

# *Implementation Statement, covering the Scheme Year from 1 January 2023 to 31 December 2023*

The Trustee of the Interserve Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in the Statement of Investment Principles (“SIPs”) during the Scheme Year (which is the 12 months to 31 December 2023). This is provided in Section 1 below. This Statement covers the Interserve Section, Landmarc Section and Segregated Part C (“Part C”) of the Scheme.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

The Interserve Section and Landmarc Section have completed full buy-ins. As part of this process, they redeemed all holdings in equity investments and as such the Trustee now has limited influence on its managers’ voting practises. The Interserve Section completed its buy-in in October 2022, and the Landmarc Section completed its buy-in in December 2022.

Over the Scheme Year, Part C merged with the Mitie Group Plc Pension Scheme. As such Part C’s assets and liabilities were transferred out of the Interserve Pension Scheme on 30 March 2023 following a signed Transfer Deed dated 27 March 2023. Part C therefore held no equity investments as at 31 December 2023.

## **1. Introduction**

No reviews of the SIPs were undertaken during the Scheme Year. The last time the SIPs were formally reviewed was in October 2022 and November 2022 for the Interserve Section, and the Landmarc Section respectively, to reflect the move to a full buy-in for both Sections. We note that Part C is no longer part of the Interserve Pension Scheme.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to its investment manager the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustee took a number of steps to review the Scheme’s existing managers and funds over the Scheme Year, as described in Section 2 (Voting and engagement) below.

## **2. Voting and engagement**

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement. Following the full buy-in completed in October 2022 (Interserve Section) and December 2022 (Landmarc Section), and the merger of Part C with the Mitie Group Plc Pension Scheme on 30 March 2023, no further manager appointments are expected to take place.

In December 2022 the Trustee received advice relating to the DWP’s new stewardship guidance. Following this advice at the Q1 2023 Trustee meeting, the Trustee agreed climate change as the stewardship priority for the Scheme and communicated this priority to the investment manager and annuity provider.

Given the nature of the assets held (annuity policies), the Trustee cannot materially influence policies on the exercise of investment rights and stewardship. The Trustee understands that investment rights and stewardship will be exercised by the annuity provider in line with their general policies on corporate governance.

## **3. Description of voting behaviour during the Scheme Year**

Over the Scheme year, the Trustee’s holdings in listed equities were within pooled funds and the Trustee delegated to its investment managers the exercise of voting rights. Therefore, the Trustee was not able to direct how votes are exercised and the Trustee itself did not use proxy voting services over the Scheme Year. However, the Trustee monitors managers’ voting and engagement behaviour on an annual basis (as part of producing the

implementation statement) and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- Baillie Gifford Multi Asset Growth Fund
- LGIM Infrastructure Equity MFG Fund
- LGIM Low Carbon Transition Global Equity Index Fund
- LGIM Low Carbon Transition Global Equity Index Fund – GBP Hedged

As noted above, due to changes to the Scheme's investment strategy, the Scheme no longer invests in any of the above funds (or any pooled investment funds which hold equities). None of the other pooled funds that the Scheme invested in over the Scheme Year held assets with voting opportunities.

### **3.1 Description of the voting processes**

#### **Baillie Gifford**

Baillie Gifford believes that voting should be investment led, because how they vote is an important part of the long-term investment process, which is why their preference is to be given this responsibility by their clients. The ability to vote on their clients' shares also strengthens Baillie Gifford's position when engaging with investee companies. Baillie Gifford's ESG team oversees voting analysis and execution in conjunction with their investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. Baillie Gifford utilises research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with its ESG Principles and Guidelines and it endeavours to vote on every one of its clients' holdings in all markets.

#### **LGIM**

All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 LGIM's 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.

### **3.2 Summary of voting behaviour over the Scheme Year**

There were no holdings in listed equities as at 31 December 2023. Part C was the only Section of the Scheme to invest in funds that held listed equities and the Section was merged with the Mitie Group Plc Pension Scheme on 30 March 2023.

### **3.3 Most significant votes over the Scheme Year**

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustee has interpreted "significant votes" to mean those that align with the Trustee's stewardship priority of climate change.

Where asset managers provided no significant votes relevant to climate change, we have also interpreted "significant votes" to mean those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;

- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support;
- the subject of the resolution aligned with the investment manager’s engagement priorities or key themes; and
- the Scheme or the sponsoring company may have a particular interest in.

### **Baillie Gifford – (Part C)**

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- Baillie Gifford’s holding had a material impact on the outcome of the meeting;
- The resolution received 20% or more opposition and Baillie Gifford opposed;
- Egregious remuneration;
- Controversial equity issuance;
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;
- Where there has been a significant audit failing;
- Where Baillie Gifford opposed mergers and acquisitions;
- Where Baillie Gifford opposed the financial statements/annual report; and
- Where Baillie Gifford opposed the election of directors and executives.

Baillie Gifford confirmed that it had no votes from 1 January 2023 to 31 March 2023 that were deemed significant based on the above criteria.

### **LGIM Low Carbon Transition Global Funds – (Part C)**

The list below is not exhaustive, but exemplifies potentially significant voting situations:

- 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 LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

Of the information received, LGIM provided limited significant climate change related votes from 1 January 2023 to 31 March 2023. Climate change is the Trustee’s only chosen stewardship priority. Therefore, the below examples reflect votes deemed significant based on climate change and the size of the holding in the fund.

#### **KakaoBank Corporation, March 2023.**

- **Vote cast:** Against.
- **Outcome of the vote:** Not disclosed.
- **Summary of resolution:** Elect Jin Woong-seop as Outside Director .
- **Rationale for the voting decision:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
- **Approximate size of the holding at the date of the vote:** 0.005% in LGIM Low Carbon Transition Global Equity Index Fund.
- **The reason the Trustee considered this vote to be “most significant”:** This vote is applied under LGIM’s Climate Impact Pledge, which is LGIM’s flagship engagement programme targeting some of the world’s largest companies on their strategic management of climate change.
- **Was the vote communicated to the company ahead of the vote:** No. It is LGIM’s policy not to engage with its investee companies in the three weeks prior to an AGM as LGIM’s engagement is not limited to shareholder meeting topics.

- **Outcome and next steps:** LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

### **Novartis AG, March 2023.**

- **Vote cast:** Against.
- **Outcome of the vote:** Not disclosed.
- **Summary of resolution:** Reelect Joerg Reinhardt as Director and Board Chair.
- **Rationale for the voting decision:** LGIM expects a company to have a diverse board, with at least one-third of board members being women.
- **Approximate size of the holding at the date of the vote:** 0.4% in LGIM Low Carbon Transition Global Equity Index Fund.
- **The reason the Trustee considered this vote to be “most significant”:** The vote was included based on its financial materiality (due to lack of gender diversity).
- **Was the vote communicated to the company ahead of the vote:** No. It is LGIM’s policy not to engage with its investee companies in the three weeks prior to an AGM as LGIM’s engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

### **Accenture Plc, February 2023.**

- **Vote cast:** Against.
- **Outcome of the vote:** Passed.
- **Summary of resolution:** Elect Director Julie Sweet
- **Rationale for the voting decision:** LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
- **Approximate size of the holding at the date of the vote:** 0.3% in LGIM Low Carbon Transition Global Equity Index Fund.
- **The reason the Trustee considered this vote to be “most significant”:** It is in application of an escalation of LGIM’s vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).
- **Was the vote communicated to the company ahead of the vote:** No. It is LGIM’s policy not to engage with its investee companies in the three weeks prior to an AGM as LGIM’s engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.