

# Implementation Statement for the Portmeirion Potteries Limited Retirement Benefits Scheme

Covering 6 April 2021 to 5 April 2022

## 1. Background

The Trustees of the Portmeirion Potteries Limited Retirement Benefits Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Scheme’s Statement of Investment Principles (“SIP”) during the previous Scheme year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes. This is the second implementation statement produced by the Trustees.

A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the Scheme’s SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

<https://www.apexgroup.com/statement-of-investment-principles/portmeirion-potteries-limited-retirement-benefits-scheme/>

## 2. Investment Objectives and Activity

The main investment objectives of the Scheme are:

- to achieve, over the long term, a return on the Scheme’s assets which is sufficient, in conjunction with the Scheme’s existing assets and employer contributions, to pay all members’ benefits in full. In practice this means seeking to achieve full funding against a conservative “low dependency” measure of the Scheme’s liabilities by the time the Scheme is “significantly mature” i.e. by the time that almost all members have retired. ‘Low dependency’ status would be when Scheme is no longer heavily dependent on Employer support in order to pay benefits.
- to maintain a reasonable level of investment risk, which is supported by the Scheme’s time horizon and Employer covenant (the Employer’s legal obligation and financial ability to support the Scheme now and in the future);
- to consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements; and
- to ensure that sufficient liquid assets are available to meet benefit payments as they fall due.

As mentioned in last year’s statement, the investment strategy was reviewed in depth in the Scheme year ended 5 April 2021. The agreed changes were implemented in two phases in May 2021 and July 2021.

The Trustees review progress against their investment objectives at their regular Trustees' meetings, supported by funding level updates provided by the Scheme Actuary and investment performance reports provided by the Scheme's Investment Platform provider.

Following the implementation of the new investment strategy in June 2021, there were some small cashflow investment/disinvestment transactions during the remainder of the year.

### **3. ESG, Stewardship and Climate Change**

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ("ESG") factors, stewardship, and climate change. This policy sets out the Trustees' beliefs on ESG and climate change, and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees considered ESG matters as part of the selection of the investment products which are being used in the new investment strategy, specifically:

- The Trustees chose a global equity product which has an "ESG-tilt" i.e. it invests more in the equity of companies which have a positive ESG impact, and less in companies which have a negative ESG impact; and
- Managers' approach to ESG matters was a key part of the balanced scorecard approach used to select the Scheme's new Diversified Growth Fund Managers.

The Trustees continue to keep their investment managers and ESG policies under review.

### **4. Voting and Engagement**

The Trustees are keen that their managers are signatories of the UK Stewardship Code - all of the managers are current signatories. The Trustee's investment consultant, Capita, is also a signatory of the UK Stewardship Code.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which the Scheme invests. However, the Trustees will consider these policies in all future selections and will continue to deepen their understanding of their existing managers' policies. The Scheme held the following funds at some point over the period 6 April 2021 to 5 April 2022.

Current funds held:

- LGIM Future World Global Equity Index Fund
- LGIM Future World Global Equity Index Fund GBP Hedged
- BNY Mellon (Newton) Real Return Fund
- Schroder Diversified Growth Fund
- Insight Broad Opportunities Fund
- LGIM Active Corporate Bond – Over 10 Year – Fund
- BMO Real Dynamic LDI Fund
- BMO Nominal Dynamic LDI Fund

Legacy funds held prior to the last investment strategy review:

- LGIM UK Equity Index Fund (**Legacy fund**)
- LGIM Global Equity Fixed Weights (50:50) Index GBP Hedged Fund (Legacy fund) (**Legacy fund**)
- LGIM Over 15 Year Gilts Index Fund (**Legacy fund**)
- LGIM Over 5 Year Index-Linked Gilts Index Fund (**Legacy fund**)

The Trustees were unable to include voting data for the underlined funds as they are fixed income funds which do not hold equities. The voting data for the legacy funds were not included as they were disinvested shortly after April 2021.

## **Description of investment manager's voting processes**

### **a. Legal & General Investment Management ("LGIM")**

LGIM describe their voting process as follows:

"All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) 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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM's custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations."

#### **b. BNY Mellon (Newton)**

BNY Mellon describe their voting process as follows:

"Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale, and any engagement activities together with relevant governing laws, guidelines, and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, we may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares, as we believe executive pay should be aligned with performance.”

### **c. Schroder**

Schroders describe their voting process as follows:

“As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking). We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy.

The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, applying our voting policy and guidelines (as outlined in our Environmental, Social and Governance Policy) to each agenda item. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as the Investment Association’s Institutional Voting Information Services and ISS, and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. In 2020, we voted on approximately 99% of total resolutions, and instructed a vote against management at 36% of meetings. In total, we voted on 6,518 meetings.

Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through their Internet-based platform Proxy Exchange. Schroder's receives ISS's research on resolutions. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For our smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for us, with only a few resolutions referred to Schroders for a final decision.

ISS automatically votes all our holdings of which we own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in our voting decisions as well as creating a more formalised approach to our voting process."

#### **d. Insight**

Insight describe their voting process as follows:

"Insight retains the services of Minerva Analytics (Minerva) for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions.

Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.

In addition, please refer to our Proxy Voting Policy, which sets out in detail our approach to voting on resolutions:

<https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-aus---proxy-voting-policy-2022.pdf> "

## 5. Summary of voting behaviour over the year

### a. LGIM

A summary of LGIM's voting behaviour over the period is provided in the table below.

	Summary Info
Manager name	Legal & General Investment Management
Fund name	Future World Global Equity Index Fund
Approximate value of trustees' assets	c.£5.6 as at 31 March 2022
Number of meetings eligible to vote	4465
Number of resolutions eligible to vote	47851
% of resolutions voted	99.86%
% of resolutions voted with management	81.74%
% of resolutions voted against management	17.42%
% of resolutions abstained	0.84%
% of meetings with at least one vote against managements	61.88%
% of resolutions voted contrary to the proxy adviser recommendation	10.70%
	Summary Info
Manager name	Legal & General Investment Management
Fund name	Future World Global Equity Index Fund GBP Hedged
Approximate value of trustees' assets	c.£1.8m as at 31 March 2022
Number of meetings eligible to vote	4465
Number of resolutions eligible to vote	47851
% of resolutions voted	99.86%
% of resolutions voted with management	81.74%
% of resolutions voted against management	17.42%
% of resolutions abstained	0.84%
% of meetings with at least one vote against managements	61.88%
% of resolutions voted contrary to the proxy adviser recommendation	10.70%
	Summary Info
Manager name	Legal & General Investment Management
Fund name	Active Corporate Bond - Over 10 Year - Fund
Approximate value of trustees' assets	c.£8.6m as at 31 March 2022
Number of meetings eligible to vote	5
Number of resolutions eligible to vote	6
% of resolutions voted	100.00%
% of resolutions voted with management	100.00%
% of resolutions voted against management	0.00%
% of resolutions abstained	0.00%
% of meetings with at least one vote against managements	0.00%
% of resolutions voted contrary to the proxy adviser recommendation	0.00%

**b. BNY Mellon (Newton)**

A summary of BNY Mellon's voting behaviour over the period is provided in the table below.

	Summary Info
Manager name	BNY Mellon
Fund name	Real Return Fund
Approximate value of trustees' assets	c.£3.8m as at 31 March 2022
Number of meetings eligible to vote	98
Number of resolutions eligible to vote	1476
% of resolutions voted	99.2%
% of resolutions voted with management	83.9%
% of resolutions voted against management	16.1%
% of resolutions abstained	0.0%
% of meetings voted at least once against management?	47%
% of meetings voted contrary to the recommendation of your proxy adviser?	11.7%

**c. Schroder**

A summary of Schroder's voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Schroder
Fund name	Diversified Growth Fund
Approximate value of trustees' assets	c.£3.6m as at 31 March 2022
Number of meetings eligible to vote	1932
Number of resolutions eligible to vote	22236
% of resolutions voted	95.2%
% of resolutions voted with management	90.4%
% of resolutions voted against management	9.0%
% of resolutions abstained	0.6%
% of meetings voted at least once against management?	46.6%

**d. Insight**

A summary of Insight's voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Insight
Fund name	Insight Broad Opportunities Fund
Approximate value of trustees' assets	c.£3.6m as at 31 March 2022
Number of meetings eligible to vote	12
Number of resolutions eligible to vote	141
% of resolutions voted	100%
% of resolutions voted with management	99.3%
% of resolutions voted against management	0.7%
% of resolutions abstained	0%
% of meetings voted at least once against management?	8.3%



## Most Significant votes over the year

### a. LGIM

#### Most significant votes for the Future World Global Equity Index Fund and Future World Global Equity Index Fund GBP Hedged

#### Vote 1

Company name	Microsoft Corporation
Date of vote	2021-11-30
Summary of the resolution	Elect Director Satya Nadella
How you voted	Against
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight
Outcome of the vote	94.7% of shareholders supported the resolution.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.
On which criteria have you assessed this vote to be "significant"?	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes

## Vote 2

Company name	Apple Inc.
Date of vote	2022-03-04
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit
How you voted	For
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.
Outcome of the vote	53.6% of shareholders supported the resolution.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "significant"?	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

### Vote 3

Company name	Amazon.com, Inc.
Date of vote	2021-05-26
Summary of the resolution	Resolution 1a Elect Director Jeffrey P. Bezos
How you voted	Against
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	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. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	95.1% of shareholders supported the resolution.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

#### Vote 4

Company name	Facebook, Inc.
Date of vote	2021-05-26
Summary of the resolution	Resolution 1.9 Elect Director Mark Zuckerberg
How you voted	Withhold
Where you voted against management, did you communicate your 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	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. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	97.2% of shareholders supported the resolution.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

**b. BNY Mellon (Newton)**

**Most significant votes for the BNY Mellon Real Return Fund**

**Vote 1**

Company name	AstraZeneca Plc
Date of vote	11-May-21
Summary of the resolution	Elect Directors X4, Approve Remuneration Policy, Amend Restricted Stock Plan
How you voted	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	Votes were instructed against the remuneration policy, a new performance share plan, and members of the remuneration committee. We did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.
Outcome of the vote	3.4%, 1.3%, 2%, 26% AGAINST Elect Director, 39.8% AGAINST Approve Remuneration Policy, 38.3% AGAINST Amend Restricted Stock Plan
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	UK best practice recognises that shareholder dissent in excess of 20% on remuneration-related proposals is significant and should result in proactive steps being taken by the company. In this case, with almost 40% of votes against pay proposals, the company is expected to consult with shareholders to determine and address underlying concerns.
On which criteria have you assessed this vote to be "significant"?	The level of shareholder dissent merits this vote as significant.

## Vote 2

Company name	Citigroup Inc
Date of vote	27-Apr-21
Summary of the resolution	Amend Proxy Access Right
How you voted	AGAINST management proposals and FOR the shareholder proposal
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	We voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.
Outcome of the vote	32.1% FOR Amend Proxy Access Right
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The vote outcome, while not a majority, will be understood by the board as a matter of significant interest to the company's shareholders. It is a matter that should be addressed to avoid a further or increased public demonstration of concern.
On which criteria have you assessed this vote to be "significant"?	The vote outcome, while not a majority, will be understood by the board as a matter of significant interest to the company's shareholders. It is a matter that should be addressed to avoid a further or increased public demonstration of concern.

### c. Insight

#### **Most significant votes for the Insight Broad Opportunities Fund**

Insight describe their significant voting process as follows:

“The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, examples of significant votes cast that may be comparable to other listed entities are not applicable to the strategy’s exposures.”