2.6 Engagement Policy Implementation Statement

The Scheme Trustees believe that environmental, social, and corporate governance ('ESG') factors may have a material impact on investment risk and return outcomes and that good stewardship can create and preserve value for companies and markets as a whole. The Scheme Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration. The Scheme Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues to the investment decision-making process.

The Scheme Trustees have given their appointed investment managers full discretion in evaluating ESG factors, including climate change considerations. Where applicable, the Scheme Trustees expect the investment managers to exercise voting rights attaching to shares or securities and take account of current best practice, including the UK Corporate Governance Code and the UK Stewardship Code. The investment managers are authorised to exercise discretion to vote as they think fit, but in doing so to reflect the best interests of the Scheme.

The Trustees consider how ESG, climate change, and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented at least annually.

The Scheme Trustees do not explicitly consult Scheme members when making investment decisions but do update Scheme members, typically on an annual basis, via newsletters on any changes to the Scheme's investment arrangements and also makes available a copy of the Statement of Investment Principles.

The Scheme Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities but may consider this in the future.

2.6.1 Engagement with investment managers

The policy in relation to the Scheme Trustees' arrangements with their investment managers are set out below together with details of how, and the extent to which, the policy has been followed during the Scheme year.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant and their investment manager, Legal and General Investment Management ("LGIM"), which covered ESG factors, stewardship, climate change and ethical investing. This training was provided on 29 January 2020. Following this training, the Trustees discussed with their investment consultant to assist the Trustees with establishing their policy in this area. The Trustees have received further training in October 2021 from Mercer and LGIM in relation to ESG, climate change, and responsible investment. The Trustees keep their policies under regular review with the SIP subject to review at least triennially, which incorporated stewardship regulations.

2.6.1.1 Incentivise the asset manager to align its investment strategy and decisions with the Trustees' policies

In line with Section 3 of the Statement of Investment Principles, investment managers are appointed on the basis of their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The Scheme Trustees look to their appointed investment consultant for their forward-looking assessment of an investment manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the investment manager's idea generation, portfolio construction, implementation processes, and business management in relation to a particular investment fund that the Scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the Scheme Trustees and are used in decisions concerning selection, retention, and realisation of investment manager appointments.

If the investment objective of a particular fund changes, the Scheme Trustees will review the fund appointment to ensure that it remains appropriate and consistent with the Scheme Trustees' wider investment objectives.

The Scheme's investment mandates with LGIM and Nordea Investment Funds S.A. ("Nordea") are reviewed following periods of sustained under-performance from their respective investment targets. The Scheme Trustees will review the appropriateness of using active and passive managed funds (on an asset class basis) on an ad-hoc basis.

As the Scheme Trustees invest the bulk of the Scheme's assets in pooled investment vehicles, they accept that they have no ability to specify the risk profile and return targets of the investment manager but that appropriate mandates can be selected to align with the overall investment strategy.

2.6.1.2 Incentivising the asset manager to make decisions based on assessments about medium- to long-term financial and non-financial performance of a holding company and to engage with holding companies in order to improve their performance in the medium- to long-term

The Scheme Trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Scheme Trustees' responsible investment policy. This includes the investment manager's policy on voting and engagement.

The Scheme Trustees meet with their investment managers at Trustee meetings as required and may challenge decisions that have been made, including voting history (in respect of equity investments) and engagement activity.

As set out in the SIP, the Trustees have elected to invest the Scheme's assets through pooled funds. This has the practical result that the extent to which the Trustees can directly influence the ESG policies and practices of the companies in which the pooled funds invest is limited. Of the Scheme's managers, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly (LGIM Equity Funds) or indirectly (Nordea Alpha 10 Multi-Asset Fund). The Scheme's Corporate Bonds and LDI Portfolio held with LGIM are credit and government bond mandates and therefore have no voting rights attached.

The Trustees going forward will review the Nordea and LGIM (Equity) mandates regularly, at least annually, in regard to their approach to ESG and their annual voting and stewardship activities over the year and ensure they remain comfortable the managers' engagement policies are in line with those of the Trustees. A summary of the managers' activity over the year to 31 March 2023 is detailed below:

- Nordea engage with investee companies (and vote) on various issues, such as shareholder rights, board composition, remuneration and risk management.

- Over the last year, Nordea has taken part in 99 ESG engagement cases in relation to the Diversified Growth mandate. Of these, Nordea have had 7 significant engagements that have been fully resolved. In those cases, Nordea take the view that these companies have developed solutions addressing the theme of engagement. For example, many of the Climate Action 100+ companies have now made a net zero commitment (which is one of the objectives of the engagement). If not all expectations are met, Nordea continue to actively engage with the companies.

- LGIM's direct engagement with companies is a way they seek to identify ESG risks and opportunities. On-going dialogue with companies is a fundamental aspect of LGIM's responsible investment commitment. LGIM aims to raise the performance of the whole market through their ESG capability and engagement of companies globally.

- Over the last year, LGIM were eligible to vote on a total of 76,841 resolutions, voting on 76,746 resolutions (c.99.9% of all eligible votes) in relation to the three equity mandates managed by LGIM. In terms of climate-focused engagements, LGIM continued to hold directors to account for their management of climate risk and had over 200 engagements with companies in relation to LGIM's 'Climate Impact Pledge', the dedicated engagement programme on climate issues.

The investment performance report is reviewed by the Trustees on a bi-annual basis – this includes ratings (both general and specific ESG) from the investment advisers. All the managers remained generally highly rated during the year. Where managers may not be highly rated from an ESG perspective the Trustees have discussed the reasons with the investment consultant. When implementing a new manager, they would consider the ESG rating of the manager. The investment performance report includes how each investment manager is delivering against their specific mandates.

The Scheme Trustees delegate all voting and engagement activities to the investment manager. When required, the Scheme Trustees will question investment manager's voting decisions if they deem them to be out of line with the investment fund's objectives or the objectives and policies of the Scheme.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

When the investment managers present to the Trustees, the Trustees or investment consultant may ask the investment managers to highlight key voting activity. The Trustees do not use the direct services of a proxy voter.

Over the last 12 months, the key voting activity on behalf of the Trustees is detailed below:

Legal and General Investment Management – Passive Equities

It should be noted the information below is related to the three equity mandates managed by LGIM.

Key information on the votes undertaken over the prior year are summarised below:

- LGIM voted in 76,746 resolutions over the 2022/2023 Scheme year.
- Of LGIM's total number of votes, c.79.6% were votes for the proposal with management and c.18.6% were against management. The remaining c.1.8% of the votes were split between withhold votes and abstained votes.
- Most votes in the past 12 months have been director and routine business related. Climate and ESG related votes contribute a small proportion of the overall votes for the year.

Nordea Asset Management – Diversified Growth – Active

In terms of voting, Nordea votes both by proxy and by attending annual general meetings. Nordea's Funds utilise two external advisors; Institutional Shareholder Services and Nordic Investor Services. However, all voting decisions are those of Nordea; the external advisors only provide input and second opinion when prompted.

Nordea has an aggregated voting strategy, where it strives to vote for as large a part of its total holdings in any given company as possible.

Key information on the votes undertaken over the prior year are summarised below:

- Nordea voted in 2,340 resolutions out of a possible 2,377 (98.4% of voteable resolutions).
- Nordea aligned with management in c.84.3% of votes and voted against management in the remaining c.15.7% of votes.

- Most votes over the past 12 months have been governance related, in particular director and routing business related, for both management and shareholder proposals.

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022, one of the areas of interest was the significant vote definition. The Trustees are therefore required to include details on why a vote is considered significant and the rationale for the voting decision within their implementation statements.

This statement falls within the scope of the new regulations. Considering previous training sessions in relative to ESG and the key priority areas of the underlying investment managers, the Trustees identify the following key themes for significant vote purposes:

- **Climate Change**: including, but not limited to, low-carbon transition and physical damages resilience;

- **Human Rights**: including, but not limited to, modern slavery, pay & safety in the workforce and abuses in conflict zones; and/or

- **Diversity, Equity, and Inclusion**: including, but not limited to, inclusive & diverse decision-making.

Examples of significant votes can be found below; the Trustees consider a vote significant should it align to one of the key themes above and equate to over 5% of the underlying fund or the top 5 holdings having regard to the Scheme's investment in the fund in the context of the wider growth portfolio.

Fund	Company (Fund Holding Weight/ Growth Fund Weight)	Meeting Date: Proposal Text (Significance Category)	Manager Vote Decision (Intention to vote against management communicated – Rationale, if available)	Proposal Outcome (Next steps to report, if any)
LGIM UK Equity Index	Royal Dutch Shell Plc (6.7%/1.6%)	24/05/2022: Approve the Shell Energy Transition Progress Update (Climate Change)	Against (Voted in line with management)	80% Support - Approved (LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.)
	BP Plc (3.0%/0.7%)	12/05/2022: Approve Net Zero - From Ambition to Action Report (Climate Change)	For (Voted in line with management)	89% Support - Approved (LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.)
	Rio Tinto Plc (2.7%/0.6%)	08/04/2022: Approve Climate Action	Against (Yes - LGIM recognise the considerable progress the	84% Support - Approved (LGIM will continue to engage with their investee

		Plan (Climate Change)	company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.)	companies, publicly advocate their position on this issue and monitor company and market-level progress.)
	Glencore Plc (2.7%/0.6%)	28/04/2022: Approve Climate Progress Report (Climate Change)	Against (Yes - A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.While LGIM note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, they remain concerned over the company's activities around thermal coal and lobbying, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory.)	76% Support - Approved (LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.)
LGIM World (ex UK) Developed Equity Index Fund	Amazon.com, Inc. (1.8%/0.6%)	25/05/2022: Elect Director Daniel P. Huttenlocher (Human Rights)	Against (Yes - A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.)	93% Support - Approved (LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.)

Over the prior 12 months, the Trustees have not actively engaged with the Scheme's managers on their voting activity. Going forwards, when investment managers present, the Trustees may be more active in reviewing and challenging voting activity, particularly in respect of its beliefs on climate change.

The investment manager is aware that their continued appointment is based on the success in delivering the mandate for which they have been appointed to manage the Scheme's assets. If the Scheme Trustees are dis-satisfied, they will reconsider the investment manager appointment and may replace them.

2.6.1.3 Align the evaluation of the asset manager's performance and the remuneration for asset management services with the Scheme Trustees' policies

The Scheme Trustees receive investment manager performance reports on a six-monthly basis, which present the performance record over differing time periods: 6 months; 1 year; and 3-year periods. The Scheme Trustees review the absolute performance, relative performance in comparison to a benchmark or suitable independent market index, and against the investment manager's stated tracking error (over the relevant time period).

If the investment manager is not meeting their investment objectives, the Scheme Trustees may review the mandate and the annual management charges levied by that particular manager. The Scheme Trustees did not review any of the investment manager appointments during the Scheme year.

2.6.1.4 Monitoring portfolio turnover costs incurred by the asset manager

The Scheme Trustees receive MiFID II reporting from each of their investment managers but do not analyse the information.

The Scheme Trustees do not currently monitor portfolio turnover costs but may look to do so in the future.

2.6.1.5 The duration of the arrangement with the asset manager

The Scheme Trustees are long-term investors and are not looking to change the investment arrangements on a frequent basis.

The funds in which the Scheme's assets are invested are open-ended funds and therefore there is no set duration for the investment manager appointments. The Scheme Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or asset manager; or
- The investment manager appointment has been reviewed and the Scheme Trustees have decided to terminate that appointment.