

Implementation Statement

Institution of Mechanical Engineers Staff Pension and Life Assurance Scheme

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

The Trustees undertook an initial review of the stewardship and engagement activities of Legal & General and Insight in the August 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.

The Trustees receive and review voting information and engagement policies from the asset managers from time to time, and ask the managers to give updates on these policies as part of their regular presentations to the Trustees.

The Trustees also receive an annual ESG monitoring report from their investment advisors in order to demonstrate compliance with their voting and engagement policies.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

Voting Data

Manager	LGIM
Fund name	Future World Global Equity Index Fund (hedged and unhedged)
Structure	Pooled
Ability to influence voting behaviour of manager	Limited*
Number of company meetings the manager was eligible to vote at over the year	3,859
Number of resolutions the manager was eligible to vote on over the year	41,876
Percentage of resolutions the manager voted on	99.88%
Percentage of resolutions the manager abstained from	0.72%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	81.87%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	17.41%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	0.72%

*The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.

Significant votes

For the first year of implementation statements we have delegated to the investment managers to define what a "significant vote" is. For the LGIM Future World Global Equity Index Fund, LGIM provided details of 427 significant votes. A small selection of the data they have provided is set out below.

LGIM Equities

	Vote 1	Vote 2	Vote 3
Company name	The Proctor & Gamble Co	Frasers Group plc	ExxonMobil Corporation
Date of vote	12/10/2021	29/09/2021	26/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided	Not provided	Not provided
Summary of the resolution	Elect Angela Braly	To receive and adopt the report & accounts	Proxy content at the AGM
How the manager voted	LGIM voted in favour of Angela Braly's re-election	LGIM voted against	LGIM voted for the four activist-proposed director nominees and a number of ESG shareholder proposals. LGIM also voted against the re-election of the chair/CEO, the remuneration report and the reappointment of auditors

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No
Rationale for the voting decision	<p>LGIM engaged with Green Century to find out why they were targeting Angela Braly and to shed light on their ongoing concerns with the company.</p> <p>They then engaged with P&G ahead of their AGM to discuss Green Century's concerns and for an update on the key actions they had asked P&G to take during their engagement in 2020.</p> <p>While LGIM continue to share some of the concerns of Green Century, they understand the issues the company is facing that prevent them from being able to fully comply with the requests.</p> <p>In addition, P&G had satisfied all of LGIM requests that they made a year earlier.</p>	<p>LGIM's corporate governance policy requires all UK-listed companies to meet the requirements of the Modern Slavery Act 2015.</p> <p>LGIM will sanction any company that has failed to meet the requirements of the Act for two consecutive years. Not only do LGIM consider this to be serious governance failing, they see this as both a humanitarian crisis and a risk to a company's operating model.</p>	<p>LGIM have had multiple engagements with the company but remain dissatisfied with the strength of the company's climate targets and strategy, along with the levels of transparency around sustainability and lobbying, and with the levels of board oversight (in particular the combined chair/CEO roles).</p>
Outcome of the vote	<p>7.96% of the votes cast were against the re-election of Angela Braly. LGIM will continue to engage with the company on this topic.</p>	<p>While engagement with the company suggests it will be compliant with the requirements of section 54 by the end of this year. LGIM considered this to be insufficient cause to change our vote.</p> <p>Only 0.41% of the shareholders voted against this resolution. That said, over 64% of the company's issued share capital is owned by the founder of the company</p>	<p>Three of the four proposed new directors have been appointed. The chair of the remuneration committee, against whom LGIM voted last year, was not reappointed to the board and a majority of shareholders voted for a report on climate-related lobbying.</p>
Criteria on which the vote is considered "significant"	<p>The vote was linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's five-year ESG priority engagement themes.</p>	<p>This vote was significant because it relates to one of LGIM's engagement themes: Human Rights/Inequality</p>	<p>This is the most high-profile example to date of a climate related proxy contest; a recently formed hedge fund with a minority stake managed to galvanise sufficient support to replace a third of the board at a company that less than a decade ago was the world's largest by market capitalisation.</p>

Fund level engagement

Manager	LGIM	Insight
Fund name	Applicable for all funds	Insight Global ABS Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken at a firm level in the year	772	148
Examples of engagements undertaken with holdings in the fund	<p>1) Amazon – It came to LGIM’s attention and to the attention of some of their asset-management peers that Amazon had been accused of interfering with efforts by its workers to unionise, ahead of a vote by workers in an Alabama facility on unionisation. LGIM signed a letter to Amazon along with more than 70 other investors with collective assets under management (AUM) of \$6.4 trillion, to emphasise the role that worker representation plays in supporting companies in identifying and managing operating risks. LGIM highlighted that Amazon should meet the expectations set out in the UN Guiding Principles on Business and Human Rights, and that as an internationally recognised human right, workers should be free to exercise their freedom of association and right to collective bargaining.</p>	<p>1) Pepper - Insight engaged with Pepper on how they deal with environmental risks as this was an area of weakness. They engaged with Pepper senior management on their overall environmental strategy and asked for information on who in their board oversees their environmental performance. Pepper are in the process of improving how they gather and track environmental metrics for use in future disclosure. Currently their disclosure is limited. They do not currently monitor the carbon impact of the loans or have any environmental stress tests. Insight have requested details of any new measures they are putting in place regarding how they will do environmental assessments for any new loans.</p> <p>2) Together Financial Services - An analyst from Insight had a one to one meeting with senior management at Together to discuss their responses to Insight ESG template. The two areas of weakness where Insight focused their discussions were environmental and impact. Regarding environmental the senior management have not done much regarding monitoring risks or stress testing the business for future risks. They do not incorporate any climate risks on their loans beyond standard business practice.</p>