



Duchy of Lancaster Staff Pension Scheme Implementation Statement for year to 31 March 2023

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 2023 ("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

During the reporting year, there have not been any additional policies introduced, or changes made to existing policies, within the SIP.

Manager selection exercises

During the reporting year, the Trustees made an allocation to two new class classes (LDI and investment grade credit funds). The funds selected within these asset classes were recommended by XPS, using various criteria. One of the criteria - in acknowledgement of the Trustees' ESG policy - was that the investment managers had been found to have a credible ESG capability, with decisions linked to that capability applied to the funds to an acceptable degree.

The SIP was updated to reflect the new strategy shortly after year end.

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.

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.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.



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

LGIM UK Equity Index Fund

The manager voted on 99.94% of resolutions of which they were eligible out of 10,870 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.

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 |
|---|---|--------------------------------------|--|
| Royal Dutch Shell Plc | Resolution 20 - Approve the Shell Energy Transition Progress Update | Against | 79.9% of shareholders supported the resolution |
| LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. | | | |
| BP Plc | Resolution 3 - Approve Net Zero - From Ambition to Action Report | For | 88.5% of shareholders supported the resolution |
| LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. | | | |
| Rio Tinto Plc | Resolution 17 - Approve Climate Action Plan | Against | 84.3% of shareholders supported the resolution |
| LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. | | | |
| Glencore Plc | Resolution 13 - Approve Climate Progress Report | Against | |



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|---|---|---------|--|
| | | | 76.3% of shareholders supported the resolution |
| LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. | | | |
| Anglo American Plc | Resolution 19 - Approve Climate Change Report | Against | 94.2% of shareholders supported the resolution |
| LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. | | | |

Signed: Jim McDonald, Chair of Trustees
Date: 12/9/23