

Legal Services Commission Staff Pension and Assurance Scheme (No 4) - Implementation Statement

Statement of Compliance with the Stewardship Policy for the Legal Services Commission Staff Pension and Assurance Scheme (No4) ("the Scheme") for the year ending 31 March 2024.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 April 2023 to 31 March 2024.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on an annual basis in line with the Scheme's Statement of Investment Principles (SIP) review which was last completed on 06 September 2023.

There were no changes to the Stewardship Policy during the last year. You can review the Scheme's Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at:

<https://www.lscpensions.co.uk/media/jfubyz40/241111-lsc-sip-clean.pdf>

Over the last year, the Trustees have also set RI beliefs and an associated RI policy.

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager. The Trustees believe it is important that their investment manager takes an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees own engagement activity is focused on their dialogue with their investment manager, which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their manager and the Trustees consider the manager's exercise of their stewardship both during these meetings and through quarterly reporting provided by their manager.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustees seek to ensure that their manager is exercising voting rights and where appropriate, to monitor the manager's voting patterns. The Trustees also monitor the investment manager's voting on particular companies or issues that affect more than one company.

The Scheme invests in two equity funds managed by LGIM. The Trustees are satisfied that LGIM has voted in line with their house policy. The manager has reported on how votes were cast in these funds during the reporting period as set out in Table 1 below:

Table 1: LGIM voting data

Voting data	World Equity Index Fund - GBP Currency Hedged	Future World Fund
Did the manager employ the house voting policy in managing the fund?	Yes	Yes
Was use made of any proxy voting service during the year?	Yes – Institutional Shareholder Services (ISS) with custom voting policy and specific voting instructions.	Yes – Institutional Shareholder Services (ISS) with custom voting policy and specific voting instructions.
No. of meetings eligible to vote at during the year	2,982	1,707
No. of resolutions eligible to vote on during the year	37,017	21,925
% of resolutions voted	99.9%	99.8%
% of resolutions voted with management	79.1%	79.7%
% of resolutions voted against management	20.8%	20.1%
% of resolutions abstained	0.1%	0.2%
% of meetings with at least one vote against management	75.3%	70.8%
% of resolutions voted against proxy adviser	15.4%	15.4%

Significant votes

The Trustees have asked LGIM to report on the most significant votes cast within the two equity funds. Significant is defined as votes which are associated with the Scheme's RI priorities of:

- Climate Change
- Modern Slavery
- Board Composition

They were asked to explain the reasons why votes identified were significant, how they voted, any engagement they undertook with the company and the outcome of the vote.

As there is significant commonality between the holdings in both equity funds, LGIM's voting activity shown in Table 2 below covers both funds.

Table 2: LGIM significant votes for the World Equity Index Fund - GBP Currency Hedged and Future World Fund

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Outcome and why considered significant
02 May 2023	Public Storage	Climate Change: Report on GHG Emissions	For the resolution – A vote in favour was applied as LGIM expects companies to introduce	Resolution failed (34.7%) - LGIM considered this vote to

		Reduction Targets Aligned with the Paris Agreement Goal	credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.	be significant considered significant due to the relatively high level of support received. LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
11 May 2023	Steel Dynamics, Inc.	Board Composition: Elect Director Bradley S. Seaman	Withheld - A vote against was applied as LGIM expects a company to have at least one-third women on the board.	No indication of vote outcome provided. - LGIM considered this vote significant as LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on the Scheme's behalf. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
18 May 2023	Yum! Brands, Inc.	Climate Change: Report on Efforts to Reduce Plastic Use	For the resolution: The circular economy is a key component of LGIM's approach to nature, and they believe solving plastic pollution is critical in a just transition to net zero and nature-positive economies. As the filer of this resolution noted, the company has not aligned its packaging targets with key initiatives such as the Pew Report, which suggests that companies should commit to reducing at least one-third of plastic demand through elimination, reuse and new delivery models. Although the company published its	Vote failed (36.4%) - LGIM pre-declared its vote intention for this resolution, demonstrating its significance. LGIM considers this vote to be significant as the circular economy is a key component of LGIM's approach to nature, and they believe solving plastic pollution is critical in a just transition to net zero and nature-positive economies.

			Sustainable Packaging Policy, the policy does not make any reference to single-use plastics (but rather mentions “unnecessary packaging”) and its disclosures do not seem to sufficiently address the regulatory risks and the risk of higher costs in case of inaction.	LGIM will continue to engage with the investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
26 May 2023	TotalEnergies SE	Climate change: Approve the Company's Sustainable Development and Energy Transition Plan	Against the resolution - LGIM recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.	No indication of vote outcome provided - LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
07 December 2023	Microsoft Corporation	Board Composition: Elect Director Satya Nadella	Against the resolution - LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	No indication of vote outcome provided - LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO. .

Trustees' engagement activity with LGIM

Over the 12 months to 31 March 2024, the Trustees met with LGIM twice, with one meeting dedicated to discussing RI issues. The meeting was primarily a refresh on LGIM's approach investment stewardship with a specific focus on LGIM's approach to Net Zero and new products they were launching in this space.

The Trustees receive quarterly reporting on LGIM's engagement activity and ESG impact reporting including details on voting activity. Over the 12 months to 31 March 2024 LGIM carried out engagements with 472 underlying investee companies held in the Future World equity fund, and 816 companies held in the World Equity

GBP Hedged fund. Engagements primarily focused on Climate Impact Pledges, Climate Change, Deforestation and Remuneration. The main method of engagement was conference calls.

Review of policies

The Trustees are committed to reviewing LGIM’s RI policies on an ongoing basis. This considers the manager’s broader approach to responsible investment issues, their voting policies and changes in approach by the manager over the year.

The Trustees and their advisors remain satisfied that LGIM’s responsible investment policies and voting policies remain suitable for the Scheme.

Signed for and on behalf of the Trustees of the Legal Services Commission Staff Pension and Assurance Scheme No.4

Trustee

Name

Date