

Yorkshire Co-operatives Limited Employees' Superannuation Fund

Engagement Policy Implementation Statement

3 September 2021

Background

In 2019, the government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 which requires the Trustee to a statement setting out (among other things) how the Trustee has followed its policies on the exercise of voting rights attaching to their investments and engagement activities. This document is intended to meet those requirements and will be included in the Scheme's Report and Accounts and published on the Scheme's website.

This is the Yorkshire Co-operatives Limited Employees' Superannuation Fund's first published Engagement Policy Implementation Statement and covers the Scheme year from 31 January 2020 to 31 May 2021. Following the transfer of the Fund's assets and liabilities into the Co-operative Pension Scheme (Pace) in March 2021, the Fund is being wound up and this will therefore also be the final such statement.

The Trustee's review of the SIP over the year

The Trustee maintained a SIP for the Fund until the Fund's assets were transferred to Pace, and it was reviewed annually or following any significant changes in investment policy.

The Trustee last reviewed and updated the SIP in September 2020 to reflect new legislative requirements requiring trustees to explain their policies on how they monitor their asset managers.

In preparing the SIP, the Trustee consulted with the sponsoring employer. The employer was consulted regarding any proposed changes to the Statement and investment strategy, however, the ultimate power and responsibility for deciding investment policy lied solely with the Trustee.

The Trustee's policies on the exercise of voting rights and undertaking engagement activities (Section 12 of the SIP)

The Trustee's policies on engagement were set out in the SIP, and are summarised below, together with the Trustee's assessment of how and the extent to which these policies were implemented:

Policy	Assessment
<i>The Trustee gives its investment managers full discretion to evaluate ESG factors and engage with companies. The Trustee also encourages its investment managers to adopt best practices in these areas and to act in the best interests of Fund members. The Trustee recognised that where investments are held in pooled funds, it may not be possible to instruct the manager to follow a separate voting policy or to exercise votes.</i>	<p>Given its size, the Fund invested entirely in pooled investment funds alongside other investors, and did not therefore directly invest in underlying companies or have the ability to engage directly with these companies.</p> <p>The Fund's equity manager was Legal & General Investment Management ("LGIM"); in July 2019, the Trustee moved the Fund's 'developed market' equity investments from "market cap" index-tracking equity funds (which invest in companies around the world in proportion to their size, or market capitalisation) into LGIM's Future World equity index funds, which "tilt" investments towards companies assessed as</p>

	<p>having better ESG ratings (e.g. more diverse boards, lower carbon footprints or stronger supply chain policies), and that also publicly disinvest from companies who have failed to engage seriously on climate change. The Trustee believed this approach was better aligned with the Fund’s Responsible Investment Policy.</p> <p>The Fund’s equity investments were held through pooled vehicles and the Trustee did not therefore directly exercise voting rights. LGIM voted on these shares using ISS’s ProxyExchange electronic voting platform, but voting decisions are retained by the manager and are strategic decisions made by LGIM’s Corporate Governance Team in accordance with their corporate governance policies.</p> <p>LGIM disclose their voting records on their website at the end of each month, including summaries of their positions for significant shareholder votes, and these are summarised in their quarterly ESG impact reports (see below).</p> <p>In January 2021, ahead of the merger of the Fund’s assets into Pace, the Trustee disinvested its remaining equity investments.</p>
<p><i>The Trustee may, from time to time, raise specific ESG issues with investment managers and seek a response.</i></p>	<p>Ad hoc queries were raised throughout the year through the Co-op Pensions Department (for example, in July 2020 in relation to the equity fund holdings in BooHoo.com and LGIM’s assessment of their ESG ratings in light of related press coverage).</p>
<p><i>Investment Managers are asked to report to the Investment Committee on the issue of responsible investment.</i></p>	<p>The Trustee, directly or through the Co-op’s Manager Monitoring and Implementation Committee, met with all six of the Fund’s managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies were discussed at each meeting to understand the managers’ approaches to incorporating ESG considerations in the initial selection of investments, and areas of engagement as well as developments over the year.</p> <p>In particular, the Fund’s Investment Committee met with LGIM in December 2020 where LGIM</p>

	<p>provided an update on the Fund's equity investments and LGIM's engagement with companies invested in through the Future World funds, as well as an update on LGIM's Climate Impact Pledge and the widening of its engagement with companies on climate change.</p>
<p><i>In addition, the Investment Committee monitored how each manager is incorporating ESG issues into investment decisions and, where relevant, exercising their approach to stewardship.</i></p>	<p>As well as receiving reporting at meetings on ESG considerations when making investment decisions or disinvesting, the Investment Committee received reporting from its investment consultants integrated into the Fund's quarterly performance monitoring on its researchers' assessment of the integration of ESG considerations into each manager's investment processes and their stewardship practices.</p> <p>In addition, since Q2 2020 each quarter the Investment Committee reviewed LGIM's quarterly ESG impact report, which included notes from their engagement with companies and summarised how LGIM voted on key corporate matters, alongside a summary of their policy work in different regions.</p>
<p><i>As part of the appointment of new investment managers and its ongoing monitoring process, the Trustee will consider the Investment Adviser's assessment (in terms of ESG ratings) of how each investment manager embeds ESG and stewardship factors into its investment process and how the manager's responsible investment philosophy aligns with the Trustee's Responsible Investment policy. This includes the investment managers' policy on voting and engagement.</i></p> <p><i>In addition, the Trustee carries out regular reviews of the managers' ESG policies and actively engages with managers to better understand their processes.</i></p>	<p>No new managers were appointed over the year, although the strength of LGIM's ESG processes were a major consideration in the switch to the Future World developed market equity funds in 2019.</p> <p>As noted above, the Co-op's Manager Monitoring and Implementation Committee (or the Investment Committee) met with all six of the Fund's managers throughout the year as part of a rolling program, and ESG factors and engagement with investee companies were discussed at each meeting. The Investment Committee also met directly with BlackRock and also LGIM who presented on their ESG policies and approach to engagement in December 2020.</p>
<p><i>The Fund's equity manager (who is registered in the UK) is expected to report on their adherence to the UK Stewardship code on an annual basis.</i></p>	<p>LGIM report on their compliance with their engagement policies annually via their Active Ownership Report, with the 2019 report published in April 2020 and reviewed by the Investment Committee at its meeting on 3</p>

	September 2020.
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In each of these areas, the Trustee is comfortable that it had implemented the policies it intended to over the period under review.

Voting activity

As noted above, the Trustee invested in equities through pooled funds managed by LGIM. LGIM provide a quarterly ESG impact report, which summarises LGIM's votes together with details of 'significant votes'. These reports were reviewed at quarterly Investment Committee meetings, with any comments or questions fed back to LGIM via the Co-op Pensions Department.

In determining what votes are 'significant', LGIM consider the criteria provided by the Pensions & Lifetime Savings Association guidance, such as:

- A high-profile vote (which may be controversial and therefore subject to a degree of client and/or public scrutiny);
- Significant client interest in a vote: communicated directly by clients to the Investment Stewardship team at LGIM's annual stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- A sanction vote as a result of a direct, or collaborative, engagement; and
- A vote linked to an LGIM engagement campaign – in line with the LGIM Investment Stewardship team's five-year engagement policy.

Significant votes identified during the time the Fund invested in equities included:

- On 7 May 2020, LGIM voted to support a management resolution at **Barclays** (supported by ShareAction) outlining its target to align the entire business to the goals of the Paris Agreement through plans to shrink its carbon footprint to net zero by 2050; this was deemed 'significant' because of the interest across LGIM's clients in relation to the AGM and voting intentions. The resolution was supported by 99.9% of shareholders.
- On 30 July 2020, LGIM voted against the election of the most senior member of the board at **Olympus Corporation** in line with LGIM's policy for companies in the TOPIX100 to vote against the chair of the nomination committee or the most senior board member if there were no women on their boards or at executive level, to support greater diversity at board level. This was deemed 'significant' as LGIM considers it imperative that the boards of Japanese companies increase their diversity. Approximately 95% of shareholders supported the election of the nominated director, although LGIM has noted that it will continue to engage with the require increased diversity on all Japanese company boards.
- On 13 October 2020, LGIM voted to support a shareholder proposal at the **Proctor and Gamble** (P&G) AGM in relation to increasing transparency around palm oil and wood pulp, to limit deforestation. The resolution received the support of over two thirds of shareholders (including LGIM), and LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement. This was deemed 'significant' as it was linked to LGIM's five-year strategy to tackle climate change, and attracted a great deal of interest from LGIM's clients.