

RECTICEL RETIREMENT BENEFITS SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The purpose of this statement is for the Trustees to:

- Set out how, and the extent to which, our policy stated in our Statement of Investment Principles (“SIP”) in relation to the exercise of the rights (including voting rights) attaching to our investments has been followed during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of the services of a proxy voter during that year.

Policy in relation to the rights attaching to investments

Owing to the Trustees’ policy of investing only in mainstream pooled investment vehicles, and to the small size of the Scheme, we have not adopted an active policy in relation to the rights attaching to their investments. We nevertheless recognise the risk that environmental, social and governance (“ESG”) factors may negatively impact the value of investments, either by directly impacting the performance of entities in which investments are held, or by impacting the reputation of those entities. We therefore expect our appointed fund manager, Legal & General Investment Management (“LGIM”), to exercise the voting rights and engagement opportunities attaching to our investments in such a way as to manage this risk effectively.

We receive quarterly ESG ratings from our investment adviser Aon for the funds the Scheme is invested in; further, each year, Aon reviews the voting and engagement policies of the Scheme’s investment managers to ensure they align with our expectations.

Having considered the information we have received from Aon, we are satisfied that LGIM have exercised on our behalf the voting rights and engagement opportunities attaching to our investments in a manner consistent with our expectations. However, Aon are of the view that LGIM could provide more specific engagement information in line with industry standards, and they will continue to engage with LGIM to better understand their voting and engagement practices and to discuss the areas which are behind those of its peers.

Voting behaviour on behalf of the Trustees

Voting rights are attached to listed equity shares. The Scheme’s interests in listed equity shares are held indirectly via the units held in the LGIM World Equity Index Fund.

Voting statistics

The following table shows the voting statistics for the LGIM World Equity Index Fund for the year:

Number of resolutions eligible to vote on	38,295
% of resolutions voted on	99.8%
% of votes against management	20.39%
% of votes abstained from	0.74%

Source: LGIM

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Significant voting examples

LGIM have provided the following example of what they consider to be the most significant votes in relation to the Scheme's funds:

Company name	Apple Inc.
Date of vote	4 March 2022
How the manager voted	For
Did the manager communicate its intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Summary of the resolution	Report on Civil Rights Audit
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.1%
Outcome of the vote	Passed
Rationale for the voting decision	A vote in favour was applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.
Implications of the outcome	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered significant	LGIM views gender diversity as a financially material issue for clients, with implications for the assets we manage on their behalf.

Use of a proxy voter

LGIM's Investment Stewardship team uses Institutional Shareholder Services's (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, who do not outsource any part of their strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.