

Implementation Statement, covering the Scheme Year from 1 January 2022 to 31 December 2022

The Trustee of the Hanson Industrial Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 10 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

This Statement is based on and uses the same headings as the Scheme’s latest SIP dated August 2020. This Statement should be read in conjunction with the latest SIP which can be found online.

1. Introduction

No review of the SIP was undertaken during the Scheme year. The last time the SIP was formally reviewed was August 2020.

The Trustee has, in its opinion, followed all of the policies in the Scheme’s SIP during the Scheme Year. The following sections provide detail and commentary about how and the extent to which it has done so.

2. Defined Benefit (“DB”) Section

2.1 What are the Trustee’s overall investment objectives?

Progress against the DB Section’s long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Scheme’s investment adviser which shows key metrics and information on the DB Section including expected return and risks of the investment strategy).

As at 31 December 2022 the DB Section remained fully funded on a self-sufficiency basis and on a Solvency basis. In addition, the Trustee remains comfortable that the level of risk and expected returns remains appropriate.

2.2 Summary of the Scheme’s investment strategy

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, last reviewed the DB Section’s strategy in November 2019. As part of this review, the Trustee made sure the DB Section’s assets were adequately and appropriately diversified between different asset classes. The DB Section’s strategy was not reviewed during the Scheme Year, although changes were made to the underlying managers in the Scheme’s “alternatives” portfolio as a result of a downgrade in the Trustee’s view of one of its managers.

The Trustee monitored the DB Section’s asset allocation on a quarterly basis and compared this to the strategic asset allocation, as outlined in the separate Investment Policy Document (“IPD”). Over the year under review the Scheme’s allocation to liability matching assets fell to the bottom range outlined in the IPD. This was driven by a combination of market movements and divestments from the liability matching portfolio for the DB Section’s ongoing cashflow requirements. During July 2022, to rebalance the asset allocation between liability matching and alternative assets, the Trustee made a full redemption from the DB Section’s diversified growth holdings with Baillie Gifford and used the proceeds to top up the collateral in the Insight liability driven investment (“LDI”) portfolio. This transfer also reflected a change in view on the Baillie Gifford mandate. The Trustee noted that following this divestment the Scheme’s alternative assets remained adequately and appropriately diversified between different asset classes.

3. Defined Contribution (“DC”) Section

3.1 What are the Trustee’s overall investment objectives?

The most recent triennial investment strategy review of the DC default arrangements took place in May 2020. As part of this review, the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme and concluded that the default arrangements have been designed to be in the best interests of the majority of the DC Section members.

The Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes which members can view on the following website: [Hanson Industrial Pension Scheme - Defined Contribution | Hanson Pensions](#). The Trustee monitors the take up of these funds and it is limited.

The Trustee commenced the next strategy review for the DC Section in March 2023, after the Scheme year end, and we will include details in the next year’s Statement.

3.2 What are the investment arrangements?

The Trustee did not review the DC investment strategy over the Scheme Year.

As part of the review of the default arrangements in May 2020, the Trustee considered the risk and return characteristics of the DC Section’s blended fund arrangements used within the default strategies and agreed to replace the underlying property component of the HIPS Passive Diversified Fund with a globally diversified property fund to improve the risk and return potential for members. This change was implemented in September 2021 and impacted all three of the current lifestyle options (HIPS Drawdown Lifestyle, HIPS Cash Lifestyle and HIPS Annuity Lifestyle). Over the Scheme Year, the Trustee decided to replace the Abrdn Global Absolute Return Strategies Fund (“Abrdn GARS”) component of the Active Diversified Fund with the Ruffer Diversified Return Fund, due to extended underperformance of the Abrdn GARS fund, which was implemented in January 2023. The Trustee also reviewed the legacy default lifestyle and the cash default fund (HIPS Money Market Fund) as part of the 2020 review and were comfortable that these strategies remain appropriate. The Trustee also concluded that drawdown remains an appropriate retirement target for the Main Default and the majority of DC Section members.

The Trustee commenced the next strategy review for the DC Section in March 2023, after the Scheme year end, and we will include details in the next year’s Statement.

3.3 What did the Trustee consider in setting the Scheme’s investment arrangements?

When the Trustee undertook a performance and strategy review of the DC default arrangements in May 2020, it considered the investment risks set out in Appendix B of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

4. What are the Trustee’s key investment beliefs?

During the Scheme Year the Trustee reviewed their investment beliefs in light of the work they had undertaken identifying and assessing climate related risks and opportunities for the Scheme. The Trustee agreed that as part of the next SIP review (due in 2023) they would introduce a new investment belief into the SIP as follows:

“climate change is a financially materially systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term”.

The Trustee invests for the long term, to provide for the Scheme’s members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks.

¹ The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

5. What risks does the Trustee consider and how are these measured and managed? (Appendices A and B of SIP)

Risks are monitored on an ongoing basis with the help of the Scheme's investment adviser. The Trustee maintains a Risk Register and this is discussed at quarterly meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustee by the Scheme's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks. The Trustee's implementation of its policy for these risks during the year is summarised below.

DB section: With regard to the risk of inadequate returns, as part of the investment strategy review in November 2019, the best estimate expected return on the strategic asset allocation was gilts +0.6% pa. Therefore, the expected return on the DB Section's assets was expected to be sufficient to maintain the fully funding position on a self-sufficiency basis. As part of the changes made to the alternatives portfolio over the year the Trustee satisfied themselves that the changes would not be detrimental to the expected return on the portfolio.

The DB Section's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the Scheme Year, the Section's hedging levels were broadly in line with the target levels. Over the Scheme Year, the Trustee updated the liability benchmark used by the Scheme's LDI manager to design and monitor an appropriate interest rate and inflation hedge. This was implemented following Scheme Year end.

With regard to collateral adequacy risk, the Trustee held investments in the Insight Liquidity Fund within the LDI portfolio over the Scheme year, to be used should the LDI manager have required additional collateral. The Trustee also ensures there are sufficient liquid assets elsewhere in the portfolio that can be readily realised, so that cash can be posted to the LDI manager at short notice. The Scheme's LDI mandate operates on a very low level of leverage. During the year under review, despite significant increases in gilt yields, no additional collateral was required by the LDI mandate to maintain hedging levels.

Together, the investment and non-investment risks give rise generally to funding risk. During the year, the Trustee formally reviewed the DB Section's funding position as at 31 December 2021 as part of its triennial actuarial valuation. As at the date of the review the Scheme was fully funded on both a Technical Provisions and Solvency basis. Due to the strong funding position the Trustee agreed to move from "self-sufficiency" to "solvency" as a long-term funding target. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings, and the Trustee has the ability to monitor this daily on LCP Visualise.

DC Section: With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the throughout the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

Following a period of underperformance, the Trustee made the decision to replace one of the two investment managers within the HIPS Active Diversified Fund. The Trustee undertook a review in May 2022 and agreed on a suitable replacement. Changes have been implemented following the Scheme year end, in January 2023.

Both Sections: The following risks are covered elsewhere in this Statement: diversification risk in Sections 2.2, 3.1 and 8.1, investment manager risk and excessive charges in Section 6, illiquidity/marketability risk in Section 8.1 and ESG risks in Section 8.2.

6. Implementing the Scheme's investment arrangements

DB section: The Trustee made a full redemption from its holdings in the Baillie Gifford Diversified Growth Fund over the period. This was driven by concerns over Baillie Gifford's recent performance, ability to meet their investment objective over the medium to long term and heavy reliance on manager skill. The redemption from Baillie Gifford helped to reduce the DB Section's overweight to alternative assets, with the proceeds invested in liability matching assets. As part of this change, the Trustee satisfied itself that the Scheme maintained sufficient diversification and that there were no material impacts on the overall risk and return characteristics of the investment strategy.

The Trustee reviews manager fees on an ongoing basis as part of the quarterly performance monitoring reports.

DC Section: The Trustee undertook a "value for members" assessment in May 2023 for the Scheme Year to 31 December 2022 which assessed a range of factors, including the fees payable to managers in respect of the DC

Section which were found to be reasonable when compared against Schemes with similar sizes of mandates. Overall, the Trustee believes the investment managers provide good value for money.

Both Sections: The Scheme's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund over the quarter, one year, three years and five years. Performance is considered in the context of the manager's benchmark and objectives. The Trustee also monitors its managers' responsible investment capabilities using scores provided by its investment adviser, on a quarterly basis as part of the standard monitoring reports. The most recent quarterly report for the DB Section shows that the majority of managers have produced performance broadly in line with expectations over the long-term.

To 31 December 2022, most of the DC investment managers had produced performance broadly in line with expectations over the long term. The Trustee reviews any underperformance experienced by the Scheme's funds. Following extended underperformance of the Abrdn GARS Fund and concerns around future ability to deliver performance in line with its performance target, the Trustee decided to replace this fund within the HIPS Active Diversified Fund. The transition is planned to take place in January 2023.

The Trustee regularly invites the Scheme's investment managers to present at Trustee meetings, seeing each manager approximately once every one to two years. Over the period, the Trustee met with Baillie Gifford, Insight Investment Management, IFM Investors, and LaSalle Global Partner Solutions to discuss the Scheme's investments. The Trustee was comfortable with all of its investment manager arrangements over the year apart from Abrdn and Baillie Gifford (within the DB Section) as highlighted above.

7. The Scheme's custodians

The Trustee has not made any changes to its DB custodial arrangements over the Scheme Year.

8. Other matters

8.1 What is the Trustee's policy on the realisation of investments?

DB section: The Trustee reviews the DB Section's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the Scheme Year, the Trustee disinvested cash from the Insight LDI portfolio to meet the DB Section's ongoing cashflow requirements, in line with the Trustee's cashflow management policy. In addition, the Trustee agreed to move some of the Scheme's investments to "income-distributing" share classes (where appropriate) to reduce the required size of cash disinvestments from the LDI portfolio. The Trustee received the first income distributions following Scheme Year end.

DC Section: It is the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offered during the Scheme Year are daily priced in normal market environments.

8.2 Consideration of financially material and non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

In May 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's

manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. These scores are also summarised in the quarterly performance monitoring reports.

The Trustee was satisfied with the results of the review and no further action was taken. The Trustee continues to monitor the manager and fund level scores on a quarterly basis.

In addition to the above, as part of the Trustee's quarterly review of the Scheme's investments, the investment advisor, LCP, highlights to the Trustee whether there have been any developments in this area that require the Trustee's attention.

As part of the Scheme's new Task Force on Climate-Related Financial Disclosures ("TCFD") requirements, the Trustee has undertaken a range of climate-related training activities over the year to help them identify, assess and manage climate related risks and opportunities. Further information on the climate-related actions the Trustee has undertaken over the year can be found in the Scheme's TCFD report which will be made available online.

Over the Scheme year, the Trustee met with their investment managers and queried them on the extent to which ESG factors are incorporated in the funds currently held by the Scheme.

The Trustee also made the decision to change one of the two investment managers within the DC Section's HIPS Active Diversified Fund. This change included adding a new pooled fund following Scheme year end, in January 2023. In selecting and appointing this manager, the Trustee reviewed LCP's RI assessments of the shortlisted managers. As part of the selection process and in line with the Trustee's investment beliefs, voting and engagement were discussed with the manager and formed part of the Trustee's decision process.

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee set stewardship priorities to focus monitoring and engagement with its investment managers on its specific requirements. At its November 2022 meeting, the Trustee discussed and agreed the following stewardship priorities for the Scheme: **Pollution, Human Rights and Remuneration**. The Trustee subsequently communicated these priorities to its managers. The Trustee's quarterly investment report has been updated to include examples of Stewardship activities related to their priorities by their investment managers.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

8.3 Voting and engagement

This is covered in Section 8.2 above.

8.4 What are the responsibilities of the various parties in connection with the Scheme's investments (Appendix C of the SIP)

As mentioned in Section 6, the Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

The Trustee has delegated certain responsibilities to a Joint Investment Sub Committee ("JISC") which comprises members of the Trustee Boards of the Hanson Pension Schemes². The JISC meet quarterly to discuss investment matters relating to the Scheme.

The performance of the professional advisers is considered on an ongoing basis by the Trustee. The Trustee has put in place formal objectives for its investment adviser and reviews the adviser's performance against these objectives on a regular basis. The last review was in November 2022.

² The Hanson Pension Schemes include the Hanson Industrial Pension Scheme, the Castle Pension Scheme and the Powerhouse Retail Group of the Electricity Supply Pension Scheme.

8.5 Does the Trustee make any investment decisions of its own?

The Trustee last reviewed the DC Investment arrangements in 2020, with the help of its investment adviser, LCP. In addition to quarterly investment and monitoring reports, the Trustee will review the DC Default arrangements every three years. The next review is taking place in 2023 and the outcomes of this review will be reported in next year's statement.

8.6 What is the Trustee's policy on employer-related investments?

The Trustee reviews this on an annual basis.

9 Review

The SIP will be reviewed from time to time, at least once every three years, after any significant change in investment policy or in the demographic profile of the relevant members in respect of the DC section. The SIP was last reviewed in August 2020 and is being reviewed in 2023, post Scheme Year end.

10 Description of voting behaviour during the year

All the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- L&G World Equity Index Fund (DB)
- Baillie Gifford Diversified Growth Fund (DB – divested on 27 July 2022)
- L&G Emerging Market Multi Asset Fund (DC)
- L&G Infrastructure Equity MFG Fund (DC)
- Invesco Global Real Estate Fund (DC)
- BlackRock MSCI World Equity Index (hedged and unhedged) (DC)
- BlackRock UK Equity Index Fund (DC)
- Baillie Gifford Multi-Asset Growth Fund (DC)
- Abrdn GARS Fund (DC)

For the DC Section we have included only the funds with equity holdings used in the Main Default strategy given the high proportion of DC Section assets invested in these funds. In addition, we have also included self-select fund with the highest take up (in terms of percentage of total Scheme assets), which is the BlackRock UK Equity Index Fund. We have not included any other self-select funds on materiality grounds.

The holdings of the IFM Global Infrastructure Fund (DB Section) are primarily private equity investments rather than public listed equities. However, IFM may invest in listed equity assets from time-to-time to help gain long-term strategic positions. IFM holds board seats for all investments in their fund (including listed equity assets) and uses these positions to help influence their portfolio companies. We have omitted data relating to IFM's listed equity investments on materiality grounds since they are only a small proportion of the Scheme's total equity holdings and given IFM's position on the board of these companies.

The Trustee contacted the DB Section's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. All the investment managers, with the exception of LaSalle, confirmed there had been no significant voting opportunities over the period. A description of LaSalle's voting processes is described in section 10.1 and commentary on most significant votes provided by LaSalle is set out in section 10.4.

10.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee reviews its managers' stewardship activity in relation to their stewardship priorities on a quarterly basis and is comfortable that action taken by managers over the year was aligned with the Trustee's views.

Baillie Gifford

Baillie Gifford's voting decisions are made by its Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes. Baillie Gifford considers thoughtful voting of its clients' holdings as an integral part of its commitment to stewardship. It believes that voting should be investment led, because how it votes is an important part of the long-term investment process. This is why Baillie Gifford's strong preference is to be given this responsibility by its clients. The ability to vote its clients' shares also strengthens Baillie Gifford's position when engaging with investee companies. The Governance and Sustainability team oversees Baillie Gifford's voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers and utilises research from proxy advisers for information only. Additionally, Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

Whilst it is cognisant of proxy advisers' voting recommendations (Institutional Shareholder Services ("ISS") and Glass Lewis), Baillie Gifford does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford has stated that the list below is not exhaustive, but provides examples of significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting;
- the resolution received 20% or more opposition and Baillie Gifford opposed;
- egregious remuneration;
- controversial equity issuance;
- shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;
- where there has been a significant audit failing;
- where Baillie Gifford has opposed mergers and acquisitions;
- where Baillie Gifford has opposed the financial statements/annual report; and
- where Baillie Gifford has opposed the election of directors and executives.

L&G

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for its clients. L&G's voting policies are reviewed annually, considering feedback from its clients. Every year, L&G holds a stakeholder roundtable where clients and other stakeholders are invited to express their views directly to the members of L&G's Investment Stewardship team.

All decisions are made by L&G's Investment Stewardship team in accordance with its Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each team member is allocated a specific sector so that voting is undertaken by the same individuals who engage with the company. This ensures L&G's stewardship approach flows smoothly throughout the engagement and voting process and that it is fully integrated into the vote decision process, sending a consistent message to companies.

L&G's Investment Stewardship team uses ISS 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and it does not outsource any part of the strategic decisions. L&G's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure L&G's proxy provider votes in accordance with L&G's position, it has put in place a custom voting policy with specific voting instructions. L&G retains the ability in all markets to override any vote decisions. L&G has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies.

As regulation on vote reporting has recently evolved with the EU Shareholder Rights Directive II, L&G wants to ensure it continues to help its clients in fulfilling their reporting obligations. L&G believes public transparency of its voting activity is critical for its clients and interested parties to hold them to account.

In determining significant votes, L&G's Investment Stewardship team takes into account the criteria provided by the PLSA guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at L&G's annual stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an L&G engagement campaign, in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

It is vital that the proxy voting service are regularly monitored and L&G does this through quarterly due diligence meetings with ISS. L&G has its own internal Risk Management System (RMS) to provide effective oversight of key processes. Annually, as part of L&G's formal RMS processes the Director of Investment Stewardship confirms that a formal review of L&G's proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

Vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. It also provides the rationale for all votes cast against management, including votes of support to shareholder resolutions.

Invesco

Invesco has adopted and implemented a Policy Statement on Global Corporate Governance and Proxy Voting ("Policy") which it believes describes policies and procedures reasonably designed to ensure that proxies are voted in the best interests of its clients. This Policy is intended to help Invesco's clients understand Invesco's commitment to responsible investing and proxy voting, as well as the good governance principles that inform its approach to engagement and voting at shareholder meetings.

Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. The voting decision lies with Invesco's portfolio managers and analysts with input and support from its Global ESG team and Proxy Operations functions. The final voting decisions may incorporate the unique circumstances affecting companies, regional best practices and any dialogue Invesco has had with company management. Invesco's good governance principles, governance structure and processes are designed to ensure that proxy votes are cast in accordance with its clients' best interests.

Invesco may supplement its internal research with information from third parties, such as proxy advisory firms. Globally Invesco leverages research from ISS and Glass Lewis, and it uses the Investment Association IVIS in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. Globally, Invesco receives research reports including vote recommendations from ISS and Glass Lewis for company shareholder meetings across its holdings. To assist with the operational aspects of the proxy voting process including vote disclosure to meet regulatory requirements, Invesco retains the services of ISS and leverages Invesco's proprietary proxy voting platform to further streamline the process. Invesco also engages ISS's governance research and voting services to implement Invesco's internally developed custom voting guidelines with specific voting recommendations on ESG issues applied globally. Invesco's custom voting guidelines are reviewed annually and seek to support Invesco's Good Governance Principles on best practice standards in corporate governance and long-term investment stewardship.

As part of the firm's Shareholder Rights Directive II implementation, the criteria defined by Invesco for a vote to be considered 'significant' is based on the materiality of the position, the content of the resolution and inclusion on Invesco's ESG watchlist.

LaSalle

LaSalle's voting process involves an internal analysis undertaken by the respective asset manager at LaSalle with the fundamental principles being promoting best practice and furthering clients' interests. A recommendation is then provided by the asset manager and approved via the Regional/Global Investment Committee (in accordance with the LaSalle GPS IC Charter), prior to a vote being submitted to the fund.

LaSalle uses proxy voting services to process votes for investments which are registered under a custodial nominee name, meaning that LaSalle does not have delegated authority to execute these votes. The proxy advisor used is dictated by the custodian under which an investment is registered. The proxy advisor used is Broadridge's Proxy Edge. LaSalle does not receive proxy advisor recommendations for non-listed holdings.

When determining significant votes, LaSalle considered any vote that materially changed legal terms, commercial terms, governance, or had a financial impact on expected returns.

BlackRock

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock's engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets.

BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock informs its vote decisions through research and engage as necessary.

While BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis & Co ("Glass Lewis"), this is just one among many inputs into BlackRock's vote analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock Investment Stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, the views of its active investors, public information and ESG research.

BlackRock publishes "voting bulletins" explaining key votes relating to governance, strategic and sustainability issues that it considers material to a company's sustainable long-term financial performance.

These bulletins are intended to explain their vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investments it undertakes on behalf of its clients. BlackRock makes this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them.

Abrdn

Abrdn strongly supports the principles of good stewardship that are set out in the UK Stewardship Code. Abrdn believes that it is mutually beneficial for companies and long-term investors to have a relationship based on accountability, engagement and trust. Such a relationship helps to ensure that each has a good understanding of the other's views and expectations. It also enables Abrdn to exercise constructive influence as and when appropriate. Abrdn believes this serves to enhance the long-term value of its clients' investments and to protect their interests when necessary.

Abrdn utilises the services of ISS for all its voting requirements.

In determining significant votes, Arbdn has identified five categories of votes it considers as significant, ordered based on Abrdn's view of their importance:

- High profile votes – votes which received public and press interest with a focus on the Abrdn's large, active holdings; votes which reflect significant governance concerns regarding the company; resolutions proposed by Abrdn.
- Shareholder and Environmental and Social (E&S) resolutions - votes on shareholder E&S proposals where Abrdn has engaged with the proponent or company on the resolution; votes on management-presented E&S proposals; shareholder proposals where Abrdn has voted contrary to management recommendations.
- Engagement – resolutions where Abrdn engaged with the company on a resolution; resolutions where post-engagement Abrdn voted contrary to its custom policy.
- Corporate transactions – votes which have a financial impact on the investment with a focus on acquisitions.
- Votes contrary to custom policy – large active holdings where Abrdn has voted contrary to custom policy following analysis

10.2 Summary of voting behaviour over the year

A summary of voting behaviour over the Scheme Year is provided in the tables below. The first table contains the funds held by the DB Section of the Scheme.

	L&G World Equity Index Fund	Baillie Gifford Diversified Growth Fund (divested 27 July 2022) ³	LaSalle Inflation-linked Property Fund
Manager name	Legal and General Investment Management (“L&G”)	Baillie Gifford	LaSalle Investment Management
Fund name	World Equity Index Fund	Diversified Growth Fund	Inflation-linked Property Fund
Total size of fund at end of the Scheme Year	£1,737.5m	£2,962.4m	£95.9m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£68.1m	-	£95.9m
Number of equity holdings at end of the Scheme Year	2,612	52	7
Number of meetings eligible to vote	3,113	106	2
Number of resolutions eligible to vote	38,295	1,140	4
% of resolutions voted	99.8%	95.8%	100.0%
Of the resolutions on which voted, % voted with management	78.9%	95.7%	100.0%
Of the resolutions on which voted, % voted against management	20.4%	3.4%	0.0%
Of the resolutions on which voted, % abstained from voting	0.7%	0.8%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	75.5%	21.7%	0.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14.4%	n/a ⁴	n/a ⁵

³ A full redemption of c£82.8m was made from the Baillie Gifford Diversified Growth Fund on 27 July 2022. Baillie Gifford were unable to provide part period performance and therefore Baillie Gifford data provided covers the full Scheme Year.

⁴ Baillie Gifford does not delegate or outsource any of its stewardship activities or follow or rely upon proxy advisers’ voting recommendations.

⁵ LaSalle does not receive proxy advisor recommendations for non-listed holdings.

The funds in the tables below related to those funds held by the DC Section of the Scheme.

	L&G Passive Emerging Market Multi-Asset Fund	L&G Infrastructure Equity MFG Fund	Invesco Global Real Estate Fund	BlackRock Global Equity Fund (hedged and unhedged)
Manager name	Legal and General Investment Management ("L&G")	Legal and General Investment Management ("L&G")	Invesco	BlackRock
Fund name	Passive Emerging Market Multi-Asset Fund ⁶	Infrastructure Equity MFG Fund	Global Real Estate Fund ⁷	Aquila MSCI World Global Equity Index Fund
Total size of fund at end of the Scheme Year	£4,701m	£1,376m	£1,143m	£1,286m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£4.3m / 1.6%	£4.5m / 1.7%	£6.3m / 2.4%	£163.6m / 61.7%
Number of equity holdings at end of the Scheme Year	1,694	88	74	1,684
Number of meetings eligible to vote	4,180	91	81	934
Number of resolutions eligible to vote	35,615	1,114	935	14,200
% of resolutions voted	100.0%	100.0%	98.5%	87.4%
Of the resolutions on which voted, % voted with management	78.9%	76.5%	94.3%	93.9%
Of the resolutions on which voted, % voted against management	18.8%	23.5%	5.7%	6.1%
Of the resolutions on which voted, % abstained from voting	2.3%	0.0%	0.0%	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	53.9%	80.2%	25.9%	29.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	6.8%	18.8%	4.8%	0.4%

⁶ The allocation of the L&G Passive Emerging Market Multi Asset Fund is 50% L&G World Emerging Markets Equity Index Fund and 50% passive emerging market government bond funds. The voting data provided relates to the L&G World Emerging Markets Equity Index Fund as the bond funds do not have any voting data. The asset value represents the overall blended fund.

⁷ The Invesco Global Real Estate Fund invests in a mix of direct and listed property. The voting data shown here relates only to the listed property component of the Fund.

	BlackRock UK Equity Index Fund	Baillie Gifford Multi-Asset Growth Fund ⁹	Abrdn GARS
Manager name	BlackRock	Baillie Gifford	Aberdeen Standard
Fund name	UK Equity Index Fund	Multi-Asset Growth	Global Absolute Return Strategies
Total size of fund at end of the Scheme Year	£10,579m	£1,173m	£1,202m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£5.2m / 1.9%	£23.2m / 8.7%	£23.4m / 8.8%
Number of equity holdings at end of the Scheme Year	565	41	52
Number of meetings eligible to vote	715	89	14
Number of resolutions eligible to vote	10,301	933	183
% of resolutions voted	100.0%	95.6%	72.1%
Of the resolutions on which voted, % voted with management	96.2%	97.8%	79.5%
Of the resolutions on which voted, % voted against management	3.8%	3.5%	20.5%
Of the resolutions on which voted, % abstained from voting	0.5%	1.2%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	21.3%	22.5%	57.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.0%	N/A ¹⁰	17.4%

10.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes.

The Trustee has interpreted "significant votes" to mean those that:

- align with the Trustee's stewardship priorities, which are Pollution, Human Rights, and Remuneration;
- might have a material impact on future company performance;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support;
- the subject of the resolution aligned with the investment manager's engagement priorities or key themes; and/or
- the Scheme may have a particular interest in.

By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has reported on one significant vote per fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

L&G World Equity Index Fund

- **Amazon.com Inc, May 2022**
- **Relevant stewardship priority:** Human Rights
- **Vote:** Against resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution.
- **Summary of resolution:** Elect Director Daniel P. Huttenlocher
- **Rationale for the voting decision:** LGIM voted against this election as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
- **Approximate size of the fund's holding at the date of the vote:** 1.8%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to a stewardship priority selected by the Trustee. In addition, this stock is one of the largest shareholdings in the fund (c2% of total assets).
- **Was the vote communicated 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 its engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. LGIM will continue to engage with the company and monitor progress.

Baillie Gifford Diversified Growth Fund

- **Greggs PLC, May 2022**
- **Relevant stewardship priority:** Remuneration
- **Vote:** Against resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution.
- **Summary of resolution:** Remuneration
- **Rationale for the voting decision:** Baillie Gifford voted against the remuneration report due to their concerns over executive pay increases and misalignment of pension rates.
- **Approximate size of the fund's holding at the date of the vote:** 3.0%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. Following casting a vote, Baillie Gifford reached out to the Company to provide reasons for its opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged Baillie Gifford's feedback on pensions and pay increases for executives and explained how the new CEO's salary was set.

L&G Passive EM Multi-Asset Fund

- **Xiaomi Corporation, June 2022**
- **Relevant stewardship priority:** Remuneration
- **Vote:** Against resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution.
- **Summary of resolution:** Elect Lei Jun as Director
- **Rationale for the voting decision:** LGIM voted against this resolution because it expects the Remuneration Committee to comprise independent directors. The company board chair can be a member of the committee if they are independent, but they should not chair the committee. LGIM assesses the chair's independence on an annual basis. Non-independent directors may attend remuneration committee meetings by invitation but should not be members of the committee. There were also additional concerns regarding the separation of chair and CEO roles and regarding board mandates.
- **Approximate size of the fund's holding at the date of the vote:** 0.3%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated 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 its engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. LGIM will continue to engage with the company and monitor progress.

L&G Infrastructure Equity MFG Fund

- **The Southern Company, May 2022**
- **Relevant stewardship priority:** n/a
- **Vote:** Against resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution.

- **Summary of resolution:** Elect Thomas A. Fanning as Director
- **Rationale for the voting decision:** LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. LGIM believes these two roles are substantially different, requiring distinct skills and experiences. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM is voting against all combined board chair/CEO roles. LGIM has also published a guide for boards on the separation of the roles of chair and CEO (available on its website) and has reinforced its position on leadership structures across its stewardship activities, for example via individual corporate engagements and director conferences.
- **Approximate size of the fund's holding at the date of the vote:** 1.8%
- **The reason the Trustee considered this vote to be "most significant":** This vote was against management recommendation and was linked to an LGIM engagement campaign.
- **Was the vote communicated 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 its engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. LGIM will continue to engage with the company and monitor progress.

Invesco Global Real Estate Fund

- Prologis Property Mexico SA de CV, April 2022
- **Relevant stewardship priority:** Remuneration
- **Vote:** For resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution
- **Summary of resolution:** Ratify Remuneration of Independent Members and Alternates of Technical Committee
- **Rationale for the voting decision:** Invesco believes a vote for this director remuneration related proposal is warranted given there were no significant concerns identified.
- **Approximate size of the fund's holding at the date of the vote:** Not available at date of reporting
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated to the company ahead of the vote:** Not provided.
- **Outcome and next steps:** The outcome of the vote was in line with the manager's vote.

BlackRock MSCI World Equity Fund (hedged and unhedged)

- **Ocado Group Plc, May 2022**
- **Relevant stewardship priority:** Remuneration
- **Vote:** Against resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution
- **Summary of resolution:** Approve Remuneration Policy
- **Rationale for the voting decision:** BlackRock believes companies benefit from disclosing how their compensation policies and outcomes are consistent with the economic interests of long-term shareholders. BlackRock finds it helpful when any situation where there may be perceived, or actual misalignment is explained in detail and justified in terms of how it serves shareholders' interests. BlackRock had long-standing concerns about the company's use of executive pay plans based solely on share price growth, which can be subject to numerous factors outside of management's control. This type of plan is also

designed to target an outcome that the executives – as significant shareholders themselves – are already incentivised to achieve.

- **Approximate size of the fund’s holding at the date of the vote:** 0.01%
- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated to the company ahead of the vote:** BlackRock has engaged regularly with Ocado over the last several years to discuss a range of corporate governance and sustainable business matters. This included conversations about remuneration, board diversity and human capital management. BlackRock’s most recent engagements have been with the new Board Chair, prior to this vote, who was appointed to the role at the company’s 2021 annual general meeting (AGM), and the company’s Head of Corporate Responsibility. During these discussions, BlackRock exchanged views with the board about the proposals for the renewal of the executive remuneration policy.
- **Outcome and next steps:** The outcome of the vote was not in line with the manager’s vote.

BlackRock ACS UK Equity Tracker Fund

- **Glencore Plc, April 2022**
- **Relevant stewardship priority:** Remuneration
- **Vote:** For resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution
- **Summary of resolution:** Approve Remuneration Report
- **Rationale for the voting decision:** Not provided.
- **Approximate size of the fund’s holding at the date of the vote:** 2.5%
- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated to the company ahead of the vote:** BlackRock does not disclose its vote intentions in advance of shareholder meetings as it believes it is not its role to influence other investors. BlackRock view its role as to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.
- **Outcome and next steps:** The outcome of the vote was in line with the manager’s vote.

Baillie Gifford Multi Asset Growth Fund

- **Leg Immobilien, May 2022**
- **Relevant stewardship priority:** Remuneration
- **Vote:** Against resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution
- **Summary of resolution:** Approval of executive compensation policy
- **Rationale for the voting decision:** Baillie Gifford opposed the executive compensation policy as it does not believe the performance conditions are sufficiently stretching.
- **Approximate size of the fund’s holding at the date of the vote:** 0.4%
- **The reason the Trustee considered this vote to be “most significant”:** This vote relates to a stewardship priority selected by the Trustee.

- **Was the vote communicated to the company ahead of the vote:** Baillie Gifford did not communicate its voting intention ahead of the shareholder meeting.
- **Outcome and next steps:** The outcome of the vote was not in line with the manager's vote. Baillie Gifford have reach out to the company to let them know about its dissent on remuneration and to set out expectation on pay.

Abrdn GARS Fund

- **The Kroger Co, June 2022**
- **Relevant stewardship priority:** Human Rights
- **Vote:** Against resolution. **Outcome of the vote:** Not passed. **Management recommendation:** Against resolution
- **Summary of resolution:** Report on Human Rights and Protection of Farmworkers
- **Rationale for the voting decision:** While shareholders would benefit from increased transparency on the human rights risks, the company was already in the process of addressing this. Kroger had committed to publishing an updated Human Rights Due Diligence framework later on in the year. Therefore, Abrdn voted against this shareholder resolution at this time.
- **Approximate size of the fund's holding at the date of the vote:** 0.25%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated to the company ahead of the vote:** Not specified.
- **Outcome and next steps:** The outcome of the vote was in line with the manager's vote.

10.4 Votes in relation to assets other than listed equity

The DB Section's investment managers who don't hold listed equities, with the exception of LaSalle, have confirmed there had been no significant voting opportunities over the period. In line with our commentary on the Scheme's other investment advisors we have reported on one significant vote for LaSalle below.

LaSalle Inflation-linked Property Fund

- **Octopus Healthcare Fund, June 2022**
- **Relevant stewardship priority:** Remuneration
- **Vote:** For resolution. **Outcome of the vote:** Passed. **Management recommendation:** For resolution
- **Summary of resolution:** Administration fees chargeable by IQ-EQ, in connection with its appointment.
- **Rationale for the voting decision:** Historically, the Manager undertook the bookkeeping and accounting services at no cost to the Fund. With the projected growth of the Fund, this is seen as unsustainable and as part of the review of Fund accounting and financial administration, it is prudent to outsource. IQ-EQ's fee structure allows for economies of scale as the fund grows and the contract will include a three-year renegotiation clause, with the potential to agree a fee reduction.
- **Approximate size of the fund's holding at the date of the vote:** 14.0%
- **The reason the Trustee considered this vote to be "most significant":** This vote relates to a stewardship priority selected by the Trustee.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome and next steps:** The outcome of the vote was in line with the manager's vote.