

# CHARTER PENSION SCHEME FOR THE PERIOD FROM 1 APRIL 2021 TO 5 APRIL 2022

---

## ANNUAL ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE GCE SECTION

(forming part of the Trustee's Report)

### 1. 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 Scheme's Statement of Investment Principles ('SIP') have been followed during the period ended 5 April 2022 ("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 (as amended) and the guidance published by the Pensions Regulator.

### 2. Statement of Investment Principles

#### 2.1. Investment Objective of the Scheme

The Trustee 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 Trustee's primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all Scheme liabilities as and when they fall due. In doing so, the Trustee also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

#### 2.2. Review of the SIP

The Scheme's SIP was last reviewed in July 2021, following the implementation of the interim investment strategy.

#### 2.3. Investment Structure

The Scheme's investments are held with "Legal and General" (L&G) in pooled investment vehicles. The Trustee has a direct relationship with the underlying investment manager, L&G, who are responsible for managing the investments.

#### 2.4. Policy on ESG, Stewardship and Climate Change

The Trustee understands that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps their policies under regular review, with the SIP subject to review at least triennially.

### 3. Trustee Engagement

During the Scheme Year, the Trustee has not engaged with either the underlying investment managers on matters pertaining to ESG, stewardship or climate change.

The Trustee monitors the performance of the underlying fund managers against set benchmarks. The Trustee's investment manager, L&G, assists the Trustee with this by providing monthly valuation statements and quarterly investment reports which cover off both valuation and performance of all funds held.

The Trustee is working with Mercer to consider actions that can be taken to engage with the L&G going forward. For example, ESG specific ratings are included as part of the Investment Strategy Reviews undertaken by Mercer, as well as valuation and performance updates which are provided at Trustee meetings. This helps Trustee to determine whether further action should be taken in respect of specific funds. Mercer also flag changes in ESG ratings of the funds in which the Scheme invest.

The Trustee engages with Mercer regularly, and review its performance on an annual basis.

## CHARTER PENSION SCHEME FOR THE PERIOD FROM 1 APRIL 2021 TO 5 APRIL 2022

### 4. Voting Activity

The Trustee has delegated voting rights to L&G with whom the Scheme's investments are ultimately invested in.

The Trustee has not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested. These votes were cast by the underlying fund managers. A fund manager may not always cast a vote when eligible to do so. An example of a reason for not casting a vote when eligible is a lack of sufficient detail on the issue being voted on.

The Table below sets out where a proxy has been used. The role of a proxy voter or adviser typically involves providing recommendations for and opinions on how to vote, providing a platform for undertaking proxy research, and undertaking voting and reporting.

The Table also sets out where significant votes have been made by the fund managers in the relevant year. Most fund managers have a policy in place for determining whether or not a vote counts as 'significant'.

The table below sets out a summary of the key voting activity over the 12 months to 31 March 2022 (managers provide data to latest quarter end):

Manager / Fund	Proxy voter used?	Number of eligible meetings	Number of eligible resolutions voted on	Votes "For"	Votes "Against"	Abstentions
<b>L&amp;G</b> All World Equity Index (GBP Hedged)	L&G's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.	6,519	64,497 (99.8%)	52,049 (80.7%)	11,674 (18.1%)	838 (1.3%)

Notes: ISS - Institutional Shareholder Services

\* The information in the table has been provided by the investment managers for the 12 months to 31 March 2022.



# CHARTER PENSION SCHEME




## FOR THE PERIOD FROM 1 APRIL 2021 TO 5 APRIL 2022

### Sample of the most significant votes

L&G's most significant vote description:

"Significant votes are determined using the PLSA criteria, these include but is not limited to votes of high profile where there is a degree of controversy, there is significant client interest or the vote is linked to an L&G engagement campaign."

 Resolution **not** passed  Resolution **passed**

Manager / Fund	Company	Date of vote	How the manager voted	Rationale of Manager vote	Final outcome
<b>L&amp;G</b> All World Equity Index (GBP Hedged)	Apple	4 March 2022	For	A vote 'For' was cast on resolution 9 of the report on Civil Rights Audit. The vote in favour was to support proposals related to diversity and inclusion policies. L&G consider these issues to be a material risk to companies.	
	Facebook	26 May 2021	Abstained	An "Abstain" in regards to resolution 1.9 to elect Director Mark Zuckerberg. L&G 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 L&G have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 L&G are voting against all combined board chair/CEO roles. Furthermore, L&G have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and L&G have reinforced its position on leadership structures across its stewardship activities – e.g. via individual corporate engagements and director conferences.	
	Microsoft	30 November 2021	Against	A vote 'Against' was cast on the resolution to Elect Director Satya Nadella. L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight.	
	Intel Corporation	13 May 2021	For	A vote 'For' was cast on resolution 5 report on Global Median Gender/Racial Pay Gap. L&G expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. L&G views gender diversity as a financially material issue for its clients, with implications for the assets they manage on their behalf. For 10 years, L&G have been using their position to engage with companies on this issue. As part of L&G's efforts to influence their investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one female on their board. L&G note they have stronger requirements in the UK, North American, European and Japanese markets, in line with our engagement in these markets.	