# Trustee's Report

## Implementation Statement

## The Allen and Overy Pension Scheme (the "Scheme")

## Scheme Year End – 31 December 2022

The purpose of the Implementation Statement is for us, the Trustee of the Allen and Overy Pension Scheme (the "Trustee") to explain what we have done over the year ending 31 December 2022 to implement our policies and achieve our objectives as set out in the Statement of Investment Principles ("SIP").

This statement includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. 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.

### Our conclusion

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

Based on the information provided, we are comfortable that most of the Scheme's managers are carrying out stewardship activities – including the exercise of voting rights that we have delegated to them - that are in line with our expectations and policies set out in the SIP.

Where managers have been unable to provide the requested information, we are engaging with these managers to set expectations regarding the provision of this data in the future and encourage improvement in future reporting.

Managers who have been unable to provide any information will be the first priority, followed by those who have only been able to provide partial information e.g., engagement information only at a firm level rather than fund-specific engagements.

# 1. Changes to the SIP during the year

We have a separate Statement of Investment Principles for the DB and DC Sections of the Scheme.

For the DB Section, we undertake a review of the Statement of Investment Principles ("SIP") at least annually with support from our investment consultant.

The DB section was updated in Q1 2022 following the successful implementation of the updated investment strategy agreed as a part of the 2020 strategy review.

For the DC Section, we have a policy to review the SIP at least every three years, or without delay after any significant change in investment policy or member demographics.

We updated the DC Section SIP on 12 May 2022 to reflect the various investment changes that were implemented to the lifecycle strategies on 10 November 2021. Further information on the specific changes made to each lifecycle strategy can be found in the annual Chair's Statement located here:

https://www.myallenoverypension.com/library/AOLibMemComm.asp.

The Scheme's latest SIPs can be found here:

https://www.myallenoverypension.com/Library/AOLibMemComm.asp.

## 2. How the policies in the SIP have been followed

In the table below we set out what we have done during the year to implement our policies and achieve our objectives as set out in the DB and DC sections SIPs.

### A. DB Section

| | |
|---|---|
| i: Strategy | The current investment strategy set out in the SIP was set following a detailed review and advice from our investment consultant, Aon, and following consultation with the Employer regarding the change of investment strategy.<br><br>In the second half of 2020, a strategy review was carried out to explore whether a similar level of expected return could be achieved with a strategy that is more efficient from a risk/return and income perspective. The review highlighted that whilst the overall current investment strategy remains fit for purpose in terms of achieving the target return, there was scope for improvement by replacing underperforming mandates. We consulted with the Employer for the changes in investment strategy.<br><br>Over 2021 and early 2022 the implementation of the updated investment strategy was completed. This was undertaken in two phases. First, the Scheme's asset allocation was rebalanced, with the net redemption proceeds being utilised by Insight as a part of the Scheme's matching assets. This was completed on 21 May 2021. The second phase, which involved the full redemption from the Insight Bonds Plus 400 Fund and the investment into the Aon Sustainable Multi-Asset Credit Fund, was completed on 31 January 2022. Following volatility in the gilt market in September 2022, it was also necessary to further re-balance our asset allocation, albeit on a temporary basis, in order to meet collateral requirements in the LDI portfolio held with Insight in a timely manner. This involved a full redemption of the Blackrock Diversified Growth Fund and asset-backed securities as well as a rebalance of the equity mandates.<br><br>We have already scheduled to re-visit the strategy in 2023 once the markets have settled with a view to simultaneously meeting ESG requirements when selecting new asset classes/managers. |

## Implementation Statement (continued)

**ii: Implementation and ongoing monitoring**

We appointed Aon as our investment consultant in relation to the funds within the Defined Benefit Section. We have a number of direct investments in pooled funds managed by the investment managers. Aon provides formal advice on the suitability of the direct investments, Section 36 of the Pensions Act 1995, ahead of investment and provides ongoing monitoring of the suitability.

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to us by our investment consultant, Aon. We receive these reports on a quarterly basis which monitor the performance, strategic asset allocation and risk management of the Scheme's investments, covering a number of different objectives and policies set out in the SIP. The report includes:

- Absolute performance and performance relative to the benchmark over the quarter, one year and three-year periods
- Asset allocation relative to the strategic asset allocation
- An overview of Aon’s ratings of the investments and detailed commentary for any major developments
- Economic market review and outlook

Outside of this, during this Scheme year, we also monitored exposure to Russia following the introduction of UK sanctions against Russia in response to its invasion of Ukraine on 24 February 2022. With support of our investment consultants, we found that the following funds that the Scheme invests in have direct exposure to Russia; LGIM Global Equity Fund (both the currency hedged and unhedged versions), BlackRock DDGF and Aon Sustainable Multi-Asset credit. We found that the Scheme’s direct exposure to Russia was small relative to the total assets invested and has reduced significantly since the onset of the Russia/Ukraine crisis. We are comfortable that the Scheme’s fund managers have and continue to comply with sanctions imposed on Russia.

**iii: Risk**

Please refer to "Implementation and ongoing monitoring" for further details on how risks within the Scheme are monitored and reported. In addition to the regular monitoring, we review the risk within the investment strategy as part of the investment strategy review carried out triennially alongside the actuarial valuation.

## Implementation Statement (continued)

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|---|---|
| iv: Arrangements with asset managers | We are supported by Aon in monitoring the activity of Scheme investments. As noted in "Implementation and ongoing monitoring", we receive investment monitoring reports on a quarterly basis, which include Aon's ratings of the investments and include ESG ratings for each manager when available.<br><br>Aon's Investment Manager Research ("IMR") Team is responsible for researching, rating, and monitoring investment managers across all asset classes. This includes some aspects on the manager's alignment with Trustee policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues. IMR meet with each of buy rated managers on a quarterly basis to receive an update on the portfolio, performance, and any major developments. Following discussions with the manager, they review each sub-component rating and overall rating.<br><br>In addition to regular monitoring, triennially IMR perform a deep dive review of every buy rated manager. It also meets with managers on an ad-hoc basis if there are significant changes to any monitoring points which raise concern (changes to investment team, poor performance, etc.).<br><br>Although IMR do not rate the Aon Sustainable Multi-Asset Credit Fund, it rates the underlying managers in the Fund. |
| v: Cost transparency | We are in the process of gathering the cost information of our investments to provide a consolidated summary of all the investment costs incurred for the investments over 2022 which will be compared with data from 2021. This will include a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. This disclosure was produced in line with the requirements of the Competition and Markets Authority on fiduciary management cost disclosures.<br><br>We will receive and review this report on an annual basis. The 2021 report is scheduled to be discussed at the Q2 2023 meeting. |

## B. DC/AVC Section

The Defined Contribution ('DC') section of the Scheme invests via an insurance policy held on the UK Institutional Trustee Investment Plan investment platform that is managed by abrdn (formerly Aberdeen Standard Investment).

A legacy additional voluntary contribution (AVC) arrangement was also set up for members of the Defined Benefit section that allowed investments to be made into unit-linked funds held with abrdn, the selection of which are identical to those available within the DC Scheme, as well as with-profits funds that are managed by Prudential Assurance Company and Aviva Life & Pensions UK Limited. These funds are now all "Closed" policies. Members who opted to transfer from the DB Scheme to the DC Scheme can still choose to invest in the Prudential Assurance Company and abrdn investment vehicles.

The core DC Section is used as a Qualifying Scheme for auto-enrolment purposes and has both a primary and secondary default arrangement :

- **Primary default arrangement**: The Multi-Asset Lifecycle Strategy is for members who join the Scheme and do not choose an investment option for their contributions. Members can also choose to invest in this strategy.
- **Secondary default arrangement**: The Standard Life Deposit and Treasury Pension Fund was designated a secondary arrangement in April 2020, following the temporary suspension of Standard Life Pooled Property Pension Fund due to the Covid-19 pandemic, which prevented members' contributions from being paid into the Fund. For members affected by the Standard Life Pooled Property Pension Fund's temporary suspension, who did not select an alternative fund for redirection of their contributions, we decided to move contributions the Standard Life Deposit and Treasury Pension Fund.

Further information about the primary and secondary default arrangements can be found in the Chair's Statement.

We apply the policies set out in the SIP to all default arrangements.

## Implementation Statement (continued)

i. Implementing and Monitoring a suitable Investment strategy

Members have the opportunity to place their DC investments in either a lifecycle strategy or into a range of individual funds available via a self-select arrangement.

We have made three lifecycle strategies available to members – the Multi-Asset Lifecycle Strategy (the primary default arrangement), the Annuity Lifecycle Strategy and the Cash Lifecycle Strategy.

Members that choose to invest their DC pension contributions into the self-select arrangement are able to choose from a range of funds that cover a number of different asset classes, enabling members to construct a portfolio to meet their individual investment objectives and constraints. During the Scheme year to 31 December 2022, we made 15 self-select funds available to members. However, the Standard Life Pooled Property Pension Fund and the Liontrust UK Equity Fund are now closed to new investments.

Further information about the investment arrangements available to DC Scheme members can be found in the annual Chair's Statement.

Over the course of the Scheme year, we monitored the individual funds that are used by the DC Scheme against their respective benchmarks and performance objectives via quarterly investment monitoring reports received from the Scheme's DC investment consultants (Aon).

These reports include information on both the short and long-term performance of each fund relative to their objective as well a red, amber or green ('RAG') status to indicate whether funds were delivering in line with their objectives.

A number of the actively managed funds that are used by the DC Scheme are also monitored by Aon's Investment Manager Research ("IMR") team on a quarterly basis. We will be notified by Aon should any of the monitored funds be impacted by any material events or if the overall ratings assigned to the monitored funds be changed by the IMR team.

Over the course of the Scheme year to 31 December 2022, we were notified the following by Aon:

- The overall rating of the Standard Life Liontrust UK Equity Pension Fund was downgraded by the IMR team from "Qualified" to "Sell" due to concerns about the fund's potential long-term performance. Following this, we soft-closed the fund in 12 December 2022, enabling members currently contributing to the fund to continue doing so while preventing new investments being made into the fund.
- The Aon IMR team had downgraded the overall ratings of all Diversified Growth Funds to "Qualified" due to poor historical performance and that these types of investment strategies no longer aligned with Aon's "best ideas". This action impacted the Standard Life Schroder Intermediated Diversified Growth Pension Fund and the Ninety One Global Multi-Asset Sustainable Growth Pension Fund, both of which are underlying component funds used within the Lifecycle Strategies as well as funds made available to members within the Self-Select arrangement.

Following this announcement, we requested Aon analyse these funds within the triennial Investment Strategy Review, which is discussed below.

In addition to the quarterly investment monitoring reports, we also undertake an in-depth review of the Scheme's investment strategy at least every three years. The most recent investment strategy review was completed by us on 28 November 2022. Further information about this review and its outcome can be found in the Chair's Statement, which is located here:

https://www.myallenoverypension.com/library/AOLibMemComm.asp.

In addition to monitoring the underlying investment strategy, we also monitored the Scheme's exposure to Russian assets during the Scheme year, following the introduction of UK sanctions against Russia in response to its invasion of Ukraine on 24 February 2022. Based on the reports produced by our investment consultants, Aon, we found that the Scheme's direct exposure to Russia was small relative to the total assets invested. We were comfortable that the Scheme's fund managers have and continue to comply with sanctions imposed on Russia.

ii: Ensuring reasonable costs and charges

We have established a cost-benefit analysis framework for the DC Section in order to assess whether the member borne charges deliver good value for members. This assessment forms part of the annual Chair's Statement and includes consideration of both explicit and implicit charges and a comparison versus costs in the wider market as well as wider benefits DC members receive through the Scheme.

The 2022 review is currently ongoing with the outcome to be published upon completion of the 2022 Chair's Statement (expected before 31 July 2023).

The 2021 assessment, which was completed before 31 July 2022, concluded that both the primary and secondary default arrangements were well below the charge cap of 0.75% p.a., and that the charges associated with the investment options available across both the DC Section and AVCs offered good value for members. More detail can be found in the annual Chair's Statement located here: https://www.myallenoverypension.com/library/AOLibMemComm.asp.

## Implementation Statement (continued)

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|---|---|
| iii: Reviewing investment consultant's performance | We assessed our DC investment consultants against a range of objectives that are set out by us. During the Scheme year, we deemed our DC investment consultants to have performed in line with our expectations and needs.<br><br>As at 1 October 2022, we are now legally required to assess the performance of our investment consultants against objectives at least every 12 months. Additionally, the objectives themselves must be reviewed at least every three years or without delay after any significant change in investment policy. Compliance with these requirements is monitored by the Pension Regulator via the Scheme Return.<br><br>We reviewed the investment consultant objectives on 23 June 2022 and agreed that the objectives set remain appropriate. |
| iv: Risk | Please refer to section 2.B.I for further details on how risks within the Scheme are monitored and reported.<br><br>In addition to the regular monitoring, we review the risks within the investment strategy as part of the triennial Investment Strategy Review.<br><br>During the Scheme year, we considered the possible impact of the rise in the cost of living on the Scheme's members and their retirement outcomes. We agreed that it would be useful for current members to be informed on the Retirement Living Standards (RLS) as part of on-going communications from the firm. |

## C. Joint DB and DC/AVC Policies

Some policies and objectives that we have in place are consistent across the Scheme's DB and DC Section SIPs. This predominantly relates to policies and objectives on Responsible Investment.

| | |
|---|---|
| i: Responsible Investment – Financially Material Considerations | We recognise that environmental, social and governance ("ESG") risk factors, including climate change may negatively impact the value of investments held if not fully understood and evaluated properly.<br>In order to take these risks into account, we reviewed ESG ratings for the funds used by the Scheme as part of the quarterly investment monitoring reports received over the Scheme year for both the DB and DC Sections of the Scheme. The ESG ratings focus on a set of principles and whether the fund manager's overarching approach has successfully integrated ESG factors within those principles.<br>For the DB section of the Scheme, manager selection relies on the ESG ratings provided by the Investment Consultant and their research team who provide ratings for managers. As stated above, we will further consider ESG when re-investing into new asset classes or managers in the upcoming review in early 2023.<br>For the DC Section of the Scheme, we have agreed with our investment consultant's recommendation to add the abrdn Sustainable Index Fund to the self-select arrangement once an insured version of the fund becomes available on the investment platform used by the Scheme.<br>We have incorporated ESG-related risks, including climate change, on the Scheme's risk register as part of ongoing risk assessment and monitoring. |
| ii: Responsible Investment – Stewardship (Voting and Engagement) | With the help of our investment consultants, we have collated and reviewed the voting and engagement activity of each individual fund manager over the course of the Scheme year as part of the production of the annual Implementation Statement. Details of this review can be found in Section 3 of this Statement. |
| iii: Responsible Investment – Members' views and Non-Financial Factors | For the DB Section, in setting and implementing the Scheme's investment strategy we do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").<br>For the DC Section, we believe that it has provided a range of investment options that enable members to construct a portfolio that satisfies their investment objectives and constraints based on analysis of the Scheme's membership profile (further information given in Section 2.B.I).<br>Regarding member views on ESG matters (including non-financially material considerations), our policy is to give due consideration to any member feedback received. With the support of our DC investment consultants, we have identified a suitable ESG-Fund and intend to add this fund once it is made available on the abrdn platform. |

## 3. The exercise of our voting rights

The Scheme invests in pooled funds, and we have delegated responsibility for the selection, retention, and realisation of investments to the Scheme's appointed investment managers. This means that we have also delegated our stewardship activities, including the exercise of our voting rights, to our managers.

The rest of this section sets out the stewardship activities, including the exercise of our voting rights, carried out on our behalf over the year to 31 December 2022.

Based on the information provided, we are comfortable that most managers are carrying out stewardship activities that are in line with our expectations and policies set out in the SIP.

Where managers have been unable to provide the requested information, we are engaging with these managers to set expectations regarding the provision of this data in the future.

### 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 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.

#### 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*

#### 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*

# Implementation Statement (continued)

## Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds[1] that have voting rights attached to them for the year to 31 December 2022

| Scheme Section | Fund | Number of resolutions eligible to vote on | % of resolutions voted | % of votes against management | % of votes abstained from |
|---|---|---|---|---|---|
| **DB** | LGIM World Equity Index Fund | 67,139 | 100% | 20% | 1% |
| | BlackRock Dynamic Diversified Growth Fund | 11,842 | 92% | 5% | 1% |
| | Ninety One Global Multi-Asset Sustainable Growth Pension Fund | 976 | 100% | 7% | 1% |
| | Liontrust UK Equity Pension Fund | 2,705 | 100% | 3% | 1% |
| **DC** | Schroder Intermediated Diversified Growth Pension Fund | 15,081 | 96% | 8% | 1% |
| | Standard Life Global Equity 50:50 Tracker Pension Fund | *Not Provided* | | | |
| | Standard Life Overseas Tracker Pension Fund | *Not Provided* | | | |
| | Veritas Global Focus Pension Fund | 423 | 100% | 56% | 0% |

*Source: Managers*

1 *The Scheme's material funds (for the purposes of this Implementation Statement) include: funds that have voting rights attached to the underlying investments (e.g. equity or multi-asset funds); funds that constitute significant proportion of the assets invested in by the Scheme; funds that were held for a significant proportion of the year and/or are held at the end of the reporting period; and/or funds that form part of the DC default arrangement. Funds that hold predominantly gilts or cash investments, including LDI, are not considered material due to the lack of applicability of stewardship to these asset classes.*

## Implementation Statement (continued)

| Use of proxy voting advisers | Why use a proxy voting adviser? |
| --- | --- |
| 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.<br><br>Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.<br><br>The table below describes how the Scheme's managers use proxy voting advisers. | 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. |

## Implementation Statement (continued)

| Scheme Section | Fund | Description of use of proxy voting adviser(s)<br>*Wording provided directly by each manager* |
|---|---|---|
| | 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. |
| DB | BlackRock | While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.<br>In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations.<br>• BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed.<br>• We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial.<br>• We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis.<br>• We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.<br>• The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. |

| | | |
|---|---|---|
| DC | Ninety One | We make use of the ISS Proxy Exchange research service for all voting. ISS provide us with research recommendations and recommendations based on our internal voting policy, we consider and discuss this with the investment teams that hold the issuer to make a decision in the best interest of the shareholders (which may differ from ISS & management recommendations). We cast our vote via the ISS voting platform. |
| | Liontrust Asset Management | We use ISS for voting research and place electronic votes through ISS ProxyExchange. We have a custom voting policy but review each voting decisions individually. |
| | Schroder Investment Management Limited | ISS act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by our in-house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.<br><br>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. |
| | Standard Life Investment Limited | *Not Provided* |
| | Veritas Asset Management (VAM) | VAM LLP has appointed, Institutional Shareholder Services ("ISS"), for vote execution and policy application. |

*Source: Managers*

### Voting policies

We have delegated the exercise of our voting rights to our investment managers, and therefore take responsibility for how they cast votes on our behalf. A summary of each manager's voting policy is included in the Appendix.

### Significant voting examples

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

## Our managers' engagement activity

As well as voting, stewardship also encompasses engagement. 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 over the year. Some of the engagement information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme.

A further summary of each manager's overall engagement policy can be found in the Appendix.

Note that Standard Life were unable to provide any information regarding their engagement activities on the following material funds:

- Global Equity 50:50 Tracker Pension Fund
- Overseas Tracker Pension Fund
- Corporate Bond Fund
- UK Fixed Interest 60:40 Pension Fund

| Section | Funds | Number of engagements | | Themes engaged on at a firm-level |
|---|---|---|---|---|
| | | Fund specific | Firm level | |
| **DB** | LGIM World Equity Index Fund | 669 | Not Provided | Climate change, Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health, Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, and others. |
| | LGIM Global Diversified Credit SDG Fund | 79 | Not provided | 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. |
| | BlackRock Dynamic Diversified Growth Fund | 693 | Not Provided | E-Climate Risk Management, G-Board Composition and Effectiveness, G-Corporate Strategy, G-Remuneration, S-Human Capital Management. |
| | Insight High Grade ABS Fund | 40 | 948 | Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks), Strategy/purpose, Capital allocation |

## Implementation Statement (continued)

| Section | Funds | Number of engagements Fund specific | Number of engagements Firm level | Themes engaged on at a firm-level |
|---|---|---|---|---|
| | Robeco SDG Credit Income Fund (Adept) | 23 | 252 | Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Governance - Remuneration |
| | M&G Investments Inflation Opportunities Fund | Not Provided | 157 | Environment - Climate change, Governance - Board effectiveness - Independence or Oversight, Remuneration, Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human capital management (e.g. inclusion & diversity, employee terms, safety) |
| **DC** | Ninety One Global Multi-Asset Sustainable Growth Pension Fund | 30 | Not Provided | Governance - Board effectiveness – Diversity, Social - corporate culture, Climate Change and Social - Corporate Culture |
| | Liontrust UK Equity Pension Fund | 94 | 817 | Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Governance - Board effectiveness – Diversity, Independence or Oversight, Leadership - Chair/CEO, Strategy, Financial and Reporting - Financial performance, Strategy/purpose |
| | Schroder Intermediated Diversified Growth Pension Fund | 1193 | >2800 | Environment - Climate change, Governance - Board effectiveness - Independence or Oversight, Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations) |
| | Veritas Global Focus Pension Fund | 38 | 19 | Environment - Climate change, Governance - Board effectiveness and Financial and Reporting. |

## Data limitations

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

1. Standard Life did not provide any voting or engagement data for the Standard Life Global Equity 50:50 Tracker Pension Fund, Standard Life Corporate Bond Fund, Standard Life Index Linked Bond Pension Fund and the Standard Life Overseas Tracker Pension Fund.
2. Ninety One, LGIM and M&G have not provided a complete set of engagement data.
3. BlackRock has not provided engagement data for the UK Property Fund invested in by the DB Section. The manager stated that they do not produce engagement report due to the nature of the underlying investments (i.e., not publicly listed equities).
4. Schroders has not provided significant voting examples.

This report does not include commentary on the Scheme's liability driven investments, cash or gilt investments 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 Scheme's assets that are held as AVCs.

## Our fiduciary manager's engagement activity *DB Section only*

As well as investing directly with managers we have appointed, we also invest some of the Scheme's DB assets with a fiduciary manager. The fiduciary manager we have chosen to employ is Aon Investments Limited ("AIL"), and we invest in their Adept Sub-Fund 18. This is a fund of funds arrangement.

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

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

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

In 2021, AIL 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).

AIL 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 Trustee still retains responsibility for setting the high-level investment strategy.

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

## Our conclusion

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

In our view, most of the Scheme's material investment managers were able to disclose good evidence of voting and engagement activity, and this activity was in line with our expectations. However, some managers did not provide information requested. This included both voting and engagement data. We will engage with the relevant managers to encourage improvements in its reporting, with our initial priority being on those managers who were unable to provide any information.

# 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.

| Section | Fund | Voting example | |
|---|---|---|---|
| **DB** | **LGIM World Equity Index Fund** | **Company name** | Alphabet Inc. |
| | | Date of vote | 6-June-2022 |
| | | How the manager voted | For |
| | | Did the manager communicate its intent to the company ahead of the vote? | Yes |
| | | Summary of the resolution | Report on Physical Risks of Climate Change |
| | | Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 1.1% |
| | | Outcome of the vote | Failed to pass (17.7% support) |
| | | 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. |
| | | Implications of 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. |
| | | Criteria on which the vote is considered 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. |
| **DB** | **BlackRock Dynamic Diversified Growth Fund** | **Date of vote** | 20-January-2022 |
| | | How the manager voted | Against |
| | | Did the manager communicate its intent to the company ahead of the vote? | *Not Provided* |
| | | Summary of the resolution | Report on Greenhouse Gas (GHG) Emissions Reduction Targets |
| | | Approximate size of fund's holding as at the date of the vote (as % of portfolio) | *Not Provided* |
| | | Outcome of the vote | Pass |

| Section | Fund | Voting example | |
|---|---|---|---|
| DB | **BlackRock Dynamic Diversified Growth Fund (continued)** | Rationale for the voting decision | The shareholder proposal requested that at least 180 days prior to the next annual meeting, "Costco adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030. We did not support this shareholder proposal because the request included reduction targets across the "full value chain" by July 2022. Disclosing emissions across the "full value chain" – which would include Scope 3 emissions – within such a short timeframe is beyond our current expectations for this type of disclosure at this company, given Costco's business model and emissions profile. Although Costco initially lagged their peers, the company responded to shareholder feedback and announced, prior to the shareholder meeting, new quantitative targets for GHG emissions reductions for both Scope 1 and 2 and committed to explore targets for further reductions. In addition, the company is already taking steps to address Scope 3 emissions. Within their updated Climate Action Plan, Costco has estimated and disclosed Scope 3 emissions from the Greenhouse Gas Protocol-defined category, "Waste Generated from Operations." The company will estimate Scope 3 emissions from the GHG Protocol "Purchased Goods and Services", which represents the majority of their Scope 3 emissions, and disclose a Scope 3 Action plan by the end of December 2022. We will continue to engage and monitor progress against these targets and other climate action commitments Costco has made.<br>More information is available here. |
| | | Implications of the outcome | *Not Provided* |
| | | Criteria on which the vote is considered significant? | Vote Bulletin |

# Implementation Statement (continued)

| Section | Fund | Voting example | |
|---|---|---|---|
| DC | Ninety One Global Multi-Asset Sustainable Growth Pension Fund | **Company name** | Comcast Corporation |
| | | Date of vote | 1-June-22 |
| | | How the manager voted | Against |
| | | Did the manager communicate its intent to the company ahead of the vote? | We voted in line with management. |
| | | Summary of the resolution | Report on Retirement Plan Options Aligned with Company Climate Goals |
| | | Approximate size of fund's holding as at the date of the vote (as % of portfolio) | ~2.5% |
| | | Outcome of the vote | Failed |
| | | Rationale for the voting decision | A vote AGAINST this resolution is warranted. The company offers an option to employees that want to invest more responsibly, even if it is not well-promoted. The US Department of Labour is finalizing rules on how ESG factors should be considered by fiduciaries. Still, this may be a growing potential risk for the company if it does not make any changes. |
| | | Implications of the outcome | We will continue to support shareholder proposals on this issue as long as it is needed. |
| | | Criteria on which the vote is considered significant? | Shareholder - ESG - Environmental |

| | | | |
|---|---|---|---|
| **DC** | **Liontrust UK Equity Pension Fund** | **Company name** | AVEVA |
| | | Date of vote | 15-July-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 | Re-elect Olivier Blum as Director |
| | | Approximate size of fund's holding as at the date of the vote (as % of portfolio) | ~1.9% |
| | | Outcome of the vote | The resolution was passed. |
| | | Rationale for the voting decision | ISS recommends voting against item 8, re-elect Olivier Blum as Director.<br>This is because he sits on the remuneration committee which should be comprised of at least three non-executive directors. He is a Non-Executive Director who is not considered independent due to being a shareholder representative. |
| | | Implications of the outcome | - |
| | | Criteria on which the vote is considered significant? | This item was from a meeting of one of the portfolio's top 5 holdings in the reporting year where ISS and Management voting recommendations disagreed. |

| | | | |
|---|---|---|---|
| **DC** | **Schroder Intermediated Diversified Growth Pension Fund** | Company name | Microsoft Corporation |
| | | Date of vote | 13-December-22 |
| | | How the manager voted | Against |
| | | Did the manager communicate its intent to the company ahead of the vote? | *Not Provided* |
| | | Summary of the resolution | Data Security & Privacy |
| | | Approximate size of fund's holding as at the date of the vote (as % of portfolio) | *Not Provided* |
| | | Outcome of the vote | *Not Provided* |
| | | Rationale for the voting decision | Data Security, Privacy, and Internet Issues, Report on Government Use of Microsoft Technology |
| | | Implications of the outcome | Not Provided |
| | | Criteria on which the vote is considered significant? | Not Provided |

## Implementation Statement (continued)

| | | | |
|---|---|---|---|
| **DC** | **Veritas Global Focus Pension Fund** | **Company name** | CoStar Group, Inc. |
| | | **Date of vote** | 09-June-2022 |
| | | **How the manager voted** | Against |
| | | **Did the manager communicate its intent to the company ahead of the vote?** | No |
| | | **Summary of the resolution** | Elect Director Michael R. Klein |
| | | **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 1.5% |
| | | **Outcome of the vote** | Pass |
| | | **Rationale for the voting decision** | The company does not have an Environmental Sustainability Committee chaired by a board director, or a named board member with responsibility for this area as evidence of appropriate concern.<br>The company has failed to disclose quantitative and qualitative environmental information through CDP's climate change, water and forests questionnaires.<br>The company does not disclose its GHG emissions.<br>The company has failed to introduce and disclose emission reduction targets.<br>The company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 2 degree scenario.<br>The company does not have a Corporate Social Responsibility and Health & Safety Committee chaired by a board director, or a named board member with responsibility for this area as evidence of appropriate concern.<br>The level of gender diversity on board is below 40% and has not improved compared to the previous year. |
| | | **Implications of the outcome** | None to report |
| | | **Criteria on which the vote is considered significant?** | Votes against management |

*Source: Managers*

# Appendix - Manager Voting and Engagement summary

A summary of each manager's voting and engagement policy (as provided by the managers themselves) is given below.

## LGIM

### Voting Policy

Voting is a fundamental tool used by investors to signal support for, or concern with, management actions to promote good corporate governance in the marketplace. The Investment Stewardship team exercises LGIM's voting rights globally, holding directors and companies to account. The majority of our clients' shares are held through pooled funds. As such, LGIM votes with one voice on all shares for which it has authority to do so. We vote in developed and emerging market countries, covering the FTSE All-World Index.

We aim to keep abstentions to a minimum. The disclosures provided below are in line with our execution of these obligations across these pooled funds. We use proxy advisory firm Institutional Shareholder Services' (ISS) ProxyExchange voting platform to vote electronically and to ensure, in markets where we have unimpeded voting rights, that no votes remain unexercised.

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.

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 (continued)

### Voting Policy (continued)

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.

### Engagement Policy

Our Investment Stewardship and active investment teams engage with companies to address company specific and market-wide risks and opportunities. We regularly engage with both management and non-executive directors, although our initial contact is usually with board chairs. In 2021, the teams' engagements predominantly took the form of calls, video conferences and email communication due to the continuing pandemic. These calls are normally attended by the sector lead and may include portfolio managers and active research analysts. Depending on the topic, a thematic expert may also be present, for example, on remuneration, health and human rights or climate change. To provide transparency, we publish our quarterly ESG impact reports on our website, in addition to sending them to clients. These documents contain detailed case studies of many of the companies highlighted as examples of our engagement activity in this report.

## BlackRock

### Voting Policy

BlackRock votes annually at approximately 16,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. Our analysis is informed by our internally developed proxy voting guidelines, our pre-vote engagements, research, and the situational factors at a particular company. We aim to vote at all shareholder meetings of companies in which our clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, we will review the resolutions to assess the extent of the restrictions on voting against the potential benefits.

We generally prefer to engage with the company in the first instance where we have concerns and give management time to address the issue. BIS have Engagement Priorities in place which reflect the five themes on which we most frequently engage companies, where they are relevant, as these can be a source of material business risk or opportunity. BIS five Engagement Priorities are: 1) Board quality and effectiveness; 2) Strategy, purpose, and financial resilience; 3) Incentives aligned with financial value creation; 4) Climate and natural capital; and 5) Company impacts on people.

We will vote in favour of proposals where we support the approach taken by a company's management or where we have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where we believe the board or management may not have adequately acted to and advance the interests of long-term investors. We ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement our voting intention.

## BlackRock (continued)

### Voting Policy (continued)

In all situations the economic interests of our clients will be paramount. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. We review our voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Our market-specific voting guidelines are available on our website at

https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines

### Engagement Policy

BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and of the risks and opportunities that are material to the companies in which our clients invest. Engagement may also inform our voting decisions. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and durable business practices aligned with long-term value creation, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced to support a company's ability to deliver financial performance. Similarly, it provides us with an opportunity to hear directly from company boards and management on how they believe their actions are aligned with durable, long-term value creation.

Engagement is core to our stewardship efforts. Each year we prioritize our work around engagement themes to encourage sound governance practices and deliver sustainable long-term financial performance for clients. Our five engagement themes for 2023 are: 1) Board quality and effectiveness; 2) Strategy, purpose, and financial resilience; 3) Incentives aligned with financial value creation; 4) Climate and natural capital; and 5) Company impacts on people.

## Ninety One

### Voting Policy

We regard proxy voting as a means to bring about change. Ninety One votes at shareholders' meetings throughout the world as a matter of policy and principle. Our 'Stewardship Policy and Proxy Voting Guidelines' establish our voting and engagement approach, which applies across all of our equity holdings.

The proxy voting guidelines are part of our broader stewardship policy framework and focus on the following four principles. Ninety One will: (i) disclose how it discharges its stewardship duties through publicly available policies and reporting; (ii) address the internal governance of effective stewardship, including conflicts of interest and potential obstacles; (iii) support a long-term investment perspective by integrating, engaging, escalating and monitoring material ESG issues; and (iv) exercise its ownership rights responsibly, including engagement and voting rights. Ninety One publicly discloses its voting decisions on a quarterly basis on its website.

## Ninety One (continued)

### Voting Policy (continued)

While our proxy voting guidelines apply globally, we recognise regional differences. In markets where the codes are still evolving and not yet fully aligned with global best practice, we take this into account. In these markets, we aim to engage actively with policymakers, regulators, and stock exchanges, together with other investors, to address any critical potential shortcomings.

Some clients may have policies that differ from ours. Although we welcome views on voting items, we do not currently take direction or override our policy for pooled fund clients. For clients invested in segregated portfolios, we put mechanisms in place to adhere to their voting guidelines, if required. We do not take part in stock lending, so this does not affect our voting process. We use an external proxy-research and vote-execution service provided by Institutional Shareholder Services (ISS). ISS delivers its benchmark research and Ninety One's custom policy research based on our internal voting policy; we take these into consideration when making a vote decision in the best interest of shareholders (which may differ from ISS recommendations).

### Engagement Policy

We are active (not passive or activist) investors. Our engagement policy is driven by a clear purpose: to preserve and grow the real value of the assets entrusted to us by our clients over the long-term. We use one database, accessible to all investment teams, to record all engagement interactions, progress and outcomes.

Engagement for Ninety One is communication with purpose, where Ninety One has the ability and intention to influence outcomes around issues which can potentially improve long-term returns. This includes listening in order to improve our understanding of strategy and governance and expressing views and concerns to those who can do something to address them - a company's board and management. We define engagement in three categories:

- **General engagements** form part of the investment process, focusing on engagement goals that are not prioritised for strategic engagement, including particularly corporate governance.
- **Strategic engagements** focus on critical issues with entities we believe we can influence. These can cover sustainability, business-model and operational issues. We believe these engagements enhance our understanding of sustainability risks and can provide the opportunity to improve outcomes.
- We identify a limited number of **advocacy projects** that matter for our clients and the firm. The Sustainability Committee provides guidance to investment teams on their participation in advocacy, including through collaboration, where this is aligned to their investment priorities.

For all of our strategic and general engagements, the relevant portfolio manager or analyst responsible for covering the stock will set the engagement objective. The engagement issue may arise as a result of a forthcoming proxy vote, a rating change or ESG controversy, or through company analysis which has indicated an ESG issue. On some occasions Ninety One may collaborate with other shareholders or other collective shareholder initiatives, especially if we have a less material shareholding which may mean engagement is less effective.

## Liontrust

### Voting Policy

Liontrust operates a global voting policy, which guides our voting decisions across funds. We strive to be responsible stewards of our clients' assets within a Framework of good governance and transparency. Liontrust recognises that good stewardship means active engagement in voting, and Liontrust will endeavour to vote all AGM's/EGM's across all investment teams where feasible or actively consider an abstention.

We assess voting matters on a case-by-case basis, taking into account a company's circumstances, although we are guided by our overarching principles on good corporate governance. We recognise that regulatory frameworks vary across markets and corporate governance practices vary internationally so we will normally vote on specific issues in line with the proxy guidelines for the relevant market. Where a proposal is inconsistent with our principles and guidelines, we will consider voting against the proposal.

In terms of reaching a voting decision, where a management recommendation and our proxy voting research provider's recommendation are in alignment, we will be minded to vote the same, except where items concern approval of political donations and expenditure, where we will be minded to vote against. Where there is divergence, the relevant fund manager will make a decision on how to vote.

We define significant votes as any instance where board and ISS voting recommendations disagree at a top 5 holding's meeting.

### Engagement Policy

We believe monitoring and engagement are essential parts of being a shareholder in a company. It allows us to improve our understanding of investee companies and their governance structures and informs our voting decisions. The materiality and immediacy of a given issue will generally determine the level of our engagement.

To identify areas in which there are governance concerns, we use a range of resources including our own fundamental research. We hold regular meetings with the management of the companies in which we invest to discuss relevant issues including strategy, sustainability and performance, and to review management processes against the principles and best practice outlined above.

At a minimum, we expect companies to comply with the UN Global Compact guidelines and the accepted corporate governance standards in their domestic market or to explain why not doing so is in the interest of shareholders. We believe that well-managed companies will report on material social and environmental risks and opportunities and explain how these are managed. We will engage directly with company management or the Board where we believe there is the potential for a material impact on shareholder returns.

Liontrust prioritises its group wide proactive engagement in consultation with the Sustainability & Stewardship Working Group on an annual basis. We adopt a case-by-case approach to reactive engagement on material governance, environmental or social issues. We will engage with company management, in an appropriate manner and make a record of this engagement. Company-wide engagement is coordinated by Liontrust's centralised Governance & Stewardship team.

## Liontrust (continued)

### Engagement Policy (continued)

Where we believe shareholder value is threatened or is not being realised, we may request that the board takes appropriate action. A robust private dialogue with executive management, nonexecutive directors and company advisors is our preferred way to protect our clients' interests. We will also engage with the chair of the board or the senior independent director where appropriate. Where initial engagement does not lead to an appropriate outcome, we may choose to adopt a stronger stance. As some issues may take a number of years to resolve, we shall use our position as a long-term investor to maintain the pressure on companies and aim to monitor these companies over a number of years. Where appropriate, we may reduce our holding or divest to protect our clients' assets.

## Schroder

### Voting Policy

On behalf of our clients, we vote to hold management and boards to account and ensure they're managing the business for the long term. We do this to create, sustain and protect the value of our clients' money. As active owners we vote on all resolutions at all shareholder meetings globally, unless we are restricted from doing so. Our house voting policy is refreshed annually to capture market changes and evolving best practice.

Voting decisions are made using a framework developed by our Active Ownership team. Our team includes experts with local market knowledge who collaborate with the wider Sustainable Investment team, as well as our investment professionals on key resolutions. We're committed to voting in the best interests of our clients and see taking a considered approach to voting as part of our fiduciary duty, as well as a key part of the investment process. That is why we do not rely solely on third party recommendations and use both external and our own proprietary research and consider resolutions on a case-by-case basis.

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.

## Schroder (continued)

### Voting Policy (continued)

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.

Schroders have six core themes for active ownership: climate change; natural capital and biodiversity; human rights; human capital management; diversity and inclusion; and corporate governance.

Engagement Policy

Constructive and committed engagement with management teams at the companies and assets we invest in is a key element of the value we bring to our clients. Social and environmental forces are reshaping societies, economies, industries, and financial markets. Approached thoughtfully and with focus, encouraging management teams to adapt to those changes, and holding them accountable for doing so, can strengthen the long-term competitiveness and value of those assets and can accelerate positive change towards a fairer and more sustainable global economy.

We also have a long-standing commitment to support and collaborate with several industry groups, organisations, and initiatives to promote well-functioning financial markets. Our key stakeholders include exchanges, regulators, and international and regional trade associations. For example, Schroders is a member of trade bodies such as the Investment Association in the UK, the European Fund and Asset Management Association (EFAMA), the Asia Securities Industry and Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in the US.

We have tracked all of our engagement activity through our internal ESG database since 2000. Our data shows us that on average it takes two years to effect change, but we have historically had a high level of success. This data base also flags engagements that are due for review and follow up, which we hope will increase our success rate.

We are in the process of building a new engagement database which will enable us to set SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives where they are suitable for the engagement.

## Standard Life

*Not provided.*

## Veritas

### Voting Policy

We have mandated Institutional Shareholder Services ("ISS") to construct a customised screen for ESG issues which incorporates the Association of Member Nominated Trustees ("AMNT") Red Lines, on a best endeavours basis. The AMNT Red Line Voting Policy contains 29 guidelines covering topics associated with ESG. Should any of the 29 red lines be breached, the instruction is to either comply or explain. As the Red Line Voting Policy was developed principally for pooled fund investors (who have been unable to direct votes) and for UK stocks only, we have instructed ISS to apply the guidelines globally where applicable and apply the policy across all Global Strategy Funds. In addition, ISS provide vote recommendations based on their benchmark policy. This ensures that guidance is provided for ballots related to topics that are not captured by the ESG voting policy.

The investment analyst will receive all proxies and determine if he or she believes that we should vote in favour or against management. The investment analyst will consider the vote recommendations and any research when making their decision. Following a discussion with the Portfolio Manager, the analyst will instruct the custodian or prime broker via the Operations Team on how to instruct the vote. In the case where VAM LLP decides to vote against management or the ESG policy vote recommendation, an explanation will be provided to clients. VAM LLP use Institutional Shareholder Services ("ISS") to execute voting on behalf of clients. The role of the Operations Team is to ensure that all votes are instructed a timely manner. The Role of the Chief Operating Officer ("COO") is to monitor the effectiveness of these policies.

### Engagement Policy

Our approach to stewardship focuses on materiality and encouraging constructive behaviour. We seek to engage with management if we deem there to be financially material sustainability issues. Material issues differ from company to company and sector to sector. We will have an assessment from the original research as to what is material for a particular business. These are the issues that have the most potential to affect the company's ability to create value for shareholders. If the company engages in an activity that challenges the sustainability of its operation or demonstrates lack of vision to adapt, we will have cause to engage. Coupled with Materiality, we believe VAM has a part to play in encouraging constructive behaviour. As such, we effectively have two tiers of engagement. Tier one is defined as significant engagement which as described above, is a specific attempt to influence governance/business practices that have a material impact on long-term sustainable value creation. Second tier engagement is classified as interactions with a company to promote good business practice. For example, ensuring the business has a robust strategy to address systemic risks such as climate change. For 2022, engagement has predominantly focussed on areas related to environmental and governance. More specifically, on environmental disclosure and carbon emissions reduction frameworks; in relation to governance, remuneration. As long-term investors, we prefer to engage directly with a business to encourage change. However, where necessary, we will pursue collaborative engagements alongside other investors to encourage progress.