

# *Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024 (the “Scheme Year”)*

The Trustee of the Carello Lighting Staff Pension 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 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 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.](#)

## **1. Introduction**

No changes were made to the voting and engagement policies in the SIP during the Scheme year. The SIP in force during the Scheme year was last reviewed in December 2021.

However, following the Scheme year-end, the voting and engagement policies were reviewed and updated as part of a wider update to the SIP in August 2024.

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

## **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 linked below:

- BlackRock: [Global Corporate Governance & Engagement Principles \(blackrock.com\)](#)
- Invesco: [Active ownership \(Proxy voting and engagements\)](#)
- Newton: [Sustainable & Responsible Investing | Newton \(newtonim.com\)](#)

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

The Trustee has agreed to set stewardship priorities to focus monitoring and engagement with its investment managers on specific ESG factors. Following training and discussion on the topic, the Trustee agreed stewardship priorities for the Scheme. The stewardship priorities chosen are:

- Climate Change
- Diversity, Equity and Inclusion
- Board Effectiveness

The Trustee communicated these priorities to its managers in Q2 2023 with the following expectations:

- Investment managers to take account of financially material factors (including climate change and other ESG factors) when investing the Scheme’s assets, and to improve their ESG practices over time, within the parameters of their mandates;
- Managers to undertake voting and engagement on the Trustee’s behalf in line with its stewardship policies, considering the long-term financial interests of the Trustee.
- Managers to provide information on their stewardship policies, activities and outcomes, as requested by LCP from time to time, to enable the Trustee to monitor them.

The Trustee’s investment adviser includes a responsible investment and stewardship monitoring section in the Scheme’s regular performance reports. Over this Scheme Year the Trustee reviewed:

- LCP's up-to-date assessment of the investment managers' responsible investment practices and fund-level Responsible Investment scores.
- Case studies of the managers' votes and engagements which relate to the Trustee's stewardship priorities. This helps the Trustee to better understand its managers' different approaches to voting and engagement and form a view on their appropriateness for the Scheme. Over the year the Trustee reviewed two different case studies across two managers covering all three of the stewardship priorities. As a result of these case studies, the Trustee has agreed to continue to monitor progress and escalate as appropriate.
- Training on the updated expectations from the Pensions Regulator's General Code as they relate to climate change, stewardship and social risks.
- Training on the importance of systemic climate risk and highlighting the significant potential financial impact of climate risks materialising in the short-term on the Schemes.
- Quarterly updates on ESG and Stewardship-related issues from its investment adviser.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

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

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to 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 challenges managers where their activity has not been in 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:

- BlackRock Dynamic Diversified Growth Fund
- BlackRock Aquila Life UK Equity Index Fund
- BlackRock Aquila Life MSCI World Fund
- BlackRock Aquila Life Currency Hedged World (ex-UK) Equity Fund
- Invesco Asset Management Global Real Estate Fund
- BNY Mellon Sustainable Real Return Fund

The Scheme fully disinvested its holdings in the three BlackRock equity funds in December 2023, and the BlackRock Dynamic Diversified Growth Fund in March 2023 (ie before the Scheme Year-end). BlackRock was unable to provide voting data over the periods that the Scheme was actually invested in these funds, so we have included voting data for the fund over the full Scheme Year (1 April 2023 to 31 March 2024). We have not escalated this with BlackRock given the Scheme has fully disinvested all its holdings and therefore no longer has BlackRock as an investment manager.

In addition to the above, the Trustee contacted the Scheme's 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 funds that the Scheme invested in held any assets with significant voting opportunities.

#### 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. LCP asked the managers, on the Trustee's behalf, to provide an overview of their voting processes, including how, if at all, they make use of proxy voting services. The managers' responses are set out below.

##### 3.1.1 BlackRock

*The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engage as necessary. BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcome discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in BlackRock's Global Principles, BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy itself, but the client would engage a third-party voting execution platform to cast the votes.*

*BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each 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, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.*

*While BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and BlackRock does not blindly follow their recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. Other sources of information BlackRock use include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research.*

### 3.1.2 Invesco

*Invesco's voting decisions lie with its portfolio managers and analysts with input and support from its Global ESG team and Proxy Operations functions. The final voting decisions may incorporate the unique circumstances affecting companies, regional best practices and any dialogue Invesco has had with company management. Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. Invesco's proprietary proxy voting platform ("PROXYintel") facilitates implementation of voting decisions and rationales across global investment teams. Invesco's good governance principles, governance structure and processes are designed to ensure that proxy votes are cast in accordance with clients' best interests.*

*Invesco may supplement its internal research with information from third parties, such as proxy advisory firms, to assist it in assessing the corporate governance of investee companies. Globally, Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL") and it uses the Institutional Voting Information Service (IVIS) in the UK for corporate governance research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions.*

*Globally, Invesco receives research reports, including vote recommendations from ISS and Glass Lewis for company shareholder meetings across its holdings. To assist with the operational aspects of the proxy voting process including vote disclosure to meet regulatory requirements, Invesco retains the services of ISS and leverages its proprietary proxy voting platform ("PROXYintel") to further streamline the process. Invesco's custom voting guidelines are reviewed annually and seek to support Invesco's Good Governance Principles on best practice standards in corporate governance and long-term investment stewardship.*

### 3.1.3 Newton (who manage the BNY Mellon Sustainable Real Return Fund and BNY Mellon Sustainable Global Dynamic Bond Fund for the Scheme)

*Newton has established overarching stewardship principles which guide its ultimate voting decision, based on guidance established by internationally recognized governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting its investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. It is only in the event that Newton recognises a material conflict of interest that it applies the vote recommendations of its third-party voting administrator.*

*In general, voting decisions are taken consistently across all Newton's clients that are invested in the same underlying company. This is in line with Newton's investment process that focuses on the long-term success of the investee company. Further, it is Newton's intention to exercise voting rights in all circumstances where it retains voting authority.*

*The Responsible Investment team reviews all resolutions for matters of concern. Any such contentious issues identified may be referred to the appropriate global fundamental equity analyst or portfolio manager for comment. Where an issue remains contentious, Newton may also decide to confer or engage with the company or other relevant stakeholders.*

### 3.2 Summary of voting behaviour

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

	BlackRock UK Equity Index Fund*	BlackRock MSCI World Fund*	BlackRock Currency Hedged World (ex-UK) Equity Fund*	BlackRock Dynamic Diversified Growth Fund**	Invesco Asset Management Global Real Estate Fund	BNY Mellon Sustainable Real Return Fund
Total size of fund at end of the Scheme year (£m)	£2,108m	£3,735m	£386m	£828m	£311m	£319m
Value of Scheme assets at end of the Scheme year (£m / % of total assets)	-	-	-	-	£1.2m / 4.1%	£2.4m / 8.2%
Number of equity holdings at end of the Scheme year	565	1,446	1,930	2,343	67	65
Number of meetings eligible to vote	1,045	1,003	2,125	570	77	93
Number of resolutions eligible to vote	14,770	15,204	27,144	7,166	898	1,308
% of resolutions voted	96%	98%	94%	94%	100%	99%
Of the resolutions on which voted, % voted with management	96%	94%	93%	94%	96%	93%
Of the resolutions on which voted, % voted against management	3%	5%	6%	5%	4%	7%
Of the resolutions on which voted, % abstained from voting	1%	0%	0%	1%	0%	0%
Of the meetings in which the manager voted, % with at least one vote against management	20%	32%	30%	26%	29%	33%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	0%	0%	0%	4%	4%

**Note: totals may not sum due to rounding.**

\* The BlackRock Equity Funds were fully redeemed in December 2023. Data provided covers 12 months to 31 March 2024

\*\* The BlackRock Dynamic Diversified Growth Fund was fully redeemed in March 2024. Data provided covers 12 months to 31 March 2024.

### 3.3 Most significant votes

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 Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

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>1</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 that align with the Trustee's stewardship priorities. The Trustee has reported on one or two 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 Trustee.

#### 3.3.1 BlackRock

*BlackRock has classified most significant votes as follows: "BlackRock Investment Stewardship prioritizes its work around themes that it believes will encourage sound governance practices and deliver sustainable long-term financial performance. BlackRock's year-round engagement with clients to understand their priorities and expectations, as well as its active participation in market-wide policy debates, help inform these themes. The themes BlackRock have identified in turn shape its Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which BlackRock look at the sustainable long-term financial performance of investee companies."*

*BlackRock periodically publishes "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain BlackRock's vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to BlackRock's clients and other stakeholders, and potentially represent a material risk to the investment it undertakes on behalf of clients. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. BlackRock consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements."*

BlackRock has not provided information on the approximate size of the holding at the date of the vote. Hence, we have not included this. BlackRock endeavours to communicate its voting intentions to companies as part of their engagement process. However, BlackRock is unable to provide vote-specific information on whether it communicated its voting intention to the company ahead of a given vote. Hence, we have not included this.

#### BlackRock Aquila Life UK Equity Index Fund

##### Exxon Mobil Corporation, 31 May 2023

- **Summary of resolution:** Report on Social Impact from Plant Closure or Energy Transition.
- **Relevant stewardship priority:** Climate Change.
- **Why this vote is considered to be most significant:** BlackRock considered this to be most significant as it published a vote bulletin on this resolution.
- **Company management recommendation:** Against **Fund manager vote:** Against.
- **Rationale:** BlackRock believes the company already has policies in place to address the request being made by the proposal or is already enhancing its relevant policies.



- **Outcome of the vote:** Failed – in line with BlackRock’s vote.

## BlackRock Aquila Life MSCI World Equity Fund

### Shell Plc, 23 May 2023

- **Summary of resolution:** Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement.
- **Relevant stewardship priority:** Climate Change.
- **Why this vote is considered to be most significant:** BlackRock considered this to be most significant as it published a vote bulletin on this resolution.
- **Company management recommendation:** Against **Fund manager vote:** Against.
- **Rationale:** BlackRock believes the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company.
- **Outcome of the vote and next steps:** Failed – in line with BlackRock’s vote.

## BlackRock World (ex-UK) Equity Fund

### Yum! Brands, Inc., 18 May 2023

- **Summary of resolution:** Report on Civil Rights and Non-Discrimination Audit.
- **Relevant stewardship priority:** Diversity, Equity and Inclusion.
- **Why this vote is considered to be most significant:** BlackRock considered this to be most significant as it published a vote bulletin on this resolution.
- **Company management recommendation:** Against **Fund Manager vote:** Against.
- **Rationale:** BlackRock believes the request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company
- **Outcome of the vote and next steps:** Withdrawn – in line with BlackRock’s intended vote.

## BlackRock Dynamic Diversified Growth Fund

### Shell Plc, 23 May 2023

- **Summary of resolution:** Approve the Shell Energy Transition Progress Strategy.
- **Relevant stewardship priority:** Climate Change.
- **Why this vote is considered to be most significant:** BlackRock considered this to be most significant as it published a vote bulletin on this resolution. BlackRock publishes vote bulletins on resolutions on key votes relating to governance, strategy and sustainability issues that it considers material to a company’s sustainable long-term performance.
- **Company management recommendation:** For **Fund manager vote:** For.
- **Rationale:** In BlackRock’s view, Shell’s reporting and approach regarding energy transition are aligned with BlackRock’s client’s long-term financial interests; therefore, BlackRock supported the resolution.
- **Outcome of the vote and next steps:** Passed – in line with BlackRock’s vote.

### 3.3.2 Invesco

Invesco has classified most significant votes as follows: *“for a vote to be considered ‘significant’ is based on the following: (i) materiality of the position, (ii) the content of the resolution and (iii) inclusion on Invesco’s ESG watchlist.”*

Invesco views dialogue with portfolio companies as a core part of the investment process. Invesco may engage with investee companies to discuss ESG issues throughout the year or on specific ballot items to be voted on. In some instances Invesco may choose to communicate its voting intentions to companies ahead of the shareholder meeting, where appropriate. However, Invesco did not provide vote-specific information on whether it communicated its voting intention to the company ahead of a given vote. Hence, we have not included this.

#### Invesco Asset Management Global Real Estate Fund

##### Digital Realty Trust, Inc., 6 June 2023

- **Summary of resolution:** Report on Whether Company Policies Reinforce Racism in Company Culture.
- **Relevant stewardship priority:** Diversity, Equity & Inclusion.
- **Approx size of the holding at the date of the vote:** >1% of Invesco ownership.
- **Why this vote is considered to be most significant:** Invesco considered this vote to be most significant as Invesco had greater than 1% ownership of the company at the time of the vote, and the vote subject included a key ESG proposal.
- **Company management recommendation:** Against **Fund manager vote:** Against
- **Rationale:** Invesco noted that shareholders may wish to engage with the company on providing more disclosure around its diversity and inclusion efforts. However, Invesco believes there do not appear to be significant controversies or allegations that suggest the company's policies are reinforcing racism within its corporate culture.
- **Outcome of the vote and next steps:** Failed – in line with Invesco's vote.

### 3.3.3 Newton

Newton has classified most significant votes as follows: *“Newton’s significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.”*

#### BNY Mellon Sustainable Real Return Fund

##### NextEra Energy, Inc., 18 May 2023

- **Summary of resolution:** Elect Director Sherry S. Barrat.
- **Relevant stewardship priority:** Board Effectiveness.
- **Approx size of the holding at the date of the vote:** 0.47%
- **Why this vote is considered to be most significant:** Newton deemed this vote to be most significant as they viewed concentrated board leadership as a risk to effective board functioning and would require an independent lead director, which is not the case here.
- **Company management recommendation:** For **Fund manager vote:** Against.
- **Rationale:** Newton voted against the Non-Independent Lead Director given the roles of Chair and CEO are combined.
- **Was the vote choice communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** Passed. Newton did not provide any commentary on next steps, but noted that the low level of dissent to the resolution shows that its concerns were not widely shared by shareholders, notably US-based shareholders.