

# *Implementation Statement, covering the year from 1 January 2021 to 31 December 2021*

The Trustees of the Harwich Haven Authority Pension Fund (the “Fund”) 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 their Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the 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.

## **1. Introduction**

No changes were made to the voting and engagement policies in the SIP during the period covered by this Statement. The voting and engagement policies in the SIP were last reviewed in August 2019 to reflect the Trustees’ agreed policies on financially material considerations (including climate change and other Environmental, Social and Governance issues), the extent to which non-financial matters are considered, and practices relating to stewardship. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the voting and engagement policies set out in their SIP during the year. The SIP notes that the Fund’s investments are all units of pooled funds and therefore the Trustees do not have any direct voting rights; the voting rights are indirect as they pertain to the underlying investments within the pooled funds. Hence, in effect the Trustees have delegated the voting rights to the investment managers of the pooled funds.

During the period covered by this Statement, the exercise of rights and engagement activities in relation to investments were delegated to the Fund’s investment managers. No new managers were appointed, however the Trustees agreed to appoint a new pooled fund for a “buy and maintain credit” mandate. As part of the selection process the Trustees considered the responsible investment credentials of the shortlisted investment managers and received advice from their Investment Consultant on this. The Trustees selected L&G’s buy and maintain credit fund, and the investment was made after the Fund year end (in February 2022).

Should the Trustees seek to appoint a new manager or invest in a new pooled fund, they would look to appoint managers that have strong stewardship policies and processes. Following advice from the Fund’s Investment Consultant, LCP, the Trustees took a number of steps to review the Fund’s existing investments over the period covered by this Statement, as described in Section 2 below.

## **2. Voting and engagement**

As part of its advice on the selection and ongoing review of the investment managers, the Trustees’ investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement. Should LCP become concerned about the way in which the investment managers were conducting responsible investment, they would notify the Trustees and suggest a course of action to take, which may include more detailed engagement with a manager to improve its policies or possibly to review the manager.

The Trustees receive presentations from all of the Fund’s investment managers on a six-monthly basis, at Trustees’ meetings. As part of this, the Trustees receive updates on their investments from a responsible investment perspective, including updates on investment managers voting and engagement activities undertaken on their behalf where appropriate. From time to time the managers also provide the Trustees with additional written materials, setting out further detail on their approach to voting and engagement and responsible investment more generally.

## **3. Description of voting behaviour during the year**

All of the Trustees’ holdings in listed equities are held indirectly via diversified growth pooled funds. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year. All voting is carried out by the pooled fund investment managers.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the pooled funds used by the Fund that hold equities as follows:

- BlackRock Dynamic Diversified Growth Fund;
- Pyrford Global Total Return (Sterling) Fund; and
- L&G Diversified Fund

The Trustees have obtained the relevant voting data for Sections 3.2 and 3.3, from all of the investment managers listed above.

In addition to the above, the Trustees' investment adviser, LCP, contacted the Fund's other asset managers that don't hold listed equities, to ask if any of the assets held by the Fund had voting opportunities over the period. The Fund also holds investments L&G in a range of Liability Driven Investment Funds, investment-grade corporate bond and a liquidity fund. Holdings in these funds do not present voting opportunities, hence we have not included details on these funds in this report.

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

#### **BlackRock**

BlackRock determines which companies to engage with directly based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of the engagement being productive.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS). The analysts in each regional team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required. BlackRock subscribes to proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, as one of many inputs into their vote analysis process. Proxy research firms are primarily used to synthesise corporate governance information so that their investment stewardship analysts can readily identify and prioritise companies where additional research and engagement would be beneficial. Other sources of information used include the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of active investors, public information and Environmental, Social and Governance ("ESG") research.

BlackRock refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement their voting intention.

#### **Pyrford**

For investors within the Pyrford Global Total Return (Sterling) Fund, all votes are carried out in line with their bespoke proxy voting policy. Pyrford do not consult with clients prior to voting however they are always happy to hear client's views on upcoming votes.

Pyrford's policy is to consider every resolution individually and to vote on each issue as appropriate. The sole criterion for deciding on a particular voting decision is for it to be in the best interests of the client. This is part of Pyrford's broader fiduciary responsibility to its clients.

Pyrford have appointed ISS Proxy Voting Services to monitor meeting data and to produce a voting schedule based upon Pyrford's proxy voting guidelines. While Pyrford considers ISS to be providing a 'proxy adviser' service, Pyrford's portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines.

Pyrford believes that all proxy votes are important and aim to vote all ballots received on behalf of their clients. All proxy votes are reviewed by their ESG team on a quarterly basis. Those deemed to be "significant" are where they believe the outcome could have a meaningful impact on shareholder returns over their five-year investment horizon. These could include management and board appointments and compensation, decisions affecting capital structure as well as company responses to social, environmental or competitive pressures.

#### **L&G**

L&G's voting and engagement activities are driven by its ESG professionals and their assessment of the requirements in these areas, aiming to achieve the best outcome for clients. L&G voting policies are reviewed

annually and take into account feedback from clients. Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders 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 they continue to develop their voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by L&G's Investment Stewardship team and in accordance with their 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 companies.

The Investment Stewardship team use third parties to augment their own research and proprietary ESG assessment tools when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, L&G has 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 to be minimum best practice standards. L&G retains the ability in all markets to override any vote decisions. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report). L&G has strict monitoring controls to ensure its votes are executed in accordance with its voting policies by its proxy voting service providers. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform of rejected votes which require further action.

### 3.2 Summary of voting behaviour over the year

A summary of voting behaviour over 2021 is provided in the table below.

	Fund 1	Fund 2	Fund 3
Manager name	BlackRock	Pyrford	L&G
Fund name	Dynamic Diversified Growth Fund	Pyrford Global Total Return (Sterling) Fund	Diversified Fund
Total size of pooled fund at end of the year	£3.7bn	£2.0bn	£12.9bn
Fund's assets invested at end of the year (£ / % of total assets)	£15.0m (22%)	£14.8m (22%)	£15.0m (22%)
Number of equity holdings at end of the year	3,845	61	7,015
Number of meetings eligible to vote	965	66	7,721
Number of resolutions eligible to vote	12,082	978	78,917
% of resolutions voted	100%	89%	99%
Of the resolutions on which voted, % voted with management	93%	96%	79%
Of the resolutions on which voted, % voted against management	6%	4%	20%
Of the resolutions on which voted, % abstained from voting	1%	0%	1%
Of the meetings in which the manager voted, % with at least one vote against management	34%	33%	69%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	1%	12%

### 3.3 Most significant votes over the year

The investment managers provided multiple examples of their most significant votes over the year, of which we have included two examples for each investment manager. We have interpreted “most significant votes” to incorporate:

- Potential impact on financial outcome on future company performance;
- Potential impact on stewardship outcome;
- Size of holding in the fund/mandate
- Whether the vote was high-profile or controversial, that could be based on level on media interest; level of political or regulatory interest; level of industry debate; and
- Where the manager was subject to a conflict of interest.

#### BlackRock Dynamic Diversified Growth Fund:

- **Berkshire Hathaway Inc, United States, May 2021. Vote: For Outcome of the vote: Against**

**Summary of resolution:** The shareholder proposal requested that Berkshire Hathaway’s “holding companies publish annual reports assessing their diversity and inclusion efforts, at reasonable expense and excluding proprietary information. At a minimum the report should include: the process that the Board follows for assessing the effectiveness of diversity, equity and inclusion programs, and; the Board’s assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees.”

**Rationale:** BlackRock supported this shareholder proposal seeking enhanced reporting on the Board’s oversight of diversity, equity, and inclusion policies and outcomes at its holding companies, through which it employs 360,000 people, because Berkshire Hathaway has not disclosed any information to help investors assess its performance on this material business issue.

**Criteria against which this vote has been assessed as “most significant”:** The Company does not disclose sufficient information on diversity and inclusion and BlackRock voted against management.

- **Delta Air Lines, United States, June 2021. Vote: Against Outcome of the vote: For**

**Summary of resolution:** The shareholder proposal, which was also submitted in 2020, requests that the Board “conduct an evaluation and issue a report within the next year... describing if, and how, Delta Air Lines’ lobbying activities (direct and through trade associations and social welfare and non-profit organizations) align with the Paris Climate Agreement’s goal of limiting average global warming to well below 2 degrees Celsius, and how the company plans to mitigate risks presented by any such misalignment.

**Rationale:** BlackRock voted against this shareholder proposal because Delta already meets their expectations of companies regarding their activities and disclosures related to political spending and lobbying, and BlackRock states the company has clearly articulated climate goals and action plans.

**Criteria against which this vote has been assessed as “most significant”:** It highlights a vote on climate change where BlackRock voted with management, however the majority of shareholders voted against management.

#### Pyrford Global Total Return Fund:

- **Imperial Brands Plc, United Kingdom, February 2021. Vote: Against Outcome of the vote: For**

**Summary of resolution:** A vote to ratify named executive officers’ compensation

**Rationale:** Pyrford believe that the vote against ratification was warranted as CEO Stefan Bomhard's salary rate significantly increased (+12.7%) relative to his predecessor, and the company did not provide a compelling explanation to justify this.

**Criteria against which this vote has been assessed as “most significant”:** Votes against compensation policies are significant.

- **American Express Company, United States, May 2021. Vote:** For **Outcome of the vote:** For

**Summary of resolution:** A vote on publishing an annual report assessing diversity, equity and inclusion efforts

**Rationale:** Pymford voted for this resolution as they believe that reporting quantitative, comparable diversity data would allow shareholders to better assess the effectiveness of the company's diversity, equity and inclusion efforts and management of related risks.

**Criteria against which this vote has been assessed as “most significant”:** Pymford deem the vote to be significant since it could have a meaningful impact on the decision to continue holding a stock.

#### **L&G Diversified Fund:**

- **NextEra Energy Inc, United States, May 2021. Vote:** Against **Outcome of the vote:** For

**Summary of resolution:** Elect Director James L. Robo

**Rationale:** L&G has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 L&G has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 are voting against all combined board chair/CEO roles. Furthermore, L&G has published a guide for boards on the separation of the roles of chair and CEO, and has reinforced its position on leadership structures across stewardship activities.

**Criteria against which this vote has been assessed as “most significant”:** L&G 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 (escalation of engagement by vote).

- **Mitsubishi UFJ Financial Group, Inc, Japan, June 2021. Vote:** For **Outcome of the vote:** Against

**Summary of resolution:** Amend Articles to disclose plan outlining company's business strategy to align investments with goals of Paris Climate Agreement

**Rationale:** L&G voted in favour of this shareholder agreement as they expect companies to be taking sufficient action on the key issue of climate change. While L&G positively note the company's recent announcements around net-zero targets and exclusion policies, L&G think that these commitments could be further strengthened and believe the shareholder proposal provides a good directional push.

**Criteria against which this vote has been assessed as “most significant”:** L&G considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.