

# The Police Federation of England and Wales Retirement Benefits Scheme

## Implementation Statement for year to 31 December 2020

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

- How the Trustees’ policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 December 2020.

### 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.

The Scheme has appointed a new manager over the year, Legal and General Investment Management, and stewardship and voting policies were considered as part of the manager selection exercise, alongside all other material factors. The Trustees are comfortable that the manager is suitable across all criteria considered, including stewardship and voting.

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

The manager has attended at least one Trustee meeting over the year and they have included a discussion on stewardship and voting as part of their presentations. No further actions were taken following these discussions.

Having reviewed the above in accordance with their policies, the Trustees are 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 Trustees monitor 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.

## 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 Trustees.

The table below provides a summary of the voting activity undertaken by the investment manager over the year to 31 December 2020, 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 Trustees to influence the manager's voting behaviour.		
<b>Number of company meetings the manager was eligible to vote at over the year</b>	7,600		6,491
<b>Number of resolutions the manager was eligible to vote on over the year</b>	81,093		68,198
<b>Percentage of resolutions the manager voted on</b>	99.9%		99.6%
<b>Percentage of resolutions the manager abstained from</b>	0.7%		0.8%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	84.3%		83.4%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	15.0%		15.7%
<b>Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor</b>	0.2%		0.2%

## Significant votes

For the first year of implementation statements 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 and All World Equity Index Fund (incl. GBP Hedged) – Table 1 of 5

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Qantas Airways Limited	Whitehaven Coal	International Consolidated Airlines Group
<b>Date of vote</b>	23 Oct 2020	22 Oct 2020	7 Sep 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	<b>Resolution 3:</b> Approve participation of Alan Joyce in the Long-Term Incentive Plan <b>Resolution 4:</b> Approve Remuneration Report.	<b>Resolution 6:</b> Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations.	<b>Resolution 8:</b> Approve Remuneration Report' was proposed at the company's annual shareholder meeting held on 7 September 2020.
<b>How the manager voted</b>	Against 3 and for 4.	For	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	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 the 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 supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. LGIM voted against resolution 3 to signal their concerns around the 2021 LTIP.	As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.	LGIM encouraged the board to demonstrate restraint and discretion with its executive remuneration. They were concerned about the level of bonus payments. LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience.
<b>Outcome of the vote</b>	Both passed	Fail	Pass
<b>Implications of the outcome</b>	LGIM will continue their engagement with the company.	LGIM will continue to monitor this company.	LGIM will continue to engage closely with the renewed board.
<b>Criteria on which the vote is considered "significant"</b>	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.	This vote illustrates the importance for investors of monitoring our investee companies' responses to the COVID crisis.

## LGIM, Dynamic Diversified Fund and All World Equity Index Fund (incl. GBP Hedged) – Table 2 of 5

	Vote 4	Vote 5	Vote 6
<b>Company name</b>	Lagardere	Pearson	ExxonMobil
<b>Date of vote</b>	5 May 2020	18 Sep 2020	27 May 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	Activist Amber Capital, which owned 16% of the share capital, proposed 8 new directors to the Supervisory Board (SB) of Lagardere, as well as to remove all the incumbent directors.	<b>Resolution 1:</b> Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.	<b>Resolution 1.10:</b> Elect Director Darren W. Woods
<b>How the manager voted</b>	For five of the proposed candidates and voted off five of the incumbent directors.	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 in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with the 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 engages with companies on their strategies, any lack of challenge to these, and with governance concerns. LGIM engaged with both Amber Capital, where they were able to speak to the proposed new SB Chair, and also Lagardere, where they spoke to the incumbent SB Chair. This allowed them to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.	LGIM spoke with the chair of the board earlier this year, on the board's succession plans. They discussed the shortcomings of the company's current remuneration and also spoke with the chair before the EGM, to relay their concerns. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.	Under LGIM's annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, they announced that they would be removing ExxonMobil from their Future World fund range, and would be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, they also announced they would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
<b>Outcome of the vote</b>	Fail.	Pass.	Pass.
<b>Implications of the outcome</b>	LGIM will continue to engage with the company to understand its future strategy and how it will add value to shareholders over the long term.	Key governance questions remain which will now be addressed through continuous engagement.	LGIM believe this sends an important signal to push for change at the company.
<b>Criteria on which the vote is considered "significant"</b>	LGIM noted significant media and public interest in this vote.	Pearson has had strategy difficulties in recent years and is a large and well-known UK company.	LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

## LGIM, Dynamic Diversified Fund and All World Equity Index Fund (incl. GBP Hedged) – Table 3 of 5

	Vote 7	Vote 8	Vote 9
<b>Company name</b>	Barclays	Medtronic plc	Olympus Corporation
<b>Date of vote</b>	7 May 2020	11 Dec 2020	30 Jul 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	<b>Resolution 29:</b> Approve Barclays' Commitment in Tackling Climate Change <b>Resolution 30:</b> Approve ShareAction Requisitioned Resolution	<b>Resolution 3:</b> Advisory Vote to Ratify Named Executive Officers' Compensation.	<b>Resolution 3.1:</b> Elect Director Takeuchi, Yasuo' at the company's annual shareholder meeting held on 30 July 2020.
<b>How the manager voted</b>	For both.	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 in monthly regional vote reports on its website with the rationale for all votes against management. It is their 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.		
<b>Rationale for the voting decision</b>	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM were particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as we are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which the performance criterion/criteria were not met. Prior to the AGM LGIM engaged with the company and clearly communicated their concerns over one-off payments.	LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level LGIM consider that every board should have at least one female director and this is a de minimis standard. They opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.
<b>Outcome of the vote</b>	Resolution 29: Pass Resolution 30: Fail	Pass.	Pass.
<b>Implications of the outcome</b>	LGIM plan to continue to work closely with the Barclays board and management team.	LGIM will continue to monitor this company.	LGIM will continue to engage with and require increased diversity on all Japanese company boards.
<b>Criteria on which the vote is considered "significant"</b>	There has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM.	LGIM believe it is contrary to best practice in general and their pay principles in particular to award one-off awards.	LGIM considers it imperative that the boards of Japanese companies increase their diversity.

## LGIM, Dynamic Diversified Fund and All World Equity Index Fund (incl. GBP Hedged) – Table 4 of 5

	Vote 10	Vote 11	Vote 12
<b>Company name</b>	Fast Retailing Co. Limited.	Amazon	Cardinal Health
<b>Date of vote</b>	26 Nov 2020	27 May 2020	4 Nov 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	<b>Resolution 2.1:</b> Elect Director Yanai Tadashi.	Shareholder resolutions 5 to 16	<b>Resolution 3:</b> Advisory Vote to Ratify Named Executive Officers' Compensation.
<b>How the manager voted</b>	Against	For 10/12 resolutions.	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 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>	Japanese companies in general have trailed behind European and US companies, in ensuring more women are appointed to their boards. LGIM has for many years promoted and supported an increase of appointing more women on boards, at the executive level and below. They deem this a de minimis standard.	LGIM has had multiple engagements with Amazon over the past 12 months. The topics of engagements touched most aspects of ESG, with an emphasis on social topics: Governance: Separation of CEO and board chair roles, Environment: Details about the data transparency committed to in their 'Climate Pledge' Social. LGIM discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.	LGIM has in previous years voted against executives' pay packages due to concerns over the remuneration structure not comprising a sufficient proportion of awards assessed against the company's performance. They voted against the resolution to signal their concern over the bonus payment to the CEO in the same year the company recorded the charge for expected opioid settlement.
<b>Outcome of the vote</b>	Pass	All resolutions fail.	38.6% Against, 61.4% For
<b>Implications of the outcome</b>	LGIM will continue to engage with and require increased diversity on all Japanese company boards, including Fast Retailing.	LGIM's engagement with the company continues as they push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.	LGIM continues to engage with US companies on their pay structures and has published specific pay principles for US companies.
<b>Criteria on which the vote is considered "significant"</b>	LGIM considers it imperative that the boards of Japanese companies increase their diversity.	The market attention was significant leading up to the AGM.	LGIM believe it is imperative that pay structures are aligned with company performance.

## LGIM, Dynamic Diversified Fund and All World Equity Index Fund (incl. GBP Hedged) – Table 5 of 5

### Vote 13

<b>Company name</b>	The Procter & Gamble Company (P&G)
<b>Date of vote</b>	13 Oct 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided
<b>Summary of the resolution</b>	<b>Resolution 5:</b> Report on effort to eliminate deforestation.
<b>How the manager voted</b>	For
<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 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>	<p>P&amp;G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Moreover, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which is responsible for c. 12.5% of greenhouse gas emissions that contribute to climate change. Only FSC certification offers guidance on land tenure, workers', communities and indigenous people's rights and the maintenance of high conservation value forests. LGIM engaged with P&amp;G to hear its response to the concerns raised and the requests raised in the resolution. In addition, LGIM engaged with the Natural Resource Defence Council to fully understand the issues and concerns. Following a round of extensive engagement on the issue, LGIM decided to support the resolution. Although P&amp;G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt they were not doing as much as they could. Deforestation is one of the key drivers of climate change. Therefore, a key priority issue for LGIM is to ensure that companies they invest their clients' assets in are not contributing to deforestation.</p>
<b>Outcome of the vote</b>	67.7% For, 32.3% Against
<b>Implications of the outcome</b>	LGIM will continue to engage with P&G on the issue and will monitor its CDP disclosure for improvement.
<b>Criteria on which the vote is considered "significant"</b>	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

## LGIM, All World Equity Index Fund (incl. GBP Hedged) only – Table 1 of 2

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	SIG plc.	Rank Group	Plus500 Ltd.
<b>Date of vote</b>	9 July 2020	11 Nov 2020	16 Sep 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	<b>Resolution 5:</b> Approve one-off payment to Steve Francis' proposed at the company's special shareholder meeting held on 9 July 2020.	Approve the remuneration report; and resolution 3 Approve remuneration policy.	<b>Resolution 17:</b> Approve Special Bonus Payment to CFO Elad Even-Chen'
<b>How the manager voted</b>	Against	For	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 investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		Given their concerns, LGIM directly notified the company of its vote intentions before the shareholder meeting.
<b>Rationale for the voting decision</b>	LGIM does not generally support one-off payments. They believe that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. The additional payment was a concern because it was a large amount for work carried out over a two-month period and was to be paid in cash at a time when the company's liquidity position was poor.	LGIM noted the remuneration committee's decision to apply a 20% deduction and cancel the planned increase of salaries of the executives and fees of the board members. They were comfortable that the impact of COVID-19 had been appropriately reflected in the remuneration of the executives and therefore decided to support the remuneration report.	LGIM voted against the resolution based on the belief that such transaction bonuses do not align with the achievement of pre-set targets. Separately, LGIM also voted against an amendment to the company's remuneration policy, which continues to allow for the flexibility to make one-off awards and offers long-term incentives that remain outside best market practice in terms of long-term performance alignment.
<b>Outcome of the vote</b>	Pass.	Pass. This is interesting as proxy voting agency ISS voted against.	Resolution was withdrawn ahead of the meeting.
<b>Implications of the outcome</b>	LGIM intend to engage with the company over the coming year to find out why this payment was deemed appropriate.	Our engagement with the company on the topic of remuneration led to an informed vote decision by LGIM.	LGIM will continue to monitor the company in relation to this issue.
<b>Criteria on which the vote is considered "significant"</b>	The vote is high-profile and controversial.	It illustrates the complexity of remuneration practices and the importance of engagement. The media also expected this shareholder meeting would trigger a substantial amount of votes against.	There was a level of media interest regarding the withdrawal of the resolution. This, combined with the other shortcomings of this company in relation to the expectations of a company listed in London, make this a significant vote.



## LGIM, All World Equity Index Fund (incl. GBP Hedged) only – Table 2 of 2

<b>Vote 4</b>	
<b>Company name</b>	Luckin Coffee inc.
<b>Date of vote</b>	5 July 2020
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided
<b>Summary of the resolution</b>	<b>Resolution 4:</b> Remove Director Charles Zhengyao Lu
<b>How the manager voted</b>	For
<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 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>	<p>Shortly after its public listing, the Chinese coffee start-up, which holds the ambition of disrupting the traditional coffee-shop model and competing with Starbucks in China, was accused by an anonymous report of potential fraudulent behaviour. This was initially denied by the board, and the company later opened an internal investigation with the formation of a special board committee and advice from outside law and forensic firms. The investigation revealed fabricated sales of approximately \$300 million, which represented almost half of the company's 2019 sales. As a result, the CEO and chief operating officer were dismissed, and the company was delisted from Nasdaq in June 2020. Two Chinese regulators are investigating the issue. As a result of these findings, Haode Investment inc., a significant shareholder of the company (holding at the time approximately 37% of unequal voting rights), beneficially owned by the chair and founder, requested a special meeting to ask for the removal of three board directors including the director leading the internal investigation, and proposed the election of two outside directors. The company board proposed a resolution at the meeting to seek shareholder approval to remove the board chair from the board. This resolution was put forward by the majority of the board as a result of the findings of the internal investigation. Given the findings of the investigation, LGIM decided to sanction the board for its lack of oversight. LGIM supported the removal of the board chair, and also voted in favour of the removal of two outside non-independent directors of the board. LGIM opposed the election of the two outside directors proposed by the board chair himself, as they had concerns about their independence.</p>
<b>Outcome of the vote</b>	Pass. Three other board directors were also removed, and two new outside directors were appointed to the board.
<b>Implications of the outcome</b>	The company subsequently appointed a new combined chair and CEO, who is a co-founder of the company. LGIM will continue to monitor developments.
<b>Criteria on which the vote is considered "significant"</b>	LGIM identified this vote as significant given the size of the scandal and the proposal by the board to remove the company's chair. LGIM also noted that this scandal triggered important media coverage. The company is incorporated in China and was listed in the US; The Financial Times reported that this scandal triggered the US Congress passing bills in May to strengthen disclosure requirements for foreign groups.

## 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>	Not provided
<b>Number of engagements undertaken at a firm level in the year</b>	891
<b>Examples of engagements undertaken with holdings in the fund</b>	<p>Key engagement topics include climate change, remuneration, diversity, COVID-19, and Strategy.</p> <p><b>KEPCO:</b> LGIM has been engaging with Korea Electric Power Company since early 2017. In 2019, they had 4 meetings with the company, including one in person at LGIM's offices in autumn 2019, to discuss lack of responsiveness to investor concerns. In October 2020, KEPCO publicly pledged to make no further investments in overseas coals projects and they announced they would focus on renewables and natural gas in the future.</p>

## Adopted by the Trustees in June 2021