Duchy of Lancaster Staff Pension Scheme - Implementation Statement

Purpose

This statement provides information on how, and the extent to which, the Trustees' policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 31 March 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast by investment managers on behalf of the Scheme during the reporting year.

Background

In July 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from its Investment Adviser, XPS Investment ("XPS") and discussed its beliefs around those issues. This enabled the Trustees to consider how to formulate a policy in relation to ESG and voting issues. The Trustees' policy was documented in the updated Statement of Investment Principles ("SIP") dated October 2019.

XPS provided the Trustees with further guidance in September 2020 on additional regulatory requirements which came into effect from 1 October 2020. The recommended wording was agreed upon by the Trustees in Q3 2020 and documented in the SIP dated September 2020.

The Trustee's updated policies

The September 2019 SIP introduced the following policies:

"The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues."

The September 2020 SIP introduced the following related policies:

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Manager.

The Trustees encourage the Investment Manager to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Manager to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of the Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

The Trustees encourage the Investment Manager to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This engagement is based on the belief that such engagement can be expected to help investment managers to mitigate risk and improve long term results.

The Trustees also require the Investment Manager to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of the Investment Manager, accordingly."

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although it has neither sought, nor taken into account, the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues. The Trustees will review this policy if any beneficiary views are raised in future.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing Governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the Investment Manager from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the Statement of Investment Principles.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Whilst the Scheme is currently invested in standard index funds, this is kept under regular review by the Trustees as ESG alternatives become more readily available in the market.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that it followed its policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to UK equities through its investment with Legal and General Investment Management ("LGIM"). A summary of the voting behaviour and most significant votes cast by LGIM is as follows.

Note that in this section the responses have been provided by the investment managers and therefore "we" or "us" or "our" will often be written from the perspective of the investment manager, not XPS or the Trustee.

LGIM UK Equity Index Fund

Voting Information
Legal and General Investment Management UK Equity Index Fund
The manager voted on 100% of resolutions of which they were eligible out of 12574 eligible votes.
Investment Manager Client Consultation Policy on Voting
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 our clients. Our voting policies are reviewed annually and take into account feedback from our 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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.
Investment Manager Process to determine how to Vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 ensures our 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.
How does this manager determine what constitutes a 'Significant' Vote?
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==/
Does the manager utilise a Proxy Voting System? If so, please detail
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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting 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. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice. We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.
Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
International Consolidated Airlines Group	Resolution 8: Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.	We voted against the resolution.	28.4% of shareholders opposed the remuneration report.
LGIM will continue to engage closely with the renewed board.			
Imperial Brands plc	Resolutions 2 and 3, respectively, Approve Remuneration Report	LGIM voted against both resolutions.	Resolution 2 (Approve Remuneration Report)

	and Approve Remuneration Policy.		received 40.26% votes against, and 59.73% votes of support. Resolution 3 (Approve Remuneration Policy) received 4.71% of votes against, and 95.28% support.
LGIM continues to engage with companies on remuneration both directly and via IVIS, the corporate governance research arm of The Investment Association. LGIM annually publishes remuneration guidelines for UK listed companies.			
Pearson	Resolution 1: Amend remuneration policy was proposed at the company's special shareholder meeting, held on 18 September 2020.	We voted against the amendment to the remuneration policy.	At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.
Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.			
SIG plc.	Resolution 5: Approve one-off payment to Steve Francis proposed at the company's special shareholder meeting held on 9 July 2020.	We voted against the resolution.	The resolution passed. However, 44% of shareholders did not support it. We believe that with this level of dissent the company should not go ahead with the payment.
We intend to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.			
Barclays	Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.	Resolution 29 - supported by 99.9% of shareholders Resolution30 - supported by 23.9% of shareholders (source: Company website)
The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.			

Signed: ________________________, Chair of Trustees

Date: __________________________