

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT

### Covering the Scheme Year from 1 February 2022 to 31 January 2023

The Trustee of the Crest Nicholson Group Pension & Life Assurance 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 its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees 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.

<https://www.gov.uk/government/consultations/climate-and-investment-reporting-setting-expectations-and-empowering-savers/outcome/reporting-on-stewardship-and-other-topics-through-the-statement-of-investment-principles-and-the-implementation-statement-statutory-and-non-statutory>

#### 1. Introduction

The SIP was reviewed and updated during the Scheme Year in March 2022. This included updates to the voting and engagement policies in the SIP, reflecting that the Trustee engages with managers on matters such as ESG and stewardship and the Trustee's expectation of managers to communicate their policies on stewardship. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year.

The Trustee is in the process of revising its voting and engagement policies in its SIP following the Scheme Year end to reflect DWP's new guidance on Reporting on Stewardship and Other Topics. The Trustee is also in the process of updating its Responsible Investment Policy which further documents the Trustee's approach to managing Responsible Investment risks and Stewardship of assets.

#### 2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- LGIM: <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf>
- Ruffer: <https://www.ruffer.co.uk/-/media/ruffer-website/files/downloads/esg/ruffer-stewardship-ri-policy.pdf?la=en>
- Alcentra: <https://www.alcentra.com/assets/filemanager/documents/Alcentra-UK-Stewardship-Report-2021.pdf>

However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

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.

In April 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The Trustee reviews these RI scores on an annual basis.

## IMPLEMENTATION STATEMENT (continued)

### 2. Voting and engagement (continued)

Based on this view, the Trustee decided to escalate engagement with Ares, sending a letter to Ares summarising their view that Ares' RI practices could be improved. Ares provided a response to the Trustee, describing recent improvements to Ares' investment process and how the manager implements ESG (and ensures staff are suitably trained to do so). The Trustee was satisfied with the result of this engagement and no further action was taken.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At a meeting in November 2022, the Trustee received training on the DWP's Stewardship Guidance, and agreed stewardship priorities for the Scheme which were:

- Corporate Transparency; and
- Business Ethics.

The priorities were selected in order to ensure a baseline of good ESG practice and governance amongst the Scheme's managers. The Trustee felt that these issues were fundamental to resolve before its investment managers could be confident that management teams of the companies the Scheme invests with were suitably managing other, more specific ESG risks (including, for example, climate change and biodiversity). The Trustee communicated these priorities to its managers in March 2023. All of the Scheme's managers confirmed receipt and acknowledged the Trustee's stewardship priorities.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

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

The Trustee's direct holdings in listed equities are within pooled funds. The Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee does not direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis and would challenge managers should it appear that their activity has been materially out of 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:

- LGIM Low Carbon Transition Global Equity Index Fund
- Ruffer Absolute Return Fund

Please note that LGIM was only able to provide data to for the period 1 January 2022 to 31 December 2022, as the manager only collates fund-level voting statistics to quarter-end dates. The voting data for Ruffer covers the Scheme Year.

We have also included commentary on the Alcentra European Direct Lending Fund III, provided by Alcentra, which invests in assets that had some limited voting opportunities during the period. However, Alcentra is unable to provide specific voting examples or voting data for inclusion in the Scheme's Implementation Statement. Any holdings in the Alcentra fund with voting rights attached to them form a de minimis proportion of the Scheme's total assets, so the Trustee has not taken additional steps to try and obtain the missing voting data for Alcentra.

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT (continued)

### 3 Description of voting behaviour during the Scheme Year (continued)

We have not included commentary on the following funds that the Scheme invested in during the period, which do not hold listed equities, where there are either no voting opportunities, voting information is not available or the fund is omitted on materiality grounds as any holdings with voting rights attached to them form a de minimis proportion of the Scheme's total assets:

- Insight LDI Enhanced Selection Longer Nominal Fund
- Insight LDI Enhanced Selection Longer Real Fund
- Insight LDI Enhanced Selection Shorter Nominal Fund
- Insight LDI Enhanced Selection Shorter Real Fund
- Insight Liquidity Plus Fund
- Insight Secured Finance Fund
- Insight Global ABS Fund
- BlackRock Emerging Markets Local Currency Bond Fund
- Mercer Multi Asset Credit Fund
- Ares Secured Income Fund
- BlueCrest AllBlue Limited

The Trustee, using information provided by its advisers, believes the voting policies of the investment managers are suitably aligned with the Scheme's stewardship priorities based on a review of the voting processes, voting behaviour and significant votes included in this statement.

#### 3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

The managers' policies on voting are provided in this section. In all cases, the wording provided accords with the Trustee's understanding of the management of the funds and the managers' policies on stewardship, which the Trustee considers when appointing new managers and periodically thereafter.

Each manager with voting opportunities was asked whether any conflicts of interest were present in their structure, and how these are managed. Ruffer confirmed that there were no conflicts of interest present in their structure over the year. LGIM identified several conflicts which may arise, which are detailed in LGIM's conflicts of interest policy: <https://www.lgim.com/landq-assets/lgim/document-library/capabilities/conflicts-of-interest.pdf>.

##### 3.1.1 LGIM

LGIM provided the following wording to describe its voting practices:

*"All decisions are made by LGIM's Investment Stewardship team and in accordance with [their] relevant Corporate Governance & Responsible Investment policy document which is 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 [their] 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.*

*[LGIM] use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and [they] do not outsource any part of the strategic decisions. [LGIM's] use of ISS recommendations is purely to augment [their] own research and proprietary ESG assessment tools.*

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT (continued)

### 3.1.1 LGIM (continued)

*To ensure [LGIM's] proxy provider votes in accordance with [their] position on ESG, [LGIM] have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what [they] consider are minimum best practice standards which [they] believe all companies globally should observe, irrespective of local regulation or practice.*

*[LGIM] retain the ability in all markets to override any vote decisions, which are based on [their] 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 [LGIM] to apply a qualitative overlay to [their] voting judgement. [LGIM] have strict monitoring controls to ensure [their] votes are fully and effectively executed in accordance with [their] voting policies by [their] service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform [LGIM] of rejected votes which require further action."*

### 3.1.2 Ruffer

Ruffer provided the following wording to describe its voting processes:

*"[Ruffer] endeavour to instruct a vote on [their] total shareholding of the companies held within [their] flagship funds, and on other material holdings above a certain threshold. These securities are added to a mandatory list. Voting on companies not held within these funds is subject to materiality considerations. Exclusions include:*

- *where clients or investors have retained the right to vote*
- *equity securities held on behalf of private clients that [Ruffer] do not manage*
- *markets which are subject to share blocking or alternative voting restrictions*

*Ruffer will instruct a vote on [Annual General Meeting] and [Extraordinary General Meeting] resolutions, including shareholder resolutions and corporate actions. This is applied to both domestic and international shares, reflecting the global nature of [their] investment approach. [Ruffer] try to vote on most holdings, but [they] retain discretion to not vote when it is in [their] clients' and investors' best interests.*

*[Ruffer] exercise voting rights on holdings in funds and client portfolios in line with Ruffer's voting guidelines unless [they] are explicitly instructed to take alternative action. [Ruffer] may facilitate clients' voting instructions on both segregated and pooled accounts, if [they] have sufficient administrative capacity and explicit client authorisation.*

*To ensure that [Ruffer] act in the best interests of [their] clients and investors, [they] review local best practices and corporate governance codes. Where companies do not comply with best practice, [Ruffer] consider their explanations before voting on [Ruffer's] shares.*

*[Ruffer] have developed an integrated voting platform linked to proxy voting research, currently provided by Institutional Shareholder Services (ISS), to assist in the assessment of resolutions and the identification of contentious issues.*

*Although [Ruffer] acknowledge proxy advisers' voting recommendations, [they] generally do not delegate or outsource [their] voting decisions. Research Analysts are responsible, supported by [Ruffer's] Responsible Investment team, for reviewing the relevant issues case by case and exercising their judgement, based on their in-depth knowledge of the company."*

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT (continued)

### 3.1.3 Alcentra

Alcentra provided the following wording to describe its voting practices:

*“As a credit manager, voting is not material within the context of [Alcentra’s] activities. The number of occasions when Alcentra will be engaged in proxy voting will be limited.*

*Alcentra generally will not be called upon to vote proxies for its private credit investments because of the nature of the instruments involved in the investment strategy (i.e. loans rather than securities). An exception is when Alcentra may hold loan investments which could be converted to voting securities.*

*When it has voting responsibility, Alcentra will make every attempt to vote when given an opportunity to do so. However, there may be instances when the Firm is unable or unwilling to vote because of legal or operational difficulties or because it believes the administrative burden and/or associated cost exceeds the expected benefit to a client. Alcentra reviews the circumstances for each vote to determine which stance would best serve its clients and votes accordingly.*

*Where [Alcentra] own companies [they] exercise control by including language in the deal documentation requiring the board to seek investor consent for matters that we want to approve as the manager. This is usually done via the Alcentra investor representative on the board (where relevant) rather than having a formal shareholder vote.”*

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

A summary of voting behaviour over the Scheme Year is provided in the table below<sup>1</sup>.

	LGIM	Ruffer
Manager name	Low Carbon Transition Global Equity Index Fund	Absolute Return Fund
Fund name	~£2,795m	~£4,697m
Total size of fund at end of the reporting period	~£2.4m / ~1.5%	~£2.5m / ~1.6%
Value of Scheme assets at 31 January 2023 (£ / % of total assets)	2,798	43
Number of equity holdings at end of the reporting period	4,733	85
Number of meetings eligible to vote	49,470	1,457
Number of resolutions eligible to vote	100%	96%
% of resolutions voted	79%	94%
Of the resolutions on which voted, % voted with management	20%	6%
Of the resolutions on which voted, % voted against management	1%	0%
Of the resolutions on which voted, % abstained from voting	66%	47%
Of the meetings in which the manager voted, % with at least one vote against management	11%	7%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor		

<sup>1</sup> The voting data for LGIM covers the period 1 January 2022 to 31 December 2022, as the manager is only able to provide data at quarter-end dates. The voting data for Ruffer covers the period 1 February 2022 to 31 January 2023.

<sup>2</sup> [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select “most significant votes” from the long-list of significant votes provided by their investment managers.

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT (continued)

### 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.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria<sup>2</sup> for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted "significant votes" to mean those deemed as most significant by the investment managers and which relate to the Trustee's stewardship priorities. The Trustee has not included all the votes identified as "most significant" by the managers, instead exercising judgement to select votes that align with the Trustee's stewardship priorities and avoids potential duplication. For example, where multiple votes regarding election of board members have been identified, the Trustee has included one to evidence the manager's policy, believing the other votes on the same topic to broadly cover the same ground as the first.

For the sake of brevity, the Trustee has reported on three significant votes per fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

#### 3.3.1 LGIM

##### Apple Inc., 4 March 2022.

- Vote cast: For resolution.
- Outcome of the vote: Passed.
- Management recommendation: For resolution.
- Summary of resolution: Report on Civil Rights Audit.
- Rationale for the voting decision: LGIM provided the following commentary: *"A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as [LGIM] consider[s] these issues to be a material risk to companies."*
- Approximate size of the Scheme's mandate's holding at the date of the vote: 5% of LGIM's portfolio.
- The reason the Trustee considered this vote to be "most significant": Relates to the Trustee's stewardship priority business ethics.
- Outcome and next steps: The outcome of the vote was in line with the manager's vote. LGIM provided the following commentary: *"LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."*

##### Meta Platforms, Inc., 25 May 2022.

- Vote cast: For resolution.
- Outcome of the vote: Not passed.
- Management recommendation: Against resolution.
- Summary of resolution: Require independent board chair.
- Rationale for the voting decision: LGIM provided the following commentary: *"A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair."*
- Approximate size of the Scheme's mandate's holding at the date of the vote: 1% of LGIM's portfolio.
- The reason the Trustee considered this vote to be "most significant": Relates to the Trustee's stewardship priority corporate transparency.
- Was the vote communicated to the company ahead of the vote: LGIM provided the following commentary: *"LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics."* This vote was declared on LGIM's website.

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT (continued)

### Meta Platforms, Inc., 25 May 2022 (continued)

- Outcome and next steps: The outcome of the vote was not in line with the manager's vote. LGIM provided the following commentary: *"LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."*

### JPMorgan Chase & Co., 17 May 2022.

- Vote cast: Against resolution.
- Outcome of the vote: Passed.
- Management recommendation: For resolution.
- Summary of resolution: Re-election of Compensation Committee members.
- Rationale for the voting decision: LGIM provided the following commentary: *"A vote AGAINST the re-election of Stephen Burke (Committee Chair), Linda Bammann, Todd Combs and Virginia Rometty is applied in light of the one-off time-based award and our persistent concerns about pay structures at the Company. As members of the Compensation Committee, these directors are deemed accountable for the Company's pay practices."*
- Approximate size of the Scheme's mandate's holding at the date of the vote: 1% of LGIM's portfolio.
- The reason the Trustee considered this vote to be "most significant": Relates to the Trustee's stewardship priorities business ethics and corporate transparency.
- Was the vote communicated to the company ahead of the vote: LGIM provided the following commentary: *"LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics."* This vote was declared on LGIM's website.
- Outcome and next steps: The outcome of the vote was not in line with the manager's vote. LGIM provided the following commentary: *"LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."*

### 3.3.2 Ruffer

#### Teikoku Sen-I, 23 March 2022.

- Vote cast: Against resolution.
- Outcome of the vote: Passed.
- Management recommendation: For resolution.
- Summary of resolution: Vote on election of President / Chairman.
- Rationale for the voting decision: Ruffer provided the following commentary: *"[Ruffer] voted against the Chairman and President of Teikoku Sen-I, Tsuyoshi Shiraiwa. Despite significant engagement, [Ruffer were] deeply frustrated with the lack of positive change at the company. The company [had] shown no willingness to improve returns to shareholders and address capital misallocation. The balance sheet [was] overcapitalised (cash and cross shareholdings) whilst they [had] shown no signs of removing/retiring the poison pill (not up for renewal this year). The single holding in Hulic among the cross shareholdings [was] reckless given its size relative to Teikoku Sen-I's own stock."*
- Approximate size of the Scheme's mandate's holding at the date of the vote: <1% of Ruffer's portfolio.
- The reason the Trustee considered this vote to be "most significant": Relates to the Trustee's stewardship priority corporate transparency.
- Was the vote communicated to the company ahead of the vote: Ruffer provided the following commentary: *"We engaged with the company ahead of the AGM"*.
- Outcome and next steps: The outcome of the vote was not in line with the manager's vote. Ruffer provided the following commentary: *"We will continue to vote against the re-election of directors where we have concerns about their regressive influence over capital misallocation."*

# CREST NICHOLSON GROUP PENSION & LIFE ASSURANCE SCHEME

## IMPLEMENTATION STATEMENT (continued)

### Meta Platforms, Inc., 26 May 2022.

- Vote cast: For resolution.
- Outcome of the vote: Not passed.
- Management recommendation: Against
- Summary of resolution: Publish third-party human rights impact assessment.
- Rationale for the voting decision: Ruffer provided the following commentary: *"Facebook has received substantial media backlash over the use of its targeted advertising to discriminate against marginalized groups. Although the company has recently tightened its restrictions for targeting options, it still appears to be facing scrutiny on the topic. It has faced a number of legal risks due to lawsuits from the [American Civil Liberties Union], [US Department of Housing and Urban Development], [Federal Trade Commission], and others. Given the large amount of company revenue that comes from advertisements, a third-party human rights impact assessment on the company's policies and practices related to targeted advertising could help shareholders assess Meta's management of human rights related risks."*
- Approximate size of the Scheme's mandate's holding at the date of the vote: <1% of Ruffer's portfolio.
- The reason the Trustee considered this vote to be "most significant": Relates to the Trustee's stewardship priorities business ethics and corporate transparency.
- Was the vote communicated to the company ahead of the vote: No.
- Outcome and next steps: The outcome of the vote was not in line with the manager's vote. Ruffer provided the following commentary: *"[Ruffer] will continue to vote on shareholder resolutions that affect transparency over Diversity, Ethnicity, and Inclusion Efforts."*

### The Charles Schwab Corporation, 17 May 2022.

- Vote cast: For resolution.
- Outcome of the vote: Not passed.
- Management recommendation: Against.
- Summary of resolution: Report on lobbying payments and policy.
- Rationale for the voting decision: Ruffer provided the following commentary: *"The proposal seeks to ensure the company discloses any lobbying payments, this is a reasonable proposal and [Ruffer] believe warrants a vote FOR, in line with ISS's recommendation."*
- Approximate size of the Scheme's mandate's holding at the date of the vote: <1% of Ruffer's portfolio.
- The reason the Trustee considered this vote to be "most significant": Relates to the Trustee's stewardship priority corporate transparency.
- Was the vote communicated to the company ahead of the vote: No.
- Outcome and next steps: The outcome of the vote was not in line with the manager's vote. Ruffer provided the following commentary: *"[Ruffer] will continue to engage with the company on governance issues and vote in favour of policies that favour disclosure on lobbying payments."*