

Implementation Statement, covering the Fund Year from 1 April 2023 to 31 March 2024

The Committee of Management of the Port of London Authority Pension Fund (the “Fund”) is required to produce a yearly statement to set out how, and the extent to which, the Committee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, the Committee (including the most significant votes cast by the Committee 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 Committee 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 Fund Year.

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

2. Voting and engagement

The Committee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which the Fund’s investments reside. A summary of the stewardship policy in force over the Fund Year is as follows:

- The Committee requires the Fund’s investment managers to use their influence as major institutional investors to carry out the Committee’s rights and duties as a shareholder including voting, along with — where relevant and appropriate — engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.
- The Committee regularly reviews the suitability of the Fund’s appointed investment managers and takes advice from their investment consultant with regard to any changes.
- The Committee requires that its investment managers provide details of their stewardship policy and activities on a regular basis. The Committee reviews the stewardship activities of its investment managers on an annual basis, covering both engagement and voting actions.
- The Committee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

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

Following the introduction of DWP’s guidance, the Committee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the July 2023 meeting, the Committee discussed and agreed stewardship priorities for the Fund which were:

- Climate change
- Modern Slavery
- Diversity, Equity & Inclusion
- Corporate Transparency

These priorities were selected because they are key market-wide risks and areas where the Committee believe that good stewardship and engagement can improve long-term financial outcomes for the Fund’s members. The Committee communicated these priorities to its managers during the Fund year.

The Committee 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 Committee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

The Committee added a new pooled fund, the Aegon European ABS Fund on 8 September 2023. In selecting and appointing this manager, the Committee considered LCP's RI view of the fund, noting that whilst the fund does not have a sustainable objective, Aegon seeks to invest at least 70% of the portfolio in ABS securities that promote favourable ESG characteristics.

3. Description of voting behaviour during the Fund Year

All of the Committee's holdings in listed equities are within pooled funds and the Committee has delegated to its investment managers the exercise of voting rights. Therefore, the Committee is not able to direct how votes are exercised and the Committee itself has not used proxy voting services over the Fund Year. However, the Committee monitors managers' voting and engagement behaviour on an annual basis and will challenge managers where their activity has not been in line with the Committee'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 Fund's funds that hold equities as follows:

- Invesco UK Equities Fund;
- Invesco Global ex UK Equities Fund;
- Ruffer Absolute Return Fund.

The holdings of the IFM Global Infrastructure Fund are primarily private equity investments rather than public listed equities. However, IFM may invest in listed equity assets from time-to-time to help gain long-term strategic positions. IFM holds board seats for all investments in their fund (including listed equity assets) and uses these positions to help influence their portfolio companies. We have omitted data relating to IFM's listed equity investments on materiality grounds since they are only a small proportion of the Fund's total equity holdings and given IFM's position on the board of these companies.

In addition to the above, the Committee contacted the Fund's asset managers that do not hold listed equities, to ask if any of the assets held by the Fund had voting opportunities over the Fund Year. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

For assets with voting rights, the Committee relies on the voting policies which its managers have in place. A summary of the Fund's managers' voting practices is provided below.

3.1.1 Invesco

Invesco has adopted a stewardship policy aligned with its responsibility as a shareholder on behalf of all its investors. Invesco's proxy voting process is designed to ensure that proxy votes are cast in accordance with the best interests of all clients. Invesco discloses detailed portfolio specific proxy voting reports detailing all votes including rationales to clients upon request.

Invesco has adopted and implemented a Policy Statement on Global Corporate Governance and Proxy Voting ("Policy") which it believes describes policies and procedures reasonably designed to ensure that proxies are voted in the best interests of its clients. This Policy is intended to help Invesco's clients understand its commitment to responsible investing and proxy voting, as well as the good governance principles that inform its approach to engagement and voting at shareholder meetings.

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. The voting decision lies with its portfolio managers and analysts with input and support from their Global ESG team and Proxy Operations functions. The final voting decisions may incorporate the unique circumstances affecting companies, regional best practices and any dialogue it has had with company management. Invesco's proprietary proxy voting platform ("PROXYintel") facilitates implementation of voting decisions and rationales across global investment teams.

Invesco may supplement its internal research with information from third-parties, such as proxy advisory firms, to assist in assessing the corporate governance of investee companies. Globally, Invesco leverages research from Institutional Shareholder Services Inc. (“ISS”) and Glass Lewis and they use 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, it receives research reports, including vote recommendations from ISS and Glass Lewis for company shareholder meetings across 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 PROXYintel to further streamline the process. Invesco also engages ISS to provide written analysis and recommendations based on Invesco’s internally developed custom voting guidelines with specific voting recommendations on ESG issues applied globally. 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.

3.1.2 Ruffer

Ruffer act as stewards of its clients’ assets and uses its judgement to determine when to engage and how to vote at shareholder meetings to best protect the interests of its clients. Ruffer takes the opportunity to vote seriously, enabling it to encourage boards and management teams to consider and address areas that it is concerned about. Ruffer reviews local best practices and corporate governance codes when voting clients’ shares, and actively considers companies’ explanations for not complying with best practice to ensure that it votes in the best interests of its clients.

It is Ruffer’s policy to vote on Annual General Meeting and Extraordinary General Meeting resolutions, including shareholder resolutions, as well as corporate actions. Ruffer endeavours to vote on the majority of its holdings but retains discretion to not vote when it is in its clients’ best interests (for example in markets where share blocking applies).

To apply this policy, Ruffer works with various industry standards, organisations and initiatives and actively participates in debates within the industry, promoting the principles of active ownership and responsible investment.

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from ISS, to assist in the assessment of resolutions and the identification of contentious issues. In general, Ruffer does not delegate or outsource stewardship activities when deciding how to vote on clients’ shares.

Research analysts are responsible, supported by their responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff. Ruffer looks to discuss with companies any relevant or material issues that could impact their investment. Ruffer will ask for additional information or an explanation, if necessary, to inform its voting discussions. If it decides to vote against the recommendations of management, it will endeavour to communicate this decision to the company before the vote along with their explanation for doing so.

Where conflicts of interest on voting or engagement exist between Ruffer, and/or a particular client and its wider client base, it is Ruffer’s policy to act in the best interests of all its clients. Ruffer has identified a potential conflict of interest when voting on in-house funds, such as the Ruffer Investment Company and Ruffer UCITS. Ruffer ensures that the managers of the relevant fund are excluded from the voting decision making process for the fund they manage. To further eliminate potential conflict of interests, the justifications and the decision-making process on items are clearly documented.

3.2 Summary of voting behaviour

A summary of voting behaviour over the Fund Year is provided in the table below.

	Invesco UK equities	Invesco overseas equities	Ruffer DGF
Manager name	Invesco	Invesco	Ruffer
Fund name	UK Equities Fund	Global ex UK Equities Fund	Ruffer Absolute Return Fund
Total size of fund at end of the Fund Year	£884m	£81m	£2,716m

Value of Fund assets at end of the Fund Year (£ / % of total assets)	£5.2m / 1.7%	£45.9m / 15.4%	£18.9m / 6.3%
Number of equity holdings at end of the Fund Year	133	424	61
Number of meetings eligible to vote	155	560	64
Number of resolutions eligible to vote	3,052	8,776	1,020
% of resolutions voted	100.0%	99.3%	100.0%
Of the resolutions on which voted, % voted with management	98.7%	92.9%	94.9%
Of the resolutions on which voted, % voted against management	1.3%	7.1%	3.1%
Of the resolutions on which voted, % abstained from voting	0.1%	0.0%	2.0%
Of the meetings in which the manager voted, % with at least one vote against management	20.6%	56.9%	26.6%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1.4%	4.6%	9.6%

3.3 Most significant votes

Commentary on the most significant votes over the Fund Year, from the Fund's asset managers who hold listed equities, is set out below.

The Committee did not inform its managers which votes it considered to be most significant in advance of those votes, however it did inform them of its stewardship priorities.

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 Committee did not identify significant voting ahead of the reporting period. Instead, the Committee 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 criteria¹ for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Committee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Committee has interpreted "significant votes" to mean those that:

- might have a material impact on future company performance;
- are shareholder resolutions which received material support; and/or
- align with its stewardship priorities.

The Committee has reported on two of these significant votes per fund only as the most significant votes.

The Committee will continue to engage with its managers to understand how they're implementing its agreed stewardship priorities in an impactful manner.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

3.3.1 Invesco UK Equities Fund

	Shell Plc, May 2023	Aviva Plc, May 2023
Summary of resolution	Approve the Shell Energy Transition Progress	Approve Climate-Related Financial Disclosure
Approx size of the holding at the date of the vote	8.1%	1.8%
Relevant stewardship priority	Climate Change	Climate Change
Why this vote is considered to be most significant	This vote is relevant as it relates to a stewardship priority – Climate Change.	This vote is relevant as it relates to a stewardship priority – Climate Change.
Firm management recommendation	For	For
Fund manager vote	For	For
Rationale	A vote for the transition progress report is warranted, as Shell has made progress on the reduction of Scopes 1 and 2; and acquisitions in the fields of renewable energy are noteworthy. The transition plans cover Scope 1, 2 and 3 emissions; and encompass short, medium and long-term timeframes. However, the vote was not without concern because the Company's Scope 3 targets relate to intensity reduction, rather than absolute emission reduction.	A vote for the report is warranted, as Aviva's continuation to put forward its climate-related disclosures ensures that shareholders are provided a recurring say on what is a rapidly developing area. The disclosures outlined by Aviva include clear targets for various climate and environmental measures while the governance structure for addressing and dealing with the climate-related topics appears to be fairly transparent, and climate is considered across Aviva's pay structure.
Outcome of the vote	Pass	Pass

3.3.2 Invesco Global ex UK Equities Fund

	Mondelez International, Inc., May 2023	NextEra Energy, Inc., May 2023
Summary of resolution	Report on Targets to Eradicate Child Labor in Cocoa Supply Chain	Disclose Board Skills and Diversity Matrix
Approx size of the holding at the date of the vote	0.1%	0.1%
Relevant stewardship priority	Modern Slavery	Corporate Transparency and Diversity, Equity & Inclusion
Why this vote is considered to be most significant	This vote is relevant as it relates to a stewardship priority – Modern Slavery.	This vote is relevant as it relates to a stewardship priority – Corporate Transparency and Diversity, Equity & Inclusion
Firm management recommendation	Against	Against
Fund manager vote	Against	For

Rationale	A vote against this proposal is warranted, as Mondelez International's current targets are not substantially different than the targets the proponent is asking the company to set in this proposal. Mondelez International appears to be taking appropriate steps to limit its risk at this time.	A vote for this resolution is warranted, as the board matrix would enhance transparency and would provide shareholders with a better tool to assess the quality of NextEra's board and to evaluate its director nominees; and a growing number of large companies are providing a board skills matrix.
Outcome of the vote	Fail	Fail

3.3.3 Ruffer Absolute Return Fund

	BP Plc, April 2023	Amazon.com, Inc., May 2023
Summary of resolution	Approve Shareholder Resolution on Climate Change Targets	Report on Median and Adjusted Gender/Racial Pay Gaps
Approx size of the holding at the date of the vote	0.5%	0.6%
Relevant stewardship priority	Climate Change	Diversity, Equity & Inclusion
Why this vote is considered to be most significant	This vote is relevant as it relates to a stewardship priority – Climate Change.	This vote is relevant as it relates to a stewardship priority – Diversity, Equity & Inclusion.
Firm management recommendation	Against	Against
Fund manager vote	Against	For
Rationale	<p>A vote for this proposal is warranted as BP has, in Ruffer's opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil and gas energy whilst allocating capital to the 'transition growth engines'.</p> <p>Whilst BP has tightened and reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy is not in the best interests of generating shareholder value.</p>	<p>A vote for this proposal is warranted, as publishing unadjusted pay gap statistics could increase accountability for diversity efforts and would provide shareholders with useful information about how effectively management is assessing and mitigating risks that may arise from inequitable worker treatment.</p>
Outcome of the vote	Fail	Fail