

# The Police Federation of England and Wales Retirement Benefits Scheme

## Implementation Statement for year to 31 December 2021

This Implementation Statement has been prepared by the Trustee of the Police Federation of England and Wales Retirement Benefits Scheme ("the Scheme") and sets out:

- How the Trustee's policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 31 December 2021.

### How voting and engagement policies have been followed

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

Investment rights (including voting rights) have been exercised by the investment manager in line with their general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustee from time to time, taking into account the financial interests of the beneficiaries. The Trustee also expects the investment manager to have engaged with the companies in relation to ESG matters where appropriate.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies, as set out in the Scheme's Statement of Investment Principles ("SIP").

Further details on how policies relating to financially material considerations (including ESG factors which include climate change), how members' views on non-financial matters are taken into account, and how the Trustee monitors the Scheme's investments are covered in the Scheme's Statement of Investment Principles made available at the following link <https://www.polfed.org/media/16083/2020-09-police-federation-sip-v30.pdf>.

There were no significant departures from the stated principles during the year under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

This implementation statement is also available at the following link <https://www.polfed.org/media/17207/pfew-implementation-statement.pdf>.

## Voting data

Voting only applies to funds that hold equities in their portfolio. The Scheme's equity investments are all held through pooled funds. The investment manager for these funds vote on behalf of the Trustee.

The table below provides a summary of the voting activity undertaken by the investment manager over the year to 31 December 2021, together with information on any key voting priorities and information on the use of proxy voting advisors by the manager.

## Voting Data

Manager	Legal and General Investment Management (LGIM)		
Fund name	Dynamic Diversified Fund	All World Equity Index Fund	All World Equity Index Fund – GBP Hedged
<b>Structure</b>	Pooled		
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
<b>Number of company meetings the manager was eligible to vote at over the year</b>	5,834		5,699
<b>Number of resolutions the manager was eligible to vote on over the year</b>	59,616		57,452
<b>Percentage of resolutions the manager voted on</b>	99.8%		99.9%
<b>Percentage of resolutions the manager abstained from</b>	0.9%		1.1%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	80.8%		81.1%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	18.3%		17.8%
<b>Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor</b>	10.8%		9.5%

## Significant votes

We have delegated to the investment manager(s) to define what a “significant vote” is. A summary of the data they have provided is set out below.

### LGIM, Dynamic Diversified Fund (DDF) and All World Equity Index Fund (incl. GBP Hedged) – Table 1 of 4

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	American Tower Corporation	Walgreens Boots Alliance, Inc.	Tyson Foods
<b>Date of vote</b>	26 May 2021	28 Jan 2021	11 Feb 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	DDF - 0.18% AW Equity – 0.17%	DDF - 0.01% AW Equity - 0.05%	DDF - 0.002% AW Equity - 0.03%
<b>Summary of the resolution</b>	Elect Director Pamela D.A. Reeve	Vote to ratify named executive compensation.	Report on Human Rights Due Diligence
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
<b>Rationale for the voting decision</b>	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.	The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned.	A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies.
<b>Outcome of the vote</b>	94.7% of shareholder supported the resolution.	The resolution failed to get a majority support as 52% of shareholders voted against.	The resolution failed to get a majority support as only 17% of shareholders supported it.
<b>Implications of the outcome</b>	LGIM will continue to engage with the company and monitor progress.		
<b>Criteria on which the vote is considered “significant”</b>	LGIM considers this vote to be significant as it's applied under the Climate Impact Pledge, their flagship engagement programme targeting the world's largest companies on their strategic management of climate change.	It was high-profile and controversial.	LGIM's clients were particularly interested in the outcome of this vote.

## LGIM, Dynamic Diversified Fund and All World Equity Index Fund (incl. GBP Hedged) – Table 2 of 4

	Vote 4	Vote 5	Vote 6
<b>Company name</b>	Abu Dhabi Islamic Bank	Abbott Laboratories	Cigna Corporation
<b>Date of vote</b>	4 April 2021	23 April 2021	28 April 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	DDF - 0.001% AW Equity – 0.002%	DDF - 0.04% AW Equity – 0.33%	DDF - 0.01% AW Equity – 0.13%
<b>Summary of the resolution</b>	Accept Financial Statements and Statutory Reports for FY 2020	Require Independent Board Chair	Report on Gender Pay Gap
<b>How the manager voted</b>	Against	For (against management)	For (against management)
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
<b>Rationale for the voting decision</b>	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.	LGIM 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.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.
<b>Outcome of the vote</b>	N/A	33.7% of shareholders supported the resolution.	32.3% of shareholders supported the resolution.
<b>Implications of the outcome</b>	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	
<b>Criteria on which the vote is considered "significant"</b>	LGIM 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.	LGIM 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).	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on clients' behalf.

## LGIM, Dynamic Diversified Fund and All World Equity Index Fund (incl. GBP Hedged) – Table 3 of 4

	Vote 7	Vote 8	Vote 9
<b>Company name</b>	McDonald's Corporation	China Construction Bank Corporation	Southern Copper Corporation
<b>Date of vote</b>	20 May 2021	25 June 2021	28 May 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	DDF - 0.06% AW Equity – 0.27%	DDF - 0.05% AW Equity – 0.11%	DDF - 0.000% AW Equity – 0.009%
<b>Summary of the resolution</b>	Report on Antibiotics and Public Health Costs	Approve Report of the Board of Directors	Require Independent Board Chair
<b>How the manager voted</b>	For (against management)	Against	For (against management)
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Given their recent engagement with the company on the topic of antibiotic use in their supply chain and their decision to publicly pre-declare their support to the shareholder resolution on the topic, LGIM exceptionally decided to communicate their vote intentions to the company as part of their continuous engagement with them.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
<b>Rationale for the voting decision</b>	LGIM voted for as they believe the proposed study will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health.	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.	LGIM 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.
<b>Outcome of the vote</b>	11.3% of shareholders supported the resolution.	N/A	5.5% of shareholders supported the resolution.
<b>Implications of the outcome</b>	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

	Vote 7	Vote 8	Vote 9
<b>Criteria on which the vote is considered "significant"</b>	LGIM consider this vote to be significant as they publicly pre-declared it before the shareholder meeting.	LGIM 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.	LGIM 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).

## Fund level engagement

Manager	Legal and General Investment Management
<b>Fund name</b>	Dynamic Diversified Fund Absolute Return Bond Fund Sterling Liquidity Fund Matching Core Fund series All World Equity Index Fund All World Equity Index Fund (GBP hedged)
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	Dynamic Diversified Fund: 709 Absolute Return Bond Fund: 601 Sterling Liquidity Fund: 28 All World Equity Index Fund: 97
<b>Number of engagements undertaken at a firm level in the year</b>	772 engagements with 683 companies
<b>Examples of engagements undertaken with holdings in the fund</b>	<p>Key engagement topics included climate change, remuneration, climate impact pledge, ethnic diversity and board composition:</p> <p><b>Moderna</b> – LGIM filed a shareholder proposal at Moderna requesting that the company publicly disclose how its receipt of government financial support for development and manufacture of a COVID-19 vaccine is being considered when making decisions that affect access to such products, such as setting prices. Moderna are contesting the inclusion of the proposal on its agenda for the 2022 AGM and has indicated it will publish such a report prior to the AGM. LGIM are currently engaging with the company.</p> <p><b>Cardinal Health</b> – In May 2021, LGIM America co-filed a shareholder resolution, together with the Investors for Opioid Accountability (IOPA), asking the company to publish annually an in-depth report disclosing its direct and indirect lobbying activities and expenditures, as well as its policies and procedures governing such activities (a “Political Contributions and Activities Report”). Follow engagement with the company, the board agreed to expand its PCAR to include all disclosures relating to state lobbying expenses. Therefore, LGIM withdrew their proposal.</p>

## Adopted by the Trustee in April 2022