

Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023

The Trustees of the Sharp Electronics (UK) Ltd Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 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 Trustees have 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.](#)

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. However, during the Scheme Year this SIP was updated (in February 2023) to reflect the decision taken by the Trustee to materially deviate from the Scheme’s strategic asset allocation in order maintain the hedging levels provided by the LDI portfolio following unprecedented gilt yield volatility in October 2022.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments.

2. Voting and engagement

The Trustees has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are stated in the following link:

[LGIM Vote Disclosures \(issgovernance.com\)](#)

However, the Trustees take 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.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the March 2023 meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were: Climate change, Corporate Transparency and Business Ethics.

These priorities were selected because they are key market-wide risks and areas where the Trustees believe that good stewardship and engagement can improve long-term financial outcomes for the Scheme’s members. The Trustee communicated these priorities to its managers in April 2023.

In the coming year, the Trustees intend to review their managers voting and engagement policies and actions to ensure they align with the Trustees’ own priorities.

The Trustees are 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 Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

As stated in the SIP, the Trustees seek to appoint managers that have strong stewardship policies and processes.

Additionally, the Trustees receive quarterly updates on ESG and Stewardship from its investment adviser.

3. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees have not used proxy voting services over the Scheme Year. However, the Trustees monitors managers' voting and engagement behaviour on an annual basis and will challenge managers where their activity has not been in line with the Trustees' 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 Regional Funds

In addition to the above, the Trustees contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with relevant voting opportunities.

3.1 Description of the voting processes

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

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its 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 LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

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, with the aim of ensuring that its 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's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its 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 LGIM receives from ISS for UK companies when making specific voting decisions.

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

LGIM retains the ability in all markets to override any vote decisions, which are based on its 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 its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its 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.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour for the LGIM Low Carbon Transition Regional Funds over the Scheme Year is provided in the table below.

	LGIM Low Carbon Transition UK Equity Index Fund	LGIM Low Carbon Transition Europe (ex UK) Equity Index Fund – GBP Currency Hedged	LGIM Low Carbon Transition North America Equity Index Fund – GBP Currency Hedged	LGIM Low Carbon Transition Japan Equity Index Fund – GBP Currency hedged	LGIM Low Carbon Transition Asia Pacific (ex Japan) Developed Equity Index Fund – GBP Currency Hedged	LGIM Low Carbon Transition Emerging Markets Equity Index Fund
Total size of fund at end of the Scheme Year (£m)	247.5	35.6	34.5	18.4	13.2	265.9
Value of Scheme assets at end of the Scheme Year (£m)	0.7	0.7	2.2	0.2	0.3	0.3
Number of equity holdings at end of the Scheme Year	86	373	558	318	147	1314
Number of meetings eligible to vote	114	515	615	340	176	3075
Number of resolutions eligible to vote	2188	8328	7797	4328	1377	26567
% of resolutions voted	100.00	99.92	99.33	100.00	100.00	99.96
Of the resolutions on which voted, % voted with management	95.16	82.31	65.05	89.35	70.52	79.14
Of the resolutions on which voted, % voted against management	4.84	17.29	34.87	10.65	29.48	18.81
Of the resolutions on which voted, % abstained from voting	0.00	0.40	0.08	0.00	0.00	2.06
Of the meetings in which the manager voted, % with at least one vote against management	46.49	79.03	97.40	70.29	72.16	57.67
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	4.20	9.78	26.34	9.06	18.52	7.58

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 Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- 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;
- 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.

The Trustees have reported on one of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

Legal & General Investment Management:

Low Carbon Transition UK Equity Index Fund

- **Barclays Plc, 04/05/2022.**
- **Relevant stewardship priority:** Climate Change
- **Vote cast:** Against resolution.
- **Outcome of the vote:** Passed.
- **Management recommendation:** For resolution.
- **Summary of resolution:** Approve Barclays' Climate Strategy, Targets and Progress 2022
- **Rationale for the voting decision:** Whilst LGIM positively noted the Company's use of absolute emissions targets for its exposure in the energy sector, as well as the inclusion of capital markets financed emissions within its methodology, LGIM had concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit fell short of the actions needed for long-term 1.5°C temperature alignment. A vote Against was therefore applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.
- **Approximate size of the Scheme's holding at the date of the vote:** c1.4% of fund
- **The reason the Trustees considered this vote to be "most significant":** Linked to climate change stewardship priority and high profile company
- **Was the vote communicated to the company ahead of the vote:** No
- **Vote alignment with Trustees' voting policy:** Misaligned.
- **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.

Low Carbon Transition Europe (ex-UK) Equity Index Fund – GBP Currency Hedged

- **LVMH Moet Hennessy Louis Vuitton SE, 21/04/2022.**
- **Relevant stewardship priority:** Corporate Transparency
- **Vote cast:** Against resolution.
- **Outcome of the vote:** Passed.
- **Management recommendation:** For resolution
- **Summary of resolution:** Re-elect Bernard Arnault as Director
- **Rationale for the voting decision:** A vote against was applied as LGIM expects companies not to combine the roles of Board Chair and CEO. LGIM believes that these two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
- **Approximate size of the Scheme's holding at the date of the vote:** c2.7% of fund
- **The reason the Trustees considered this vote to be "most significant":** Linked to corporate transparency stewardship priority and a substantial holding within the fund.
- **Was the vote communicated to the company ahead of the vote:** No
- **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.

Low Carbon Transition North America Equity Index Fund – GBP Currency Hedged

- **Amazon.com Inc, 25/05/2022.**
- **Relevant stewardship priority:** Business Ethics
- **Vote cast:** Against resolution.
- **Outcome of the vote:** Passed.
- **Management recommendation:** For resolution.
- **Summary of resolution:** Elect Director Daniel P. Huttenlocher
- **Rationale for the voting decision:** A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
- **Approximate size of the Scheme's holding at the date of the vote:** c3.2% of fund
- **The reason the Trustees considered this vote to be "most significant":** Linked to business ethics stewardship priority, a high profile company and a substantial holding within the fund.
- **Was the vote communicated to the company ahead of the vote:** No
- **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.

Low Carbon Transition Japan Equity Index Fund – GBP Currency Hedged

- **Mitsubishi Corp., 24/06/2022.**
- **Relevant stewardship priority:** Climate Change

- **Vote cast:** For resolution.
- **Outcome of the vote:** Not passed.
- **Management recommendation:** Against resolution.
- **Summary of resolution:** Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement
- **Rationale for the voting decision:** A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- **Approximate size of the Scheme's holding at the date of the vote:** c0.3% of fund
- **The reason the Trustees considered this vote to be "most significant":** Linked to climate change stewardship priority and an escalation of LGIM's climate-related stewardship activity.
- **Was the vote communicated to the company ahead of the vote:** No
- **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.

Low Carbon Transition Asia Pacific (ex Japan) Equity Index Fund – GBP Currency Hedged

- **CK Hutchison Holdings Limited, 19/05/2022.**
- **Relevant stewardship priority:** Corporate Transparency
- **Vote cast:** Against resolution.
- **Outcome of the vote:** Passed.
- **Management recommendation:** For resolution.
- **Summary of resolution:** Elect Li Tzar Kuoi, Victor as Director
- **Rationale for the voting decision:** A vote against was applied as LGIM expects the roles of Chair and CEO to be separate. LGIM believes these two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
- **Approximate size of the Scheme's holding at the date of the vote:** c0.6% of fund
- **The reason the Trustees considered this vote to be "most significant":** Linked to corporate transparency stewardship priority
- **Was the vote communicated to the company ahead of the vote:** No
- **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.

Low Carbon Transition Emerging Markets Equity Index Fund

- **Pinduoduo Inc., 08/02/2023.**
- **Relevant stewardship priority:** Corporate transparency (and diversity)
- **Vote cast:** Against resolution.
- **Outcome of the vote:** Passed.
- **Management recommendation:** For resolution.
- **Summary of resolution:** Elect Director George Yong-Boon Yeo

- **Rationale for the voting decision:** A vote against was applied as LGIM expects companies to elect an independent lead director where there is a combined Board Chair and CEO. Additionally LGIM views gender diversity as a financially material issue for our clients, with implications for the assets LGIM manages on their behalf.
- **Approximate size of the Scheme's holding at the date of the vote:** c0.8% of fund
- **The reason the Trustees considered this vote to be "most significant":** Linked to corporate transparency stewardship priority
- **Was the vote communicated to the company ahead of the vote:** No
- **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.