

Implementation Statement, covering the Scheme Year from 1 January 2022 to 31 December 2022

The Trustees of the MUTB Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the Scheme year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme year. The last time these policies were formally reviewed was in June 2022.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme year, by continuing to delegate to their investment managers the exercise of voting rights and engagement activities in relation to investments, as well as seeking to employ managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme’s existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In May 2022 the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s 2022 Responsible Investment Survey.

Additionally, the Trustees receive quarterly investment updates, which include ESG and Stewardship related issues from its investment advisers. During the year the Trustees also considered Legal & General’s 2022 Active Ownership Report which reviewed the actions Legal & General had taken across a range on ESG issues, with a particular focus on the dangers posed by climate change, joint Chair and CEO roles and employee diversity.

During the Scheme year the Trustees completed the switch of their equity allocation from Legal & General’s Global Equity Fixed Weights (50:50) Index Fund to Legal & General’s Low Carbon Transition Fund. This followed the outcome of the Trustees’ review of the Scheme’s investment strategy in May 2021 which considered the Scheme’s exposure to climate-related risks.

Following the introduction of DWP guidance, the Trustees agreed to set stewardship priorities to focus engagement with their investment manager on specific ESG factors. The Trustees discussed and agreed their stewardship priorities for the Scheme at their meeting in June 2023. The Trustees will report on these stewardship priorities in the next Implementation Statement.

3. Description of voting behaviour during the Scheme Year

All the Trustees' listed equity holdings were in pooled funds where the Trustees delegated voting rights to their investment manager. Therefore, the Trustees were not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme year. However, the Trustees monitor the manager's voting and engagement behaviour on an annual basis.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance. Even though the Scheme disinvested before year end, the following funds held equities during the Scheme year:

- LGIM Global Equity Fixed Weights (50:50) Index Fund - GBP Currency Hedged
- LGIM Low Carbon Transition Global Equity Index – GBP hedged and unhedged versions
- LGIM Diversified Fund
- LGIM Infrastructure Equity MFG Fund- GBP Currency Hedged

In addition to the above, the Trustees contacted Legal & General regarding Scheme's other mandates that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which Legal & General has in place. The Trustees considered these policies when their SIP was updated in June 2022 and are comfortable that the policies are aligned with the Trustees' views.

Legal and General Investment Management ("LGIM")

All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 helps to ensure LGIM's 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.

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 its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and defines strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

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 it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its 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 it receives from ISS for UK companies when making specific voting decisions.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the following table.

Legal & General Investment Management	Global Equity Fixed Weights (50:50) Index - GBP hedged	Low Carbon Transition Global Equity (GBP hedged and unhedged)	Diversified Fund	Infrastructure Equity MFG - GBP hedged
Total size of fund at end of reporting period	£386m	£2,795m	£10,234m	£1,235m
Value of Scheme assets at end of reporting period (£) *	£0m	£0m	£0m	£0m
Number of holdings at end of reporting period	2,757	2,798	6,496	88
Number of meetings eligible to vote	3,197	4,733	9,567	91
Number of resolutions eligible to vote	40,837	49,470	98,795	1,114
% of resolutions voted	99.8%	99.8%	99.8%	100.0%
% voted with management	82.0%	78.6%	77.4%	78.5%
% voted against management	17.9%	20.2%	21.9%	23.5%

Please note that columns may not sum due to rounding

* The Scheme fully redeemed from these Funds during the Scheme year

3.3 Most significant votes over the Scheme Year

Although the Scheme had disinvested by the year end 31 December 2022, the Scheme did have meaningful exposures to equity holdings during the year which is why the Trustees have chosen to report the voting data of the previously mentioned funds. Commentary on the most significant votes over the period, from the Scheme's investment manager, LGIM, is set out below.

The Trustees did not inform LGIM which votes they considered to be most significant in advance of those votes. The Trustees will consider the practicalities of informing LGIM ahead of the vote for next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting LGIM provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested LGIM could use the PLSA's criteria¹ for creating this shortlist.

Process for LGIM

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- A 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 LGIM notes 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.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/vote-reporting-template-for-pension-scheme-implementation-statement-guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Actual votes for LGIM

Barclays Plc, May 2022

Vote: Against

Summary: Resolution 26 – Approve Barclays' Climate Strategy, Targets and Progress 2022

Why this vote is considered to be most significant: since it is an escalation of our climate related engagement activity.

Rationale: While we positively note the Company's use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, we have concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions needed for long-term 1.5C temperature alignment. A vote Against is therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This resolution received a total of 80.8% votes.

LVMH Moët Hennessy Louis Vuitton SE, April 2022

Vote: Against

Summary: Resolution 5 – Re-elect Bernard Arnault as Director

Why this vote is considered to be most significant: as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO.

Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM is voting against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on LGIM's website), and LGIM has reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences. However, 92% of shareholders voted against re-election of Bernard Arnault as director.

Amazon, Inc., May 2022

Vote: Against

Summary: Resolution 1f - Elect Director Daniel P Huttenlocher

Why this vote is considered to be most significant: as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO.

Rationale: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. A total 93.3% of shareholders voted against election of Daniel P Huttenlocher as director.

NatWest, April 2022

Vote: Against

Summary: Resolution 28 – Approve Climate Strategy

Why this vote is considered to be most significant: since it is an escalation of our climate related engagement activity.

Rationale: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal. LGIM considers this voting as significant as it is an escalation of our climate related engagement activity. This received 92.6% vote against the resolution.

NVIDIA Corporation, June 2022

Vote: Against

Summary: Resolution 1g - Elect Director Harvey C Jones

Why this vote is considered to be most significant: since it views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

Rationale: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. A second reason to vote against was independence as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. A total of 83.8% voted against the election of Harvey C Jones as director.