

# YKK UK LIMITED RETIREMENT AND DEATH BENEFITS SCHEME

## Engagement Policy Implementation Statement

Financial Year Ending 5 April 2023

### **Introduction**

This 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 set out in the Trustees’ Statement of Investment Principles (“SIP”) have been followed during the year to 5 April 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and 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 it has 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 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.

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**

The Scheme does not hold securities directly. The Scheme invests 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.

The Trustees are satisfied that LGIM’s policies are satisfactory.

## Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2023

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

The Trustees do not hold investments directly but instead are invested in pooled funds and hence they do not have voting rights in relation to individual companies. The Trustees have therefore, effectively, delegated their engagement and voting rights to the pooled fund investment managers, who cast votes on behalf of the pooled fund (not the Trustees). 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. Nonetheless, the Trustees review from time to time, the voting policies of the managers including what they consider to be significant votes.

The Trustees have identified that climate change & carbon neutrality is their most important stewardship priority. The significant votes shown in this statement relate to this. 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.

The engagement initiatives are driven by investment managers mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

LGIM has been asked to confirm key voting activity on behalf of the pooled funds in which the Trustees invest, over the year to 5 April 2023. The table on the following pages sets out a summary of the key voting activity.

The Trustees note that best practice in developing a statement on voting and engagement activity is evolving and will consider further information provided by the investment managers and general developments in market practice in this area before the production of next year's' statement.

The Scheme's property and credit funds have not been included in the data below as LGIM do not have any voting rights in respect of these.

Manager / Fund	Votes cast			Significant vote examples
	Votes in total	Votes against management endorsement	Abstentions	
<b>LGIM World Equity Index</b>	38,823 resolutions eligible for (99.9% of votes cast)	20.5% of votes cast	0.7% of eligible votes	<p><b>Alphabet Inc.</b> – a vote ‘for’ Report on Physical Risks of Climate Change</p> <p><b>Size of holding</b> – 1.2% of fund</p> <p><b>Rationale: Climate Change:</b> A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.</p> <p><b>Outcome of vote:</b> 17.7% of shareholders supported this resolution.</p> <p><b>Implications:</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> <p><b>Significance:</b> 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.</p>
<b>LGIM World Emerging Markets Equity Index</b>	36,506 resolutions eligible for	18.4% of votes cast	2.1% of eligible votes	<p><b>China Construction Bank Corporation</b> - a vote “against” election of Graeme Wheeler as Director</p> <p><b>Size of holding</b> – 1.11% of fund</p>

	(99.9% of votes cast)			<p><b>Rationale: Climate Impact Pledge:</b> A vote against is applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.</p> <p><b>Outcome:</b> 95.5% of shareholders supported this resolution.</p> <p><b>Implications:</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> <p><b>Significance:</b> LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.</p>
<b>LGIM Diversified Fund</b>	99,252 resolutions eligible for (99.8% of votes cast)	21.9% of votes cast	0.7% 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>Royal Dutch Shell Plc</b> – a vote “against” approval of the Shell Energy Transition Progress Update.</p> <p><b>Size of holding</b> – 0.29% 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 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.</p> <p><b>Outcome:</b> The resolution passed as 79.9% of shareholders voted in favour.</p> <p><b>Implications:</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> <p><b>Significance:</b> LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.</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 we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

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

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

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

**Note: Above information on LGIM voting and policies sourced from LGIM**

The above sets out is includes information on what LGIM consider to be a significant vote, and examples of these. The Trustees have no influence on LGIM's definition of significant votes but have noted it and are satisfied that it is reasonable and appropriate.