

Engagement Policy Implementation Statement

The Engagement Policy Implementation Statement ("EPIS") for the Plumbing & Mechanical Services (UK) Industry Pension Scheme (the "Scheme") has been prepared by the Trustee Directors of the Scheme (the "Directors ") and covers the Scheme year from 6 April 2022 to 5 April 2023.

How stewardship policies have been followed

The Scheme is invested in both pooled and segregated funds, where the responsibility for stewardship – including voting and engagement - is delegated to the Scheme's investment managers.

We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose adequate evidence of voting and/or engagement activity.

More information on the stewardship activity carried out by the Scheme's investment managers can be found in this report.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Directors by Aon. Aon's monitoring includes ESG (Economic, Social and Governance) ratings and highlights any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy, active ownership, proxy voting and/or stewardship policies.

Climate risk management / TCFD / Carbon reporting

The Scheme has been progressing throughout the year towards meeting the requirements as set out as part of the Task Force on Climate-related Financial Disclosures (TCFD) and has published its first report as part of this year's annual reporting process. The TCFD establishes a set of eleven clear, comparable, and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better-informed decision-making on climate-related financial risks.

Manager Appointments

During the year, the Directors invested in KKR's Diversified Core Infrastructure Fund. This fund invests across multiple infrastructure sectors such as utilities, telecoms, energy and transportation, in assets that focus on yield, and is expected to deliver long-term predictable cashflows. As part of the selection process, we reviewed KKR's ESG credentials. ESG is incorporated and embedded in KKR's investment process. The Firm has an established responsible investing policy that emphasises on the importance of ESG issues in investment decisions from the perspective of managing risks and identifying opportunities of value creation. KKR has been a signatory to the United Nations inspired Principles for Responsible Investing ("PRI") since 2009.

The above change to the Scheme's investments is in line with our ESG and Stewardship policies as outlined in the SIP.

The Scheme's stewardship policy can be found in the SIP: <https://www.plumbingpensions.co.uk/investments>

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

Engagement Policy Implementation Statement (continued)

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. While our investment manager, LGIM, provided a comprehensive list of fund-level engagements, which we find encouraging, these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group ("ICSWG") industry standard. Our investment adviser, Aon, will continue to engage with LGIM to better understand its engagement practices and discuss the areas that are behind those of its peers.
2. We will continue to undertake regular, detailed ESG monitoring of our managers.

Our Equity manager's 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 Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

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

Voting statistics

The table below shows the voting statistics for the Scheme's equity manager, LGIM, for the year to 31 March 2023. The voting information provided broadly matches the Scheme year end.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - FTSE RAFI All World 3000 Equity Index Fund	39,878	99.7%	19.8%	1.3%
LGIM - MSCI World Minimum Volatility Index Fund	5,610	99.6%	22.7%	0.1%

Source: Managers.

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

Source: UN PRI

Engagement Policy Implementation Statement (continued)

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 Scheme's equity manager, LGIM, uses proxy voting advisers.

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.

	Description of use of proxy voting adviser
LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.

Source: Manager

Significant voting examples

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

Engagement Policy Implementation Statement (continued)

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 Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - FTSE RAFI All World 3000 Equity Index Fund	519	1,244	Environment - Climate change. Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health. Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, and others.
LGIM - MSCI World Minimum Volatility Index Fund	168	1,244	Environment - Climate change. Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health. Governance - Board effectiveness - Diversity, Board effectiveness - Other, Leadership - Chair/CEO, Remuneration, Strategy/purpose, ESG Scores, and others.
Insight - Global ABS Fund	40	948	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution and waste. Social - Social - Human capital management, Human and labour rights and others. Governance - Board effectiveness - Independence or Oversight, Remuneration and others. Strategy, Financial and Reporting - Capital allocation, Financial performance and others.
DTZ - Property Segregated Fund	Not Provided	50	Environment - Pollution, Waste, Climate change and others Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Inequality and others. Governance - Board effectiveness – Diversity, Remuneration, and others. Strategy, Financial and Reporting - Capital allocation, financial performance, and others.
PIMCO Diversified Income Duration Hedged Fund	79	>1800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste. Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Public health and others. Governance - Board effectiveness – Diversity, Independence or Oversight, Remuneration, and others. Strategy, Financial and Reporting – Capital allocation, Financial performance, Strategy/purpose and others.
CBRE – Long Income Investment Fund	Not Provided	Not Provided	Environment - Climate change, tenant workshops Strategy, financial & reporting - green leases

Source: Managers. DTZ, PIMCO and Insight did not provide fund level themes; themes provided are at a firm-level.

Engagement Policy Implementation Statement (continued)

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- CBRE did not provide any engagement numbers but commented that the Firm's strategies invest directly in real estate and engage primarily with the occupiers of the properties. CBRE, and their property managers on their behalf, engage with tenants on an ongoing basis and do not keep statistics on individual engagements.
- DTZ did not provide fund level engagement numbers but commented that at fund level, tenants and suppliers are engaged with, for example through collecting tenant utility consumption data and the agreement of "green lease clauses" where applicable.

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on the Scheme's investment in LDI, gilts and cash because of the limited materiality of stewardship associated with these asset classes.

This report does not include commentary on the Scheme's AVC managers on the grounds of materiality.

Engagement Policy Implementation Statement (continued)

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM - FTSE RAFI All World 3000 Equity Index Fund	Company name	TotalEnergies SE
	Date of vote	January 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.54%
	Summary of the resolution	Approve Company's Sustainability and Climate Transition Plan
	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	Climate change: A vote against is applied. We recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, we remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5°C trajectory.
	Outcome of the vote	Pass
	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 "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Source: Manager

Engagement Policy Implementation Statement (continued)

Appendix – Significant Voting Examples (continued)

LGIM - MSCI World Minimum Volatility Index Fund	Company name	Mitsubishi Corp.
	Date of vote	June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.40%
	Summary of the resolution	Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement
	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	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	Outcome of the vote	Fail
	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 "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Source: Manager