 15 year Investment Grade Corporate Bond Index Fund**

#### **Engagement Example – Land Securities Group PLC**

##### Engagement Topic: Carbon Emission Disclosure

##### Rationale for engagement

Land Securities Group is considered as the market leader among listed UK property companies regarding its disclosure of sustainability data. By engaging with a management team that is willing to enter active discussions, LGIM's aim is to create an industry standard that other companies will follow.

#### What has been done

LGIM engaged primarily with Land Securities' specialist teams that are responsible for carbon capture and Engineering, Procurement and Construction reporting for individual buildings within its portfolio. This has included a meeting with the board chair, who also sees this as an essential tool for the future of the company in terms of how its performance is externally reported.

#### Outcomes and next steps

The engagement continues to be a work in progress, but it has already delivered tangible results. A lot of LGIM's requirements relate to highly sensitive market information such as rental agreements and landlord and tenant costs, as well as valuation assumptions that are very often regarded as proprietary because of market competition for highly desirable space. To date, LGIM's most significant achievement is the inclusion of a specific slide related to building carbon disclosure in the company's half-year results presentation after their specific requests for it to do so. This gives investors a much greater insight into reporting than had previously been the case. LGIM have further meetings planned, with the intention of moving the company towards higher levels of disclosure amid fewer concerns over commercial sensitivity. The aim is to not only improve the quality of the company's proprietary reporting, but also to create a market standard around understanding building quality being the norm that people are prepared to occupy and pay for.

As the geopolitical landscape becomes more complex, LGIM will increase their focus on corporate lobbying disclosure and activity, seeking transparency and alignment between climate commitments and action.

## **LGIM Sterling Liquidity Fund**

### **Engagement Example – Sumitomo Mitsui Trust Holdings Inc**

#### Engagement Topic: Climate Change & Cross shareholdings

#### Rationale for engagement

High levels of cross-shareholding (where one publicly traded company holds a significant number of shares in another) are common in Japan and reducing these cross-shareholdings remains a challenge for many Japanese companies, including big banks in Japan, despite various reforms implemented by Japan Financial Services Agency and Japan Exchange Group.

LGIM expect companies to fully comply with the Corporate Governance Code's provisions on cross shareholdings, which call for companies to disclose their policy with respect to cross shareholdings, including their policies regarding the reduction of such holdings. The code further requests companies to annually assess whether or not to hold each individual cross shareholding and to disclose the results of this assessment. Management should, therefore, be prepared to engage in an open dialogue with shareholders to demonstrate the value created through cross holdings, and to share plans for such holdings to be reduced.

Banks have a significant role to play in financing the global transition to net zero and are therefore included under LGIM's Climate Impact Pledge. LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under their Climate Impact Pledge, LGIM publish their minimum expectations for companies in 20 climate-critical sectors. Accordingly, LGIM expect the company to meet minimum expectations as set out in their Climate Impact Pledge sector guides.

#### What has been done

In 2022, the company first approached LGIM for a meeting. LGIM have since had open discussions with the company where they discussed several governance-related issues, including the threshold of 20% for crossholdings. 20% is the level LGIM has chosen in their own voting policy, however, LGIM were keen to understand Sumitomo's plans in this area. LGIM were pleased to hear that they plan to reduce cross-shareholdings to 0% over time, and this alleviated LGIM's concerns regarding the current level. LGIM also spoke about climate change, although the main focus of the conversation was on cross-shareholdings; LGIM spoke about disclosure of scope 3 emissions from investments, and implied temperature alignment by 2030.

#### Outcomes and next steps

LGIM's corporate governance policy for Japan was amended with regard to cross-shareholdings to improve companies' capital management. From 2022, LGIM applied votes against the board chair due to strategic shareholdings exceeding 20% of net assets.

LGIM engage on the issue of cross-shareholdings because they may cause problems, including poor corporate governance or ineffective capital management. They also expose investors to undue risks because, under Japanese accounting rules, if the market value of any security in which the company has invested falls by 50% compared to the purchase price then the loss must be recorded in its balance sheet. LGIM therefore believe that this is an issue of financial materiality to investors.

#### **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.

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 as the most important stewardship priorities and therefore determined that votes in relation to these subjects 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 Diversified Fund</b>	107,020 resolutions eligible for (99.8% of votes cast)	22.4% of votes cast	1.1% of eligible votes	<p><b>There were no significant vote that met the Trustees size filter, however, below is an example of a climate change related vote.</b></p> <p><b>BHP Group Limited</b> – a vote with management to approve Climate Transition Plan.</p> <p><b>Date of vote:</b> 30 October 2024</p> <p><b>Size of holding</b> – 0.23% of fund</p> <p><b>Rationale:</b> Climate Change: The critical minerals that mining companies provide are essential to the energy transition. BHP has made significant strides in carrying out its core role in the transition in a sustainable manner and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with LGIM's framework for assessing mining company transition plans. Therefore, LGIM supports BHPs CTAP. Going forwards, LGIM will assess the disclosure of progress on BHPs plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. LGIM will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.</p> <p><b>Outcome:</b> Pass</p> <p><b>Significance:</b> LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</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 UK 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*