

# Princes Pension Scheme ('the Scheme')

## Annual Implementation Statement for the Year Ended 31<sup>st</sup> March 2023

### 1. Introduction

This Engagement Policy Implementation Statement (the "Statement") sets out the Trustees' assessment of how, and the extent to which, they have followed their engagement policy and their policy with regard to the exercise of rights (including voting rights) attaching to the Scheme's investments during the one-year period to 31 March 2023 (the "**Scheme Year**"). The statement is based on and should be read in conjunction with the SIP dated September 2021.

This Statement has been produced in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018* and the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* along with guidance published by the Pensions Regulator.

The Trustees invest the defined benefit assets of the Scheme in a fiduciary arrangement with Mercer Limited ("Mercer"). Under this arrangement Mercer are appointed as a discretionary investment manager and day-to-day management of the Scheme's assets is by investment in a range of specialist pooled funds (the "Mercer Funds"). Management of the assets of each Mercer Fund is undertaken by a Mercer affiliate, Mercer Global Investments Europe Limited ("MGIE"). MGIE are responsible for the appointment and monitoring of suitably diversified portfolio of specialist third party investment managers for each Mercer Fund's assets.

Under these arrangements, the Trustees accept that they do not have the ability to directly determine the engagement or voting policies or arrangements of the managers of the Mercer Funds. However, the Trustees have made Mercer aware that they expect MGIE to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustees' engagement policy and their policy with regard to the exercise of rights attaching to the Scheme's investments. The Trustees review regular reports from Mercer with regard to the engagement and voting undertaken on their behalf in order to consider whether their policies are being properly implemented.

For the Defined Contribution section, the Trustees invest the assets for this section in a range of pooled funds operated by Legal & General Assurance (Pensions Management) Limited who delegate the management of assets to Legal & General Investment Management ("L&G"). This contract is written as a long term policy of assurance. L&G are regulated by the appropriate regulator. L&G has responsibility for the day-to-day discretionary management of those assets, subject to the terms and conditions contained within the Policy document governing their appointment.

Assets in respect of members' Additional Voluntary Contributions ("AVCs") are invested in a range of unit linked funds or With Profits funds managed by Aviva, Clerical Medical, and Utmost Life and Pensions ("Utmost") formerly Equitable Life.

Section 2.1 and 2.2 of this Statement sets out the investment objectives of the Scheme and, if applicable, changes which have been made to the SIP during the Scheme Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. The Trustees **can confirm that all policies in the SIP have been followed in the Scheme Year.**



A copy of the SIP is available at <https://www.princesgroup.com/princes-pension-scheme>.

Section 3 and 4 sets out the Trustees' policy with regard to the exercising of rights (including voting rights) attaching to the Scheme's investments and considers how, and the extent to which this policy has been followed during the Scheme Year. This Section also provides detail on voting activity undertaken by the Scheme's third party investment managers during the Scheme Year.

## 2. Statement of Investment Principles

### 2.1. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the objectives they have set.



For the DB Section, the Trustees' primary objective is to act in the best interest of its members and ensure that the obligations to the beneficiaries of the Scheme can be met. To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have considered their objectives and adopted the following:

- To target a funding position of 110% on a gilts +0.5% p.a. funding basis (the "lower risk basis") by 2024-2029.



For the DC section of the Scheme, the Trustees' principal mission is to help members to maximise the value of the members' retirement benefits subject to acceptable levels of investment risk, management and administration costs.", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

In addition to the principal mission as stated above and the investment objectives below, the Trustees also aims to:

- Ensure that the DC Section's operational structure is sensible and cost effective.
- Provide members with adequate tools and timely information to enable them to make informed investment and retirement decisions.

The Trustees have the following investment objectives related to the DC section of the Scheme:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.



### 2.2. Review of the SIP

The Trustees' have considered the SIP during the year and no updates have been required to the document during the Scheme Year.

### 2.3. Assessment of how the policies in the SIP have been followed for the Scheme Year

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP (dated September 2021), relating to the DB Section and DC Section of the Scheme.



**In summary, it is the Trustees' view that the policies in the SIP have been followed during the Scheme Year.**



## Investment Mandates

### Securing compliance with the legal requirements about choosing investments

#### Policy

As required by legislation, the Trustees consult a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 1 (Introduction) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

Mercer continues to act as discretionary investment manager to implement the Trustees' investment strategy. The Trustees continue to be advised by Mercer employees who are sufficiently experienced and FCA regulated to provide advice that is consistent with the requirements of Section 36 of the Pension Act 1995 (as amended).

The Trustees, under advice from Mercer, undertake a full review of the investment strategy on a periodic basis. The last review was undertaken in September 2021, where the Trustees decided to de-risk out of growth assets and move to a 100% liability hedged position. By investing the Scheme's assets in such a manner, the intention is to control funding level volatility while investing in asset classes that may also assist in incoming generating income to help broadly match a proportion of the Scheme's expected liability cash-flow profile while the Scheme begins to explore pursuing a buy-in transaction with an insurer.

Mercer, in their capacity as discretionary investment manager, have monitored the 100% matching portfolio since implementation, making adjustments to the portfolio when necessary to maintain the target hedge ratio.



#### How has this policy been met over the Scheme Year?

The Trustee has an Investment Committee, which meets regularly to monitor the controls and processes in place in connection with the Scheme's investments. The Scheme's investment advisors attended all meetings during the year and provided updates on the performance of the Scheme's DC investment options.

Over the year to 31 March 2023, no changes were made to the Scheme's investment arrangements.



# Investment Mandates

## Realisation of Investments

### Policy

The Trustees' policy is that there should be sufficient liquidity within the Scheme's assets to meet short term cash-flow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Scheme's overall investment policy.



### Policy

Further details are set out in the following sections of the SIP:

- Realisation of Investments (SIP Section 2.4.2)
- Cash Flow Management and Rebalancing Policy (SIP Section 2.4.3)

### How has this policy been met over the Scheme Year?

The Scheme's assets are invested in daily-dealt pooled fund investment arrangements. These pooled investment arrangements are themselves regulated and underlying investments are mainly invested in regulated markets. Where pooled investment arrangements do not invest assets in regulated markets, these are not expected to account for a material proportion of assets. Therefore, assets should be realisable at short notice, based on member and Trustees' demand.

**Where disinvestments were arranged during the year, the policies stipulated within the relevant appointment documentation have been followed.**



### Policy

Further details are set out in the following sections of the SIP:

- Risk Management and Measurement (SIP Section 3.2.)
- Policies in relation to the default investment option (SIP Section 3.4.1.)
- Realisation of Investments (SIP Section 3.6.)

How has this policy been met over the Scheme Year?

The Trustees are not aware of any liquidity issues over the year in respect of the funds used by the Scheme. All assets are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on member demand.



## Environmental, Social and Governance (“ESG”)

### Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

#### Policy

The Scheme’s SIP outlines the Trustees’ beliefs on ESG factors (including climate change). Further details are included in Section 6 of the SIP, which applies to the DB and DC Sections of the Scheme. The Trustees keep the policy under regular review.

#### How has this policy been met over the Scheme Year?



Within the DB section, the following work was undertaken during the year relating to the Trustees’ policy on ESG factors, stewardship and climate change, and sets out how the Trustees’ engagement and voting policies were followed and implemented during the year.

#### Policy Updates

- The Trustees consider how ESG, climate change and stewardship is integrated within Mercer’s, and MGIE’s, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, have provided reporting to the Trustees on a regular basis.
- The Mercer [Sustainability Policy](#) is reviewed regularly. In March 2021 there was an update in relation to Sustainable Finance Disclosure Regulation (“SFDR”) implementation. In August 2022 the policy update reflected enhancements to the approach to climate change modelling and transition modelling, additional detail on how the policy is implemented, monitored and governed and, as part of the commitment to promote diversity, finalising MGIE’s signatory status to the UK chapter of the 30% Club.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone [Stewardship Policy](#) to specifically address the requirements of the directive. This Policy was also updated in August 2022 to reflect enhancements made to Mercer’s stewardship approach including an introduction of Engagement Dashboards and Trackers, an enhanced UN Global Compact engagement and escalation process and a Client engagement survey.
- UN Principles of Responsible Investing scores for 2021 (based on 2020 activity) were issued over Q3 2022. Mercer were awarded top marks for the overarching Investment and Stewardship Policy section, underpinned by strong individual asset class results.

#### Climate Change Reporting and Carbon Foot-printing

- Mercer and the Trustees believe climate change poses a systemic risk and recognise that limiting global average temperature increases this century to “well below two degrees Celsius”, as per the 2015 Paris Agreement, is aligned with the best economic outcome for long-term diversified investors. Mercer supports this end goal and is committed to achieving net-zero absolute carbon emissions by 2050 for UK, European and Asian clients with discretionary portfolios, and for the majority of its multi-client, multi-asset funds domiciled in Ireland. To achieve this, Mercer plans to reduce portfolio relative carbon emissions by at least 45% from 2019 baseline levels by 2030. This decision was supported by insights gained from Mercer’s Investing in a Time of Climate Change (2015 and 2019) reports, Mercer’s Analytics for Climate Transition (ACT) tool and advice framework, and through undertaking climate scenario analysis and stress testing modelling.
- Mercer’s approach to managing climate change risks is consistent with the framework recommended by the Financial Stability Board’s Task Force on Climate related Financial Disclosures (TCFD), including the Mercer Investment Solutions Europe - Investment Approach to Climate Change 2022 Status Report. As at 31 December 2022 Mercer are on track to reach the long-term net zero portfolio carbon emissions target. There has been a notable 16% reduction over the 3 years since 2019 baseline levels, resulting in the 45% baseline-relative reduction by 2030 being within range.

## ESG Rating Review

- Where available, ESG ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration and compares the Mercer funds overall ESG rating with the appropriate universe of strategies in Mercer's Global Investment Manager Database (GIMD). Engagements are prioritised with managers where their strategy's ESG rating is behind that of their peer universe.
- As at 31 December 2022, in the Annual Sustainability Report provided by Mercer, the Trustees noted over 20% of Mercer's funds have seen an improved ESG rating over the year and the vast majority have a rating ahead of the wider universe. Due to the nature of certain strategies, they do not have an ESG rating (i.e. are N rated) and are therefore excluded from this review.

## Update to Exclusions

- As an overarching principle, Mercer and MGIE prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.
- Controversial and civilian weapons, and tobacco are excluded from active equity and fixed income funds, and passive equity funds.
- Mercer expanded exclusions to further promote environmental and social characteristics across the majority of the multi-client building block funds over the second half of 2022, in line with EU SFDR Article 8 classification, as well as aligning Mercer's existing active and passive exclusions across their fund range.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact ("UNGC") Principles that relate to human rights, environmental and corruption issues.

## Diversity

- From 31 December 2020, gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader Mercer Investment Solutions International policy on Diversity, Equity and Inclusion, sitting alongside Mercer's established Diversity Charter.
- Mercer consider broader forms of diversity in decision-making, but currently report on gender diversity. As at 31 December 2022, 36% of the Key Decision Makers (KDM's) within Mercer IS team are non-male, and Mercer's long term target is 50%.
- In Q3 2022 MGIE was confirmed as a signatory of the UK Chapter of the 30% Club.

Within the DC Section, the investment performance report is reviewed by the Trustees on a quarterly basis. The Scheme's investment manager remained highly rated during the year. The investment performance report also includes how each investment manager is delivering against their specific mandates.



## Voting and Engagement Disclosures

**The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, the Trustees would monitor and engage with relevant persons about relevant matters).

### Policy

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. Further details are set out in Section 6. ESG, Stewardship and Climate Change Section. This section of the SIP, applies to the DB and DC Sections of the Scheme. In addition, it is the Trustees' policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

### How has this policy been met over the Scheme Year?



The Scheme's investments take the form of shares or units in the Mercer Funds (for the DB section) and LGIM funds (for the DC section).

Within the DB section, any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. In delegating these rights, MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and so permits the managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustees do not use the direct services of a proxy voter.

We have set out a summary of voting activity for the year to 31 March 2023 relating to the Mercer and LGIM Funds relevant to the Scheme in section 4.



## Monitoring the Investment Managers

### Incentivising asset managers to align their investment strategies and decisions with the Trustees' policies

#### Policy

The Trustees' policy is set out in Section 7. (Implementation and Engagement Policy) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

In the year to 31 March 2023 the Trustees have reviewed the investment objectives against which they will review Mercer's performance. The latest annual assessment was carried out shortly after the Scheme Year end..

The investment strategy report or a summarised version was reviewed by the Trustees on a quarterly basis – this includes a comparison of how the Scheme's funding level is progressing versus the projections of the Scheme's funding level from the latest investment strategy review in order to assess whether the Trustees are on track to meet their objective.



#### How has this policy been met over the Scheme Year?

As the Trustee invests in pooled investment vehicles it accepts that it has no ability to influence the investment managers to align their decisions with the Trustee policies set out in this Statement. However, appropriate mandates are selected to align with the overall investment strategy.

The Trustee reviewed the performance of the Plan's funds quarterly.

### Evaluation of asset managers' performance and remuneration for asset management services

#### Policy

The Trustees' policy is set out in Section 7. (Implementation and Engagement Policy) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

The quarterly investment reporting and ad-hoc investment updates were reviewed by the Trustees on a quarterly basis, which includes financial metrics and Mercer Manager Research Ratings for the underlying asset managers that comprise the Mercer Funds.

The Mercer Research Rating includes a Manager Rating which gives an indication of Mercer's view on the likelihood of a manager to achieve their performance objective and an ESG Rating which gives an indication of the extent to which ESG considerations are incorporated into the managers' investment process.



#### How has this policy been met over the Scheme Year?

The performance of each of the Scheme's funds, including those used in the Lifestyle arrangements, were reviewed by the Investment Committee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter, 1 year, 3 year and 5 year time periods.

During the Scheme year (Q3 2022), the charges paid to the Investment Manager for their services were analysed as part of the annual VfM assessment for the DC Section, which was conducted by the Scheme's Investment Consultant. The VfM assessment concluded that members were receiving good value for the services received.





# Monitoring the Investment Managers

## Monitoring portfolio turnover costs

### Policy

The Trustees' policy is set out in Section 7. (Implementation and Engagement Policy) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

As noted in the SIP, the Trustees do not explicitly monitor portfolio turnover costs with respect to the DB Section of the Scheme. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



#### How has this policy been met over the Scheme Year?

Transaction costs were reviewed by the Investment Committee during the year upon analysis of the Scheme's VfM Assessment and were also disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager.

## The duration of the arrangements with asset managers

### Policy

The Trustees are a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustees' policy are set out in Section 7. (Implementation and Engagement Policy) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the Scheme Year?

Mercer has been appointed as a fiduciary management partner to assist the Trustees in achieving the Scheme's long-term objectives. In that role, there is an expectation of a longer term relationship until the journey is completed. This will be reviewed periodically.

MGIE provide ongoing oversight of all underlying asset managers and will ensure the asset managers' continued appropriateness. As such there is no set duration for manager appointments.



#### How has this policy been met over the Scheme Year?

The Trustee reviewed the performance of the Scheme's funds quarterly. There were no concerns over the year.



## Strategic Asset Allocation

### Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



#### Policy

The Trustees' policy on the kinds of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Objectives and Policy (SIP Section 2.1)
- Investment Strategy (SIP Section 2.4)

#### How has this policy been met over the Scheme Year?

The Trustees have decided to delegate the implementation of the desired investment strategy to Mercer.

Following the 2021 strategy review, it was agreed to remove the target allocation to growth assets and adopt a 100% liability hedged position in order to reflect the material funding level improvements that had been experienced. Therefore, the Scheme is now 100% invested in matching assets.

The Trustees consider the way in which investment risk should be managed and have delegated the management and monitoring of the liability hedging target to Mercer who review the hedging position on a regular basis.

In agreeing the current strategic asset allocation, the Trustees are looking to protect the Scheme against its ultimate "end game" funding target of buying out with an insurance company and ensure that the cost of securing members' future benefits is manageable from the Company's perspective.



#### Policy

The Trustees' policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

Further details are set out in the following sections of the SIP:

- Investment Objectives (SIP Section 3.1.)
- Risk (SIP Section 3.2.)
- Investment Strategy (SIP Section 3.3.)
- Overall Aims (SIP Section 3.4.1.)
- Realisation of Investments (SIP Section 3.6.)

The default investment strategies are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to the needs of the Scheme's members. The Trustees carried out regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership.

#### How has this policy been met over the Scheme Year?

Over the year, the Trustees received investment performance reports from the investment manager on a quarterly basis for all of the funds within the Lifestyle arrangement. This included fund performance against benchmarks over both short and longer-term periods. Investment performance is reviewed by the Trustees at the quarterly Trustees' meetings.

The Trustees were satisfied with the performance of the funds over the Scheme year having performed in line with their underlying aims and objectives.



## Strategic Asset Allocation

### Risks, including the ways in which risks are to be measured and managed



#### Policy

The Trustees recognise a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management (SIP Section 2.3)

#### How has this policy been met over the Scheme Year?

As detailed in Section 2.3 of the SIP, the Trustees consider both quantitative and qualitative measures for these risks when deciding investment policies, such as interest rate risks, inflation risks, credit risks and currency risks; and evaluating Mercer and MGIE's actions relating to the strategic asset allocation, dynamic asset allocation and choice of sub investment- managers and asset classes.

The investment strategy report is reviewed by the Trustees on a quarterly basis – this includes the overall funding level risk and as appropriate comments on the other risks to which the Scheme is exposed.



#### Policy

The Trustees recognise a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk (SIP Section 3.2.)

In determining which investment options to make available the Trustees consider the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

#### How has this policy been met over the Scheme Year?

There were no material changes to this policy during the Scheme year. As detailed in the risk table in the SIP, the Trustees consider both quantitative and qualitative measures for risks when deciding investment policies, strategic asset allocation, the choice of delegated investment manager / fund managers / funds / asset classes.

The Trustees are comfortable with the manager ratings applied by its investment consultant and continues to closely monitor the ratings and any significant developments at each of the underlying investment managers.

The Trustees also received quarterly updates from the Investment Consultant on developments concerning the investment manager. None of these updates resulted in any recommended changes to the DC arrangements.

### 3. Examples of Engagement Activity by the Scheme's Equity Investment Managers

The DB Section no longer invests in equities as a result of de-risking activity undertaken. The following are examples of engagement activity undertaken by the Scheme's DC equity investment manager.

#### LGIM's stance on deforestation



At COP26, LGIM joined 30 financial institutions with a combined AUM of \$8.7 trillion<sup>26</sup> in committing to strive to eliminate agricultural commodity-driven deforestation (with a focus on palm oil, soy, beef, pulp and paper) from our investment portfolios by 2025. This is a critical step in reversing deforestation, reducing biodiversity loss, supporting food security, and aligning agriculture with a Paris Agreement-compliant 1.5°C pathway.

We are proud to be a signatory of the Financial Sector Commitment on Eliminating Commodity-driven Deforestation. For several years LGIM has engaged with companies in key sectors and jurisdictions on this issue. We have done this by escalating our voice through voting and selective divestment, raising concerns directly with relevant governments and calling for the enforcement of regulations to halt deforestation.

We have signed letters to Brazilian embassies in numerous European countries expressing concerns around efforts to dismantle environmental protections in the Amazon and called on the Brazilian government to enforce existing regulation to halt deforestation linked to commodity supply chains. We subsequently joined investor calls with the Brazilian government's members of congress to press these points and encourage drastic reduction in deforestation rates.

Additionally, four food companies <sup>27</sup> are currently divested from a range of LGIM funds due to failure to implement robust deforestation policies, while we have taken action against an additional eight.

**Source: Legal & General**

#### 4. Voting Activity during the Scheme Year

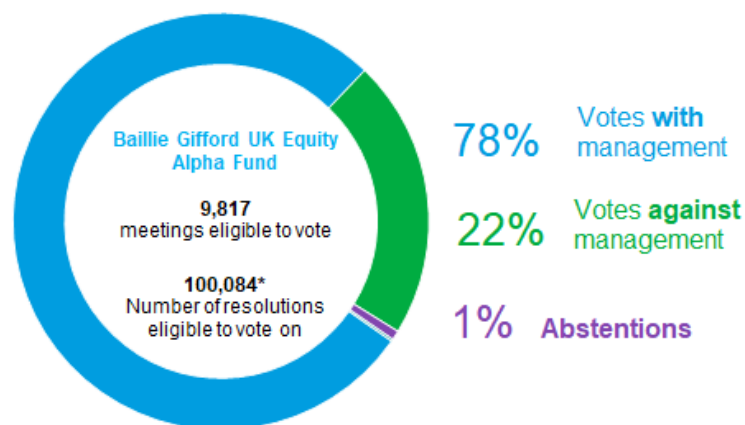
After the 2021 strategy review, it was agreed to remove the target allocation to growth assets and adopt a 100% liability hedged position in order to reflect the material funding level improvements that had been experienced. As a result, the Scheme does not hold any assets with voting rights.

#### Voting Activity during the Scheme Year

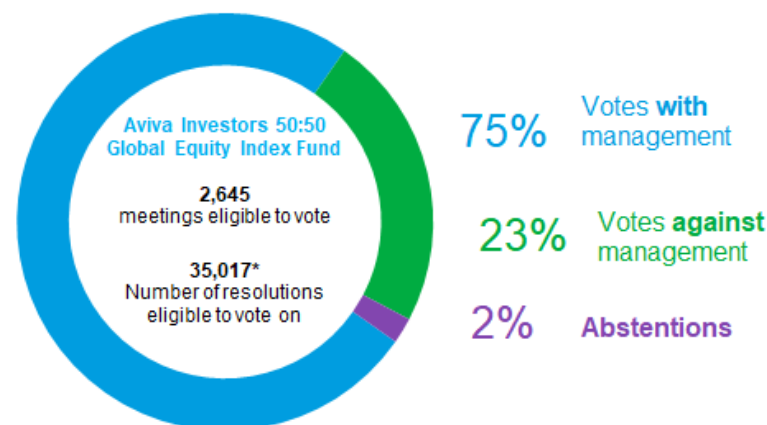
The DC Section of the Scheme had no direct relationship with the pooled funds it was ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments were ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year. Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting was possible (i.e., all funds which include equity holdings) in which the Scheme's DC assets were ultimately invested.

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Scheme. Funds where voting is not applicable (i.e. non-equity funds) are not included in the list below. DC investments are managed by Aviva Investors and LGIM. At the time of writing Clerical Medical were unable to confirm their voting activity for the Clerical Medical Balanced and UK Growth Funds.



\*99.8% of resolutions voted on



\*95.9% of resolutions voted on

Source: Aviva and LGIM



## Most significant votes



Resolution **not** passed



Resolution passed

From October 2022 trustees are required to identify their key stewardship themes and priorities and report on significant votes linked to these themes/priorities. Significant votes are defined as those that are linked to these key stewardship themes and priorities or are significant for another reason. The Trustees have classified significant votes as:

- **Environmental** – climate change, low carbon transition & physical damage resilience
- **Governance** – Inclusive, diverse decision making etc.

The Trustees have reviewed voting records from the managers in each of their priorities listed above

The information in this section has been provided directly by the investment managers. The managers have provided detailed information on their voting. The Trustee has considered this information and disclosed the votes that they deem to be most significant. A “significant vote” is defined as one that is linked to the Scheme’s stewardship priorities/themes. These priorities are set out above. The Trustees have weighted this analysis towards the funds used in the default strategy, where the majority of members’ assets are invested and companies that have the largest holdings within those funds (i.e. significant holdings).

Fund	Company	Size of Holdings (%)	Date of vote	How the Manager voted	Summary of the resolution	Rationale of Manager vote	Why is this vote significant	Final outcome following the vote
Multi-Asset (formerly Consensus) Fund	Royal Dutch Shell Plc	0.55	2022-05-24	Against	Approve the Shell Energy Transition Progress Update	LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	Climate Change	
Multi-Asset (formerly Consensus) Fund	NextEra Energy, Inc.	0.33	2022-05-19	Against	Elect Director Rudy E. Schupp	A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as LGIM believes that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Diversity	
Multi-Asset (formerly Consensus) Fund	BP Plc	0.26	2022-05-12	For	Approve Net Zero - From Ambition to Action Report	While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM view that the company has taken significant steps to	Climate Change	

Multi-Asset (formerly Consensus) Fund	Amazon.com, Inc.	0.25	2022-05-25	Against	Elect Director Daniel P. Huttenlocher	<p>progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, we remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.</p> <p>A vote against is applied as the director is a long-standing member of the Leadership Development &amp; Compensation Committee which is accountable for human capital management failings.</p>	Human rights	
Aviva Pension BlackRock (50:50) Global Equity Tracker Fund	Credit Suisse Group AG	0.04	2022-04-29	For	Shareholder resolution to Amend Articles Re: Climate Change Strategy and Disclosures	The proponents requested that Credit Suisse Group AG adopt an additional article within its articles of association to improve the company's reporting on climate risks, such as disclosure of additional information on the strategy set to align the financing activities with the Paris agreement as well as the reduction of exposure to coal, oil, and gas assets. Support for this proposal is warranted as shareholders would benefit from additional disclosure with respect to the company's strategy set to align the financing activities with the Paris agreement as well as the reduction of exposure to coal, oil, and gas assets. This additional disclosure will allow shareholders to better assess the company's management of climate-related risk and should serve to further align the company's disclosures with its stated policies and commitments.	Climate Change	
Aviva Pension BlackRock (50:50) Global Equity Tracker Fund	Carrefour SA	0.03	2022-06-03	Against	Approve Company's Climate Transition Plan	Aviva did not support this management-led climate transition plan. The plan lacked pertinent details which would outline how emissions will be reduced.	Climate Change	
Aviva Pension BlackRock (50:50) Global Equity Tracker Fund	CSL Ltd	0.29	2022-10-12	Against	Elect Megan Clark as Director	Aviva voted against this director to hold her accountable for the lack of ethnic diversity on the board, and for the lack of sufficient response to dissent on prior years' remuneration proposals. Aviva has had ongoing concerns on remuneration practices (concerns on quantum and decisions over bonus outcomes, which were not aligned with performance).	Diversity	
Aviva Pension BlackRock (50:50) Global Equity Tracker Fund	Woolworths Group Ltd	0.08	2022-10-26	Against	Elect Holly Kramer as Director	Aviva voted against this director to hold her accountable for the lack of ethnic diversity on the board, and for the lack of sufficient policies that focus on limiting deforestation or adopting an overarching policy on biodiversity.	Diversity	