

Engagement Policy Implementation Statement (“EPIS”)

Labour Party Superannuation Society (the “Society”)

Scheme Year End – 31 December 2022

The purpose of the EPIS is for us, the Trustee of the Labour Party Superannuation Society, to explain what we have done during the year ending 31 December 2022 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Society’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Society’s material investment managers were able to disclose good evidence of voting and engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice. Not all managers were able to provide all of the engagement information requested. We will engage with these managers, as set out in our engagement action plan, to encourage them to provide detailed and meaningful disclosures about their engagement activities.

How voting and engagement policies have been followed

The Society is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Society's investment managers. In our view, most of the investment managers were able to disclose good evidence of voting and engagement activity. More information on the stewardship activity carried out by the Society's investment managers can be found in the following sections.

Over the reporting year, we monitored the performance of the Society's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly ESG ratings from Aon for the funds the Society is invested in where available. We also received training on how monitoring of ESG factors is to be extended and reviewed the Annual Stewardship Report from Aon.

During 2022, we reviewed the Responsible Investment ("RI") characteristics of the fixed income funds in the portfolio and how our fiduciary manager approaches RI matters and to ensure their policy aligns with our own RI policy. We also reviewed our RI policy against the actions we took over the year to meet the objectives. We concluded that the RI policy remains appropriate given our views and that our understanding of RI matters and the investment strategy aligns.

The Society's stewardship policy can be found in the SIP: <https://labour.org.uk/wp-content/uploads/2022/10/LPSS-SIP-7-September-2022.pdf>.

Members can also access the SIP on the Society's documents library at <https://www.4myplan.co.uk>.

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Mirova was initially unable to provide us with the requested engagement information as their annual engagement report is due to be completed at a later date than the completion of this statement, however, our investment adviser engaged with Mirova on this point, and Mirova was subsequently able to provide complete audited engagement information as per the Investment Consultants Sustainability Working Group ("ICSWG") best practice industry standard, which demonstrated strong standards of stewardship. No further action is required here.
2. While LGIM and BlackRock did provide a comprehensive list on fund level engagements, which we find encouraging, they did not provide detailed engagement examples specific to the fund in which we are invested, as per the ICSWG industry standard, and also did not provide firm level engagement information. Our fiduciary manager will meet with these managers to better understand their engagement practices and discuss the areas which are behind those of their peers.
3. We will undertake an annual review of our RI policy to ensure it accurately reflects our views and complies with the regulations.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our fiduciary manager's engagement activity

We delegate the management of the Society's assets to our fiduciary manager, Aon Investments Limited ("Aon"). Aon manages the Society's assets in a range of funds which can include multi-asset, multi-manager and liability matching funds. Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Society's investments is an important factor in deciding whether a manager remains the right choice for the Society.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Society's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Society's material funds with voting rights for the year to 31 December 2022.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Nordea Asset Management – Global Climate and Environmental Fund	775	99.1%	5.5%	1.7%
Mirova – Global Sustainable Equity Fund	671	98.0%	39.0%	1.2%

Source: Manager(s)

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Society's managers use proxy voting advisers.

	Description of use of proxy voting adviser(s)
Nordea Asset Management	<p>In general, every vote we cast is considered individually on the background of our bespoke voting policy, which we have developed in-house based on our own principles.</p> <p>Our proxy voting is supported by two external vendors (Institutional Shareholder Services and Nordic Investor Services – henceforth, "ISS" and "NIS") to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors have merged.</p> <p>The contrast in the services – ISS is a global player with international reach and practices, while NIS is a small niche player whose best practices are much in line with our own, gives us a broad palette of input which is very valuable in the evolution of our own Corporate Governance Principles. The same setup has continued after the merger of ISS and NIS.</p>
Mirova	Mirova utilizes Institutional Shareholder Services, Inc. (ISS) as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its recommendation are not prescriptive or determinative to our voting decision.

Source: Manager(s)

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues as well.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Society's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Society's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Society's material managers over the year. Some of the engagement information provided is at a firm level i.e. is not necessarily specific to the underlying fund invested in by the Society.

Funds	Number of engagements		Themes engaged on at a firm-level
	Fund specific	Firm level	
Nordea Asset Management – Global Climate and Environmental Fund	36	994	Climate change, Reporting (e.g. audit, accounting, sustainability reporting), Human and labour rights (e.g. supply chain rights, community relations), Pollution, Waste and Natural resource use/impact (e.g. water, biodiversity), and others.
Mirova - Global Sustainable Equity Fund	33	115	Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste, Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Governance - Board effectiveness – Diversity, and Remuneration, Reporting (e.g. audit, accounting, sustainability reporting)
Robeco – SDG Credit Income Fund	11	252	Climate change, SDG Engagement, Natural resource use/impact (e.g. water, biodiversity), Human and labour rights (e.g. supply chain rights, community relations) and Pollution, Waste, and others.
LGIM – Global Diversified Credit SDG Fund	79	-	Climate change, Natural resource use/impact (e.g. water, biodiversity), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Board effectiveness – Diversity and Remuneration, and others.
BlackRock – Absolute Return Bonds Fund	391	-	Climate Risk Management, Remuneration, Human Capital Management, Board Composition and Effectiveness and Corporate Strategy, and others.
Aegon Asset Management – European Asset Backed Securities (ABS) Fund	132	441	Remuneration, Climate change, Reporting (e.g. audit, accounting, sustainability reporting), Human and labour rights (e.g. supply chain rights, community relations) and Board effectiveness - Independence or Oversight, and others.
Leadenhall Capital Partners LLP – Insurance Linked Securities	309	321	Climate change, Reporting (e.g. audit, accounting, sustainability reporting), Remuneration, Shareholder rights and Risk management (e.g. operational risks, cyber/information security, product risks), and others.

Source: Manager(s)

Data limitations

At the time of writing, the following manager(s) did not provide all the information we requested:

- LGIM and BlackRock did not provide detailed response on fund level engagement examples, nor did they provide firm level engagement information.

We will engage with the manager(s) to encourage improvements in reporting as set out in our engagement action plan.

This report does not include commentary on the Society's liability driven investments, securitised debt and/or cash, gilts etc because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Society's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Society’s managers. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

Nordea Asset Management – Global Climate and Environmental Fund	Company name	Republic Services
	Date of vote	16-May-22
	How the manager voted	Against Management
	Did the manager communicate its intent to the company ahead of the vote?	No
	Summary of the resolution	Report on third-party civil rights audit (shareholder proposal).
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.8%
	Outcome of the vote	Against
	Rationale for the voting decision	Given that an independent civil rights audit would aid the shareholders to better assess the effectiveness of the company's efforts to address the issue of any inequality within their operation, this merits shareholder approval.
	Implications of the outcome	We will continue to vote for such proposals in this company as well as in other relevant companies.
	Criteria on which the vote is considered significant?	Significant votes are those that the manager feels are against its principles, and where it feels it needs to enact change in the company.
Mirova – Global Sustainable Equity Fund	Company name	SunRun Inc.
	Date of vote	1-June-22
	How the manager voted	Against Management
	Did the manager communicate its intent to the company ahead of the vote?	Yes
	Summary of the resolution	Executive Compensation and Director Elections (2 resolutions)
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.9%
	Outcome of the vote	Pass
	Rationale for the voting decision	Prior to executing our vote, members of the sustainability research team engaged with SunRun to discuss the structure of the compensation plan. We advocated for the elimination of stock options and explained our rationale. The company has very responsive and committed to examining this possibility. We further gave insight into possible meaningful sustainability metrics that the plan could incorporate as the company grows.
	Implications of the outcome	We found this company to be quite open and eager to receive shareholder feedback. It was helpful to have the ESG analyst that focuses on climate change and the energy sector part of the call to provide detailed insight regarding the various potential sustainability criteria the company could incorporate into the plan.
	Criteria on which the vote is considered significant?	Relevant to engagement strategy, core company.

Source: Manager(s)