

Implementation Statement (“IS”)

Pearl Group Staff Pension Scheme (the “Scheme”)

Scheme Year End – 30 June 2023

The purpose of the Implementation Statement is for us, the Trustee of the Pearl Group Staff Pension Scheme, to explain what we have done during the year ending 30 June 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It 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 during the year, we believe that the policies set out in the SIP have been implemented effectively.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Scheme, and with other third parties that the Trustee relies on such as its investment advisers.

Defined Benefit (“DB”) Section

In our view, the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

The Trustee agreed to reduce investment risk and entered into a fourth buy-in policy with Phoenix Life Limited (“PLL”) during November 2022. The buy-in policies now cover all the Scheme’s defined benefit liabilities.

Defined Contribution (“DC”) Section

Based on the information we have been provided with, we are comfortable with the management and the monitoring of ESG integration and stewardship of the underlying managers that has been carried out on our behalf, and that this aligns with our policies and priorities. We also believe that the investment managers appointed by Aon Investments Limited (“AIL”) were able to disclose adequate evidence of voting and engagement activity.

Changes to the SIP during the year

Following the Defined Benefit section going through its final buy-in during November 2022, the SIP was reviewed and subsequently updated in December 2022.

The changes made include:

- referencing the purchase of a final buy in policy with Phoenix Life Limited
- noting the residual assets that will remain outside the buy-in policies; and
- corresponding changes in the Scheme's investment strategy, risk and governance.

The Scheme's latest SIP can be found here: [Pearl Group Staff Pension Scheme \(pearlstaffpensionscheme.co.uk\)](http://pearlstaffpensionscheme.co.uk)

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

"For both sections it is the Trustee's policy to consider:

- *A full range of asset classes, including alternative asset classes such as infrastructure equity;*
- *The risks and rewards of a range of alternative asset allocation strategies;*
- *The suitability of each asset class;*
- *The suitability of the possible styles of investment management and manager diversification; and*
- *The need for appropriate diversification both across asset classes and within asset classes."*

General investment policy

The Scheme's DC assets are managed by AIL within fiduciary arrangements. For the DC section, there are a range of options available to members covering the main asset classes and different levels of risk. The Trustee is comfortable that it has met its objective of providing a range of investments suitable for members.

A formal review of the DC default arrangement and self-select funds by the Trustee took place on 16 February 2023. The Trustee remains satisfied that the default strategy is appropriate and that the range of alternative strategies and self-select funds also continues to meet members' needs.

For the DB section, virtually all of the assets are now invested in buy-in policies underwritten by PLL. The residual assets are held within an LGIM Liquidity Fund and alternatives that are being wound down. The alternatives are held with Treo, Silver Creek and DTZ and these assets are in the process of being wound up.

The DB investment strategy was constructed in a manner consistent with the above policy. For the DC section, these factors were considered as part of the DC investment strategy review discussed in more detail below.

We cover these policies in more detail in the respective sections later in the report.

Environmental, Social and Governance Factors

The relevant extract of the SIP, covering the Scheme's voting and engagement policies over the reporting period, is as follows:

"When choosing investments, the Trustee and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The fund manager's duties include:

- *Realisation of investments;*
- *Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments;*

For direct investments in pooled funds and buy-in policies, which covers all the Scheme assets), the Trustee expects the fund manager of the underlying pooled fund or buy-in policies to carry out the above duties. In all cases the fund manager should give effect to the principles in this statement so far as is reasonably practicable."

AIL, as part of its ongoing investment management of the arrangement, made a number of changes to asset allocations and weightings between existing underlying funds over the year.

Of particular relevance in the consideration of environmental factors, during February 2023, the Aon Managed Global Equity Fund's allocation to BlackRock's developed market equity fund (25% allocation) was replaced with the new UBS Global Equity Climate Transition Fund (25% allocation). The UBS Fund looks to benefit from the transition to a low carbon economy by increasing weightings to stocks with lower carbon intensity, stocks which target 'green opportunities', and those which are aligned with one or more of the United Nations' Sustainable Development Goals. Additionally, the Fund excludes stocks such as Controversial Weapons, Depleted Uranium, Thermal Coal and Oil Sands, Tobacco and UN Global Compact violators.

Further plans were made following the end of the Scheme year to replace the existing allocation to the BlackRock Emerging Market Equity Index Fund with an allocation to the newly launched UBS Global Emerging Market Equity Climate Transition Fund.

Voting and Engagement

"The Trustee regularly reviews the continuing suitability of the appointed investment managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers.

The Trustee will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure and management of actual or potential conflicts of interest. When a concern is identified, the Trustee will engage with the investment consultant to consider the methods by which, and the circumstances under which, they would monitor and engage with the investment manager and other stakeholders."

For the DB section, there is limited voting on the assets within the portfolio as it is not applicable for the type of assets held. Virtually all assets are held in buy-in policies and the residual assets are in the process of being sold down to cash. Engagement is

relevant, and the Trustee does still expect managers to engage as required to protect and enhance the value of the assets.

For the DC section, the Trustee, through receipt of voting data from AIL, can see that the investment managers are actively voting on the Trustee's behalf and engaging with investee companies on behalf of the Trustee. The Trustee will continue to monitor and expand its engagement in this area over 2023/2024.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

AIL, as part of their ongoing investment management of the arrangement, made a number of changes to asset allocation weightings between existing underlying funds. Changes were made in response to market movements and expected changes in market conditions.

During the Scheme year, the Trustee reviewed the changes made by the investment manager to the underlying asset allocation and managers used within the default arrangement and wider fund options available. This information was supplied on a quarterly basis in investment reports provided by the investment advisers and discussed at each bi-annual Trustee meeting.

Management of ESG risk

Asset allocation decisions: Issues of sustainability such as population dynamics, resource depletion and climate change will have an impact on economic growth and asset values over the long-term. AIL take account of these and other similar issues when forming views of how markets are likely to evolve in future, which they in turn use to determine the asset allocation strategies used.

Stress testing: AIL use climate change scenarios to assess how robust the default strategy is to the potential impact of climate change and evaluate the extent to which changes can help to improve this area of risk exposure.

Manager level: The extent to which asset managers integrate ESG considerations into their investment decisions is one of many factors that AIL take account of in their rating process. AIL actively engage with all underlying investment managers on their ESG policies. Each fund receives a formal ESG rating from 1 to 4 (the rating system derives from the UN PRI sustainable investment principles). Any manager that scores a 1 (the lowest rating) is removed from portfolios until they improve their approach to integrating ESG considerations. Importantly this is about improving behaviours, not exclusion; AIL work with managers to explain how they can better engage on ESG.

"The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include some of the pooled funds used in the defined benefit section, the buy-in policies and the vehicles available for members' contributions in the defined contribution section and members' AVCs in both sections. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s)."

Governance

The Trustee reviews its investments on a regular basis and receives quarterly monitoring reports from its investment advisor on the DB and DC sections. The quarterly report outlines the valuation of all investments held, monitors the performance of these investments and records any transactions encountered during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. During the year for the DB section, a direct investment was made in the final buy-in policy with PLL, which the Trustee received appropriate investment advice on. The buy-in policies

now cover all the Scheme's defined benefit liabilities and hence any residual assets are now not compared to a strategic asset allocation. The Trustee aims to wind up the remaining residual assets.

"The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies. In particular, the Trustee seeks to ensure that the investment manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries. For the DC section where the Trustee is referenced in this section this is carried out on behalf of the Trustee by ALL. For the defined benefit section buy-in policies, the insurer has full discretion over the underlying investments.

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary."

The Trustee is supported by Aon in monitoring the activity of its investments. As noted, the Trustee receives reporting from Aon, which includes Aon's ratings of the Scheme's investments.

Arrangements with investment managers

Aon is responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects on the manager's alignment with Trustee's policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues.

Aon meets with each "buy" rated manager on a quarterly basis to receive an update on the portfolio, performance and any major developments in the portfolio or the manager's business or personnel. Following discussions with the manager, Aon reviews each sub-component rating and the overall rating. In addition to regular monitoring, triennially Aon performs a deep dive review of every "buy" rated manager. Aon 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.).

For the DB and DC investments, the Trustee received annual stewardship reports on the monitoring and engagement activities carried out by their investment managers. On the DB section, PLL has full discretion to complete engagement activities.

More information can be found within the "Our managers' voting" and "Our managers' engagement activity" section of this report.

Cost transparency

"The Trustee collects annual cost transparency reports covering all of the Scheme investments (apart from the buy-in policies). The Trustee asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying the investment managers. The Trustee expects the investment managers to offer full cost transparency via industry standard templates. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme."

The Trustee is aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee gathers cost information on their DB investments annually, to provide a consolidated summary of all the investment costs incurred. The cost report includes 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.

For the DC Section, the Trustee reviews and looks to challenge the cost and charge data on an annual basis.

The Trustee, with assistance from Aon, collates all of the member borne cost and charges annually. These are published in the Annual Chair's Statement. Having reviewed the member borne costs for the most recent year, Aon has confirmed that they appear appropriate for each fund. The Trustee is satisfied that there are no specific concerns.

DC Section alone

The Trustee outlines in its SIP several key objectives and policies. These are noted below, together with an explanation of how the objectives and policies have been met and adhered to over the course of the year:

"In investing the assets of the Scheme in a prudent manner, the Trustee's key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. The Trustee has taken into account members' circumstances, in particular members' attitudes to risk and term to retirement."

Investment Objective

1. Over the course of the year, the Trustee has provided members with a wide range of investment options covering the main asset classes, ranging from low to high risk options.
2. Members who do not wish to take an active role in managing their investment choices are able to invest in the low-involvement option, Retirement Pathway to Drawdown, which is also the default investment option for the Scheme. Retirement Pathway to Drawdown provides an asset allocation strategy which automatically changes the funds members are invested in depending on the length of time until their selected retirement date. As members get closer to retirement, their savings are gradually moved away from higher risk, growth-seeking assets towards lower risk, capital preservation assets to seek to preserve their capital for retirement at their nominated retirement date.
3. In addition to the default, the Trustee also makes available two additional lifestyle strategies which target different benefits at retirement; namely annuity purchase and cash. In addition to this the Trustee also provides nine self-select funds for members to choose from depending on their risk appetite. The range of self-select funds includes four equity funds, three bond funds, one multi-asset fund, one property and infrastructure fund and one cash fund. An additional self-select fund was added to the range in the following Scheme year, the Aon Managed Global Impact Fund.
4. At a member's selected retirement date, the default invests the member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

As part of any proposed changes made to the investment strategy – both in terms of default strategies and range of self-select funds - the Trustee challenges AIL on appropriateness and on this occasion the Trustee was comfortable with the changes made by AIL.

Asset Allocation Strategy

"Each asset allocation strategy aims to provide members with the potential for good levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take."

The Trustee regularly reviews the appropriateness of the three asset allocation strategies and may make changes from time to time. Members are advised accordingly of any changes."

Under fiduciary mandates managed by AIL, AIL monitors and reviews the strategy and performance of the Retirement Pathway options on a regular basis. During the course of the year, the Trustee received quarterly investment monitoring reports from AIL which provided information on the short and long-term performance of all funds offered to members. During the period of review, the Retirement Pathway options performed slightly below their return objectives due to significant increases in inflation over the Plan year.

Long term inflation linked return targets for the Aon Managed Retirement Pathway Funds (the default) were introduced at the start of 2021. The long-term return targets are to provide a return in excess of price inflation, as measured by the Consumer Price Index (CPI) to help members achieve an adequate level of income in retirement. These long-term return targets will be reviewed regularly by the investment manager and the Trustee, both in the context of their ongoing suitability to support members in achieving an adequate standard of living at and through retirement, and with regards to the investments strategies ability to achieve these targets on a forward looking basis. Changes can be made to the asset classes held, but an appropriate level of diversification and liquidity must always be maintained, and consideration must always be given to the projected impact any changes may have on member outcomes.

The quarterly monitoring reports contain any updates on the changes to the funds made by AIL over the quarter and the rationale.

Using the reporting information received over the course of the year and using wider experience, the Trustee challenged AIL where it deemed appropriate on existing Plan investments.

**Choosing Investments and
Risk Measurement and
Management**

"The Trustee takes professional advice when formally reviewing the investment manager or fund options offered to members."

"The Trustee's policy is to review the range of funds offered and the suitability of the Retirement Pathway options at least triennially."

The Trustee assessed its DC investment strategy on 16 February 2023. The investment strategy reviewed contained an analysis of the scheme membership, a review of the Retirement Pathway funds, a review of the self-select funds and an update on responsible investment.

After taking professional advice, the Trustee deemed the current investment strategy and offering as suitable for members and no changes were made.

DB Section alone

"Invest assets prudently, ensuring members benefits are provided."

Following the Scheme's fourth buy-in during November 2022, the buy-in policies now cover all the Scheme's defined benefit liabilities.

Investment Objective

As part of this arrangement, the insurer pays the Scheme an amount equal to the pension payment in respect of the members underlying the policy. These policies are an asset of the Scheme, and the pension liability remains within the Scheme. The Trustee expects the buy-in policy assets to give a return equal to the change in value of the underlying liabilities. The Trustee's strategy for achieving its objective is based upon having purchased these policies with the balance of any remaining Scheme assets held to allow for any future expenses or other liabilities that the Scheme may

need to pay. The remaining assets are cash and hedge funds held with LGIM and some residual assets with DTZ.

Risk measurement and management

"The Trustee's policy is to monitor [insurer default/credit risk, cashflow risk, operational risk] on a regular basis."

The buy in policies held with PLL remove most of the investment risks to which the Scheme may otherwise be exposed to. These are interest rate, inflation, and longevity risk. The Trustee monitors the residual risks.

Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

Regarding the DC section, continue to engage with AIL as our investment manager. This will focus on:

- Transparency and Reporting: providing detailed reporting on AIL's engagement activities.
- Integration of ESG Factors: consideration of how ESG factors are integrated into AIL's stewardship activities.
- Active Engagement: we look for a continual increase in active engagement with companies. This includes proactively reaching out to company management, discussing concerns, suggesting improvements and holding companies accountable.
- Active collaboration: by joining forces, investors can collectively address systemic issues and encourage positive change across industries.

Our fiduciary manager's engagement activity (DC section)

Engagement is when an investor communicates with current (or potential) investee companies or asset managers (as owners of companies) 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.

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.

Our managers' voting activity (DC section)

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. 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 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 trustees still retain responsibility for setting the high-level investment strategy.

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

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

Aon Managed Retirement Pathway Funds (default strategy used by some employer sections)

Aon Managed Fund	Underlying managers (equity-owning only)
Aon Managed Global Impact Fund	Baillie Gifford, Mirova, Nordea
Aon Managed Diversified Asset Fund	BlackRock, LGIM

Source: Aon Investments Limited

Self-select fund range

Aon Managed Fund	Underlying managers (equity-owning only)
Aon Managed Global Equity Fund	BlackRock, LGIM, UBS
Aon Managed Active Global Equity Fund	Baillie Gifford, BNY Mellon, BlackRock, Harris
Aon Managed Global Impact Fund	Baillie Gifford, Mirova, Nordea

Aon Managed Property and Infrastructure	BlackRock, LGIM (listed real assets)
Aon Managed Diversified Asset Fund	BlackRock, LGIM

Source: Aon Investments Limited

Voting statistics: Aon Managed Retirement Pathway Funds

The table below shows the voting statistics for each of the material funds held within the default strategy, the Aon Managed Retirement Pathway Funds, for the year to 30 June 2023, which broadly matches the Scheme year. We also provide a combined view for a member 30 years from retirement and at retirement, invested in the Aon Managed Retirement Pathway Funds.

Aon Managed Retirement Pathway Funds

Aon Managed Funds	% Proposals Voted	% votes cast against management	% votes abstained
Aon Managed Global Impact Fund	99.7%	19.9%	0.7%
Aon Managed Diversified Asset Fund ¹	99.6%	19.3%	0.5%
Aon Managed Retirement Pathway Funds			
<i>Member 30 years from retirement¹</i>	96.7%	16.3%	0.4%
<i>Member at retirement¹</i>	97.9%	17.5%	0.4%

Source: Aon Investments Limited, Underlying investment managers: BlackRock, LGIM, UBS, Baillie Gifford, Mirova, Nordea.

¹Please note figures shown only reflect the proportion of the portfolio with equity-voting rights.

²Invests 90% in the Aon Managed Global Equity Fund and 10% in property and infrastructure.

Voting statistics: self-select funds

The table below shows the voting statistics for each of the material funds offered within the wider self-select fund range available for the year to 31 March 2023, which broadly matches the Scheme year.

Self-select fund range

Aon Managed Funds	% Proposals Voted	% votes cast against management	% votes abstained
Aon Managed Global Equity Fund	99.5%	17.9%	0.4%
Aon Managed Property and Infrastructure Fund ¹	88.5%	7.7%	0.0%
Aon Managed Diversified Asset Fund ¹	99.7%	19.8%	0.5%
BlackRock UK Equity Index Fund	99.0%	3.0%	0.0%
Aon Managed Global Impact Fund	99.1%	20.5%	0.1%
Aon Managed Active Global Equity Fund	97.2%	2.8%	0.4%

Source: Aon Investments Limited, underlying investment managers (BlackRock, LGIM, UBS, Nordea, Mirova, Baillie Gifford, BNY Mellon, Harris, HSBC).

¹Please note figures shown only reflect the proportion of the portfolio with equity-voting rights.

Use of proxy voting advisers (DC Section)

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

Manager	Description of use of proxy voting
Baillie Gifford	Not applicable – Baillie Gifford do not use a proxy voting advisor.
BNY Mellon	Walter Scott receives third party research from Institutional Shareholder Services, Inc. (ISS) for information purposes. However, the recommendations from any intermediary have no bearing on how Walter Scott votes.
BlackRock	BlackRock does not use a service provider to vote on its behalf, although it does subscribe to research from proxy advisory firms, which is considered along with the company's policy and past engagements in voting and engagement analysis. In certain markets, BlackRock works with proxy voting providers to filter through proposals and flag any that may require additional research and engagement.
LGIM	LGIM make use of ISS's proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example of engagements with the company have provided additional information.
Harris	Harris utilises the services of ISS proxy voting services. ISS implements a bespoke proxy voting policy for Harris and ISS services are otherwise used for information only. Harris state that it will follow its Proxy Voting Policy, except where the analyst covering a stock recommends voting otherwise. In these cases, the final decision rests with Harris' Proxy Voting Committee.
Nordea	Nordea states that every vote it casts is considered individually on the background of its bespoke voting policy, which it has developed in-house based on its own principles. Nordea's proxy voting is supported by ISS who provide analytic input. In general, Nordea relies on its bespoke voting policy at ISS, and/or vote manually for an overwhelming majority of all votes.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Source: Aon Investments Limited. Underlying managers

Significant voting activity

To illustrate the voting activity being carried out on our behalf, we asked AIL to provide a selection of what they and the underlying investment managers consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix for the main funds used within the default strategy.

Underlying managers' engagement activity (DC Section)

We have reviewed information on the engagement carried out by the managers appointed by AIL for the DC Section of the Scheme. All material managers engaged on all of the themes listed below:

- Environment - Climate Risk Management
- Environment – Biodiversity
- Governance - Remuneration
- Governance - Board Effectiveness
- Governance - Corporate Strategy
- Social - Human Capital
- Social Risks & Opportunities

Note: The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the underlying fund.

We would expect all managers to have engaged on all themes, as all underlying managers meet AIL's required standards for consideration of ESG factors / risks.

Our managers' engagement activity (DB Section)

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
DTZ Property	Not provided	50	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Board effectiveness – Diversity, Independence or Oversight, Other Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Financial performance
LGIM Corporate Bonds	39	1,224	Climate change, Natural resource use/impact (e.g. water, biodiversity), Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Strategy/purpose, and others.
Macquarie Infrastructure Debt Investment Solutions	2	32	Strategy, Financial and Reporting - Financial performance,

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

Data limitations

At the time of writing, DTZ did not provide number of engagements at fund level.

This report does not include commentary on the Scheme's liability driven investments, gilts or cash 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.

This report also doesn't cover buy-in policies as Phoenix Life Limited now has the obligation to pay the Scheme the value of the members' benefits.

Appendix – Significant Voting Examples

DC – Section:

In the table below are some significant vote examples provided by the underlying investment managers appointed by AIL and used within the default strategy.

We consider a significant vote to be one which the manager deems to be significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM	Company name	Keysight Technologies, Inc.
	Date of vote	March 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4%
	Summary of the resolution	Resolution 1.2 - Elect Director Richard P. Hamada
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as LGIM's engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Diversity: A vote against was applied as LGIM expects a company to have at least one-third women on the board. Remuneration - Accountability - Escalation: A vote against was applied as LGIM had concerns with the remuneration practices for the past year.
	Outcome of the vote	N/A
	Implications of the outcome	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
	On which criteria have the vote is considered significant?	Thematic - Diversity: LGIM views gender diversity as a financially material issue for clients, with implications for the assets managed on their behalf.
BlackRock	Company name	Costco Wholesale Corporation
	Date of vote	July 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	Not Provided
	Summary of the resolution	Report on Greenhouse Gas (GHG) Emissions Reduction Targets
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	BlackRock engaged to encourage Costco to enhance their reporting on climate-related issues, which they recognize as a material business risk. Shortly before the 2022 AGM, Costco published additional information related to their climate risks and opportunities, so BlackRock voted in support. Rationale: Costco is a major retailer that operates through membership warehouse stores and e-commerce websites.

		In April and July 2022, Costco's global executives conducted in-depth climate-related scenarios analysis, exploring climate-related risks and opportunities to operations, supply chain, members, employees, reputation, and products. From this analysis, they created an inventory of climate-related risks and opportunities related to Costco's business. They anticipate transitional and physical impacts from climate change and will continue to evaluate impacts on Costco's financial position.
	Outcome of the vote	Pass
	Implications of the outcome	<i>Improvement in reporting</i>
	On which criteria have the vote is considered significant?	<i>Input resulted in enhanced reporting</i>
UBS	Company name	Netflix, Inc.
	Date of vote	June 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	Not disclosed
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	How the manager voted	Against Management
	Did the manager communicate its intent to the company ahead of the vote?	No
	Rationale for the voting decision	Accelerated vesting of awards undermines shareholder long-term interest. Majority of awards vest without reference to performance conditions. Lack of a clawback provision. Excessive pay quantum.
	Outcome of the vote	Fail
	Implications of the outcome	Ahead of the AGM UBS engaged with the company in regard to their concerns and affirmed these concerns through their voting action. The company has an unconventional pay framework, via stock options. UBS continue to require the company to implement performance pay awards.
	On which criteria have the vote is considered significant?	Aggregate percentage of votes against management exceeded 70% of votes cast.
Nordea	Company name	Glodon Co Ltd
	Date of vote	April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.93%
	Summary of the resolution	Elect Chai Mingang as Director
	How the manager voted	Against Management
	Did the manager communicate its intent to the company ahead of the vote?	Yes. Nordea have engaged companies with no females on the Board and informed them that they intend to vote against if Nordea do not receive relevant explanation.

	Rationale for the voting decision	There are no females on the board and there is no Chair of the Nomination Committee, so Nordea voted against the member of the Nomination Committee to express their concern.
	Outcome of the vote	For
	Implications of the outcome	Nordea have confirmed that they will continue to vote against Chairman of the nomination committee in companies with zero females on the Board.
	On which criteria have the vote is considered significant?	Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in a Company.
Mirova	Company name	Verizon Communications Inc.
	Date of vote	May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.1%
	Summary of the resolution	Executive Compensation / Shareholder Proposal on Political Contributions
	How the manager voted	Against Management
	Did the manager communicate its intent to the company ahead of the vote?	No
	Rationale for the voting decision	Although the compensation structure contains a metric dedicated to Corporate Social responsibility, Mirova expressed their concerns with the lack of correlation between the CEO and employee pay, in light of the recent mass layoffs, as well as the lack of performance criteria within the Long Term Incentive Plan. Regarding the shareholder proposal, Mirova supported the proposal to prohibit political and electioneering expenses because they agree with the reputational risk associated with the misalignment between such activities and the Company's purported Corporate Social responsibility commitment.
	Outcome of the vote	Pass (both)
	Implications of the outcome	Mirova are of the view that correlation between employee and CEO pay remains challenging to analyse given the lack of employee payroll data in the US. By incorporating additional data points such as the CEO pay ratio and layoff data, Mirova strive to incorporate this concern into their voting decision.
	On which criteria have the vote is considered significant?	Relevant to engagement strategy
Baillie Gifford	Company name	TESLA, INC.
	Date of vote	04 August 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	3.84%
	Summary of the resolution	Shareholder Resolution - Climate

How the manager voted	Against
Did the manager communicate its intent to the company ahead of the vote?	No
Rationale for the voting decision	Baillie Gifford opposed the resolution requesting a report on how the company's corporate lobbying is aligned with the Paris Climate Agreement. Given Tesla's core mission is to accelerate the world's transition to sustainable energy and its entire business strategy is in alignment with the Paris Agreement, Baillie Gifford believe additional disclosures would be burdensome with no real benefit to shareholders.
Outcome of the vote	<i>Fail</i>
Implications of the outcome	<i>Not provided</i>
On which criteria have the vote is considered significant?	This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Source: Aon Investments Limited, Underlying Managers (LGIM, BlackRock, UBS, Baillie Gifford, Mirova, Nordea).