

The King's Fund Staff Pension and Life Assurance Plan

Engagement Policy Implementation Statement for the year ending 31 March 2022

Introduction

The Trustees of the King's Fund Staff Pension and Life Assurance Plan (the 'Plan') have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment manager.

This statement sets out how, and the extent to which, in the opinion of the Trustees, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 March 2022. This statement also describes the voting behaviour by, or on behalf of, the Trustees.

The Trustees, in conjunction with their investment consultant, appoints their investment manager and choose the specific pooled funds to use in order to meet specific policies. They expect that their investment manager where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees make decisions based on assessments about the financial and non-financial performance of underlying investments (including environmental, social and governance (ESG) factors, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

The Trustees' objective is that the financial interests of the Plan members is their first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

Non-financial matters may be taken into account if the Trustees have good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

During the year, the Trustees received training from their investment consultant and investment manager on ESG issues.

Stewardship - monitoring and engagement

The Trustees recognise that the investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the manager to exercise those rights. The investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees' also delegate responsibility for engaging and monitoring investee companies to the investment manager and expects the investment manager to use their discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Plan's investment manager is expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

A link to the investment manager's engagement policy is provided below:

Investment manager	Engagement Policy (or suitable alternative)
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

The latest available information provided by the investment manager (for mandates that contain public equities or bonds), covering the year ending 31 March 2022, is as follows:

Engagement			
Fund	Engagement definition	Number of companies engaged with over the year	Number of engagements over the year
LGIM UK Equity Index	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.	147	244
LGIM World (ex UK) Equity Index		275	386
LGIM World (ex UK) Equity Index (GBP Hedged)		275	386
LGIM Investment Grade Corporate Bond All Stocks Index		83	176

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment manager is expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment manager publishes online the overall voting records of the firm on a regular basis.

The investment manager uses proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment manager but rely on the requirement for their investment manager to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers, covering equity voting rights for the year ending 31 March 2022, is as follows:

Voting behaviour						
	Number of meetings eligible to vote at	Number of resolutions eligible to vote on	Proportion of votes cast	Proportion of votes for management	Proportion of votes against management	Proportion of resolutions abstained from voting on
LGIM UK Equity Index	772	10,813	100%	93.1%	6.9%	0%
LGIM World (ex UK) Equity Index	2,931	34,024	99.8%	79.0%	20.1%	0.9%
LGIM World (ex UK) Equity Index (GBP Hedged)	3,079	36,675	99.8%	80.2%	19.0%	0.9%

Trustees' assessment

The Trustees have considered the environmental, social and governance rating for each fund provided by the investment consultant, which includes consideration of the manager's policies in relation to financially material considerations and their voting and engagement activities. This also includes those funds that do not hold listed equities.

Based on this assessment, the Trustees have found the investment manager's policies relating to engagement and voting and how they have been implemented acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Over the next year, the Trustees intend to review the way in which they monitor and engage with their investment manager.

Information on the most significant votes for each of the LGIM funds containing quoted equities is shown below.

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LGIM UK Equity Index	Vote 1	Vote 2	Vote 3
Company name	Informa Plc	The Sage Group Plc	JD Sports Fashion Plc
Date of Vote	03/06/2021	03/02/2022	01/07/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.33	0.30	0.18
Summary of the resolution	Resolution 3 - Re-elect Stephen Davidson as Director; Resolution 5 - Re-elect Mary McDowell as Director; Resolution 7 - Re-elect Helen Owers as Director; Resolution 11 - Approve Remuneration Report	Resolution 11 - Re-elect Drummond Hall as Director	Resolution 4 - Re-elect Peter Cowgill as Director
How the fund manager voted	Against Resolutions 3, 5, 7, and 11 (against management recommendation).	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	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 their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	The company's prior three Remuneration Policy votes – in 2018, June 2020, and at a General Meeting that was called in December 2020 – each received high levels of dissent, with 35% or more of votes cast against. At the December 2020 meeting, the Remuneration Policy and the Equity Revitalisation Plan (EVP) received over 40% of votes against. The EVP was structured to award the CEO restricted shares to a value of 600% of salary. LGIM has noted our concerns with the company's remuneration practices for many years. Due to continued dissatisfaction, we again	Diversity: A vote against is applied because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least one-third female representation on the board.	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 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures

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	<p>voted against the proposed Policy at the December 2020 meeting. However, despite significant shareholder dissent at the 2018 and 2020 meetings, the company implemented the awards under the plan, a few weeks after the December meeting. Additionally, the Remuneration Committee has adjusted the performance conditions for the FY2018 long-term incentive plan (LTIP) awards while the plan is running, resulting in awards vesting where they would otherwise have lapsed. Due to consistent problems with the implementation of the company's Remuneration Policy and the most recent events as described above, LGIM has voted against the Chair of the Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, LGIM has taken the decision to escalate our vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.</p>		<p>across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p>
Outcome of the vote	<p>Resolution 3 - 53.4% of shareholders supported the resolution. Resolution 5 - 80% of shareholders supported the resolution. Resolution 7 - 78.1% of shareholders supported the resolution. Resolution 11 - 38.3% of shareholders supported the resolution.</p>	94.4%	84.8%

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Implications of the outcome	LGIM will continue to seek to engage with the company and monitor progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be "most significant"	We consider this vote to be significant as LGIM 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 programme.	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

LGIM World (ex UK) Equity Index	Vote 1	Vote 2	Vote 3
LGIM World (ex UK) Equity Index (GBP Hedged)			
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Date of Vote	04/03/2022	30/11/2021	26/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.3	4.0	2.6
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 1a Elect Director Jeffrey P. Bezos
How the fund manager voted	For	Against	Against
Where the fund manager voted against management, did they communicate their intent to	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 their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		

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the company ahead of the vote			
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight	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 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	53.6%	94.7	95.1% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be “most significant”	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Information on the most significant engagement case studies for LGIM as a company for the funds containing public equities as at 31 December 2021 (latest available) is shown below:

LGIM - Firm-level	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	BP	McDonalds	Experian
Topic	Climate Transition	Antimicrobial resistance	Financial Inclusion
Rationale	<p>LGIM work with the Institutional Investor Group on Climate Change (IIGCC) is a crucial part of their approach to climate engagement. IIGCC is a founding partner and steering committee member of Climate Action 100+ (CA100+), a global investor engagement initiative with 671 global investor signatories representing \$65 trillion in assets that aims to speak as a united voice to companies about their climate transition plans. LGIM actively support the initiative by sitting on sub-working groups related to European engagement activities and proxy voting standards. They also co-lead several company engagement programmes, including at BP* (ESG score: 27; -11) and Fortum* (ESG score: 27; -11).</p> <p>UN SDG: 13 - Climate Action</p>	<p>The overuse of antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical production facilities, is often associated with an uncontrolled release and disposal of antimicrobial agents. Put simply, antibiotics end up in their water systems, including their clean water, wastewater, rivers, and seas.³⁸ This in turn potentially increases the prevalence of antibiotic-resistant bacteria and genes, leading to higher instances of difficult-to-treat infections.</p> <p>In autumn 2021, LGIM worked again with Investor Action on AMR and wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development. The letter highlighted investors' views on AMR as a financial stability risk.</p> <p>• A member of their team was on the expert committee for the 2021 AMR Benchmark methodology. The benchmark, which was launched in November 2021, evaluates 17 of the world's largest pharmaceutical companies on their progress in the fight against AMR. LGIM</p>	<p>Pay equality and fairness has been a priority for LGIM for several years. LGIM ask all companies to help reduce global poverty by paying at least the living wage, or the real living wage for UK based employees.</p> <p>Income inequality is a material ESG theme for LGIM because they believe there is a real opportunity for companies to help employees feel more valued and lead healthier lives if they are paid fairly. These are important steps to help lift lower-paid employees out of in-work poverty. This should ultimately lead to better health, higher levels of productivity and result in a positive effect on communities.</p> <p>Global credit bureau Experian† (ESG score: 69; +9) has an important role to play as a responsible business for the delivery of greater social and financial inclusion</p> <p>UN SDG 8 - Decent work and economic growth</p>

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		<p>participated in a panel discussion on governance and stewardship around AMR.</p> <p>UN SDG 3 - Good Health & Wellbeing</p>	
What the investment manager has done	<p>LGIM engaged with BP's senior executives on six occasions in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals.</p>	<p>During 2021, LGIM voted on the issue of AMR. A shareholder proposal was filed at McDonald's† (ESG score: 62; +8) seeking a report on antibiotics and public health costs at the company. LGIM supported the proposal as they believe the proposed study, with its particular focus on systemic implications, will inform shareholders and other stakeholders on the negative implications of sustained use of antibiotics by the company</p>	<p>LGIM has engaged with the company on several occasions in 2021 and are pleased to see improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods.</p>
Outcomes and next steps	<p>Following constructive engagements with the company, LGIM were pleased to learn about the recent strengthening of BP's climate targets, announced in a press release on 8 February 2022, together with the commitment to become a net-zero company by 2050 – an ambition LGIM expect to be shared across the oil and gas sector as they aim to progress towards a low-carbon economy. More broadly, their detailed research on the EU coal phase-out earlier this year reinforced their view that investors should support utility companies in seeking to dispose of difficult-to-close coal operations, but only where the disposal is to socially responsible, well-capitalised buyers, supported and closely supervised by the state. In their engagement with</p>	<p>The hard work is just beginning. LGIM continues to believe that without coordinated action today, AMR may be the next global health event and the financial impact could be significant.</p>	<p>The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.</p>

multinational energy
provider RWE's senior
management, for example,
LGIM have called for the
company to investigate
such a transfer. LGIM think
transfers like this could
make the remaining
transition focused
companies more
investable for many of their
funds and for the market
more generally.
