

# The Taylor Wimpey Pension Scheme Engagement Policy Implementation Statement

## Introduction

Under the regulatory requirements now in force<sup>1</sup>, the Trustee of The Taylor Wimpey Pension Scheme (the "**Scheme**") is required to produce an annual Implementation Statement setting out how amongst other things, the voting and engagement policies in the Scheme's Statement of Investment Principles (the "**SIP**") have been implemented. This is the fourth such statement produced by the Trustee and covers the period 1 January 2023 to 31 December 2023.

The Trustee's primary concern when setting the investment strategy is to act in the best interests of the Scheme's beneficiaries. The Trustee recognises that the Scheme is a long-term investor and therefore seeks to achieve sustainable returns at an appropriate level of risk over its lifetime.

To align with the Department for Work and Pensions ("**DWP**") guidance on stewardship reporting which came into effect on 1 October 2022, the Trustee has set out its beliefs, commitments, and expectations for investment managers in its 'Stewardship and Engagement Policy' which can be found in section 8.5 of the Scheme's SIP.

This Statement contains a summary of Scheme activity over the year, including an overview of how the Trustee's stewardship and engagement policy has been implemented during the reporting period.

## Scheme activity over the year

During the reporting period the Scheme's Investment Sub-Committee ("**ISC**") met with three of the Scheme's managers - Insight, AQR and KKR - to discuss, amongst other things, performance, strategy, stewardship and ESG considerations. The ISC selects which managers to meet as part of a rolling programme of reviews or when required due to performance/other issues. As part of these sessions, the investment managers were asked to provide information on their approach to stewardship and how Environmental, Social and Governance ("**ESG**") factors are integrated into their investment decisions.

Over the Scheme year, the Scheme also appointed two new managers, Hermes Investment Management and MAN Group. Prior to appointing both managers, the ISC met with them and received a presentation covering performance, strategy and ESG considerations. The managers' stewardship capabilities formed a key part of the selection process.

Over the year, the Trustee developed its own Stewardship and Engagement Policy, outlining how the Trustee's stewardship efforts are resourced and expectations for the Scheme's investment managers in regard to their own engagement and voting activity. As part of this policy, the Trustee selected two stewardship themes to focus on – Climate Change and Diversity, Equity & Inclusion. Once finalised, the Scheme's Stewardship and Engagement Policy was shared with each of the Scheme's investment managers to make them aware of the Trustee's expectations. The Scheme's SIP was updated in September 2023 to include the Stewardship and Engagement Policy in full; all other changes were small wording amendments.

In May 2023, the Trustee received a training session on stewardship which, amongst other things, covered how the Scheme's Stewardship and Engagement Policy could be implemented in practice, and what best industry practice looks like across different asset classes. Following this session, the ISC developed a consistent set of questions for each manager to complete ahead of their attendance at rolling manager meetings. The questions aim to assess each manager's general approach to engagement, as well as actions taken in relation to the Trustee's key themes. These questions were first shared with KKR ahead of the October 2023 manager meeting, whereafter they were refined. The Trustee has continued to share the questions with managers following the Scheme year end, most recently a manager meeting with CQS in

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<sup>1</sup> Principally comprising The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and guidance published by the Pensions Regulator),

January 2024. The Trustee plans to continue this practice throughout the year, with the intention to build a centralised database to track manager responses and hold them to account.

In light of the 2022 gilts crisis, the Trustee reviewed the investment strategy and agreed to reduce the Scheme's allocations to illiquid and semi-liquid mandates in favour of more liquid funds to facilitate quicker portfolio rebalancing, should this be required. Following redemptions from the Scheme's more illiquid mandates (Beachpoint, Bridgewater and Blackstone), proceeds were reinvested into more liquid managers (AQR, CQS and Insight High Grade ABS). Additionally, redemption proceeds were used to fund the initial investments to the new Hermes and Man funds. The remaining distributions received from illiquid assets throughout the year saw investments into the Scheme's LDI portfolio.

The Trustee is pleased to note that all of the Scheme's investment managers have signed up to one or more ESG-related standards/codes, with all but one manager (Magnetar) being signatories to the UN Principles for Responsible Investment<sup>2</sup> (UN PRI). Upon speaking to Magnetar, the Trustee is encouraged to hear that the manager has decided to move forward with the intention of becoming a signatory of the UN PRI framework in 2024.

Over the reporting period, the Trustee also assessed its investment adviser against the objectives it had set for the adviser, which included delivery against ESG-related topics. The Trustee concluded that the investment adviser had met its objectives and had provided a high level of advice and support during the year. This included providing training on changes to stewardship requirements as well as advice which has enabled the Trustee to develop its stewardship approach, including the adoption of key themes discussed below. The Trustee recognises the strong level of expertise provided by the investment adviser on ESG-related matters.

## Engagement and voting behaviour

The Trustee, via the ISC, carries out its stewardship and engagement activities through oversight and challenge of its investment managers rather than itself operating directly as active stewards of the underlying assets in which it invests.

To best channel its stewardship efforts, the Trustee believes that it should focus on a selection of key themes. Its key themes have been selected by assessing their relevance to the Scheme and its members, the financially material risks that they pose, and the maturity and development of thinking within the industry that allows for effective integration into its approach. The Trustee's key themes are:

- Climate Change; and
- Diversity, Equality & Inclusion.

The exercise of voting rights for the equity holdings within pooled funds has been delegated to the Scheme's investment managers. The Trustee therefore does not direct how votes are exercised within these mandates and does not have its own proxy voting provider. Nonetheless, it fully recognises and appreciates the value of voting as a signal or ultimate sanction in influencing company behaviour. As an active owner, it is the Trustee's responsibility to hold its investment managers to account for their voting activities to ensure they are exercising voting rights in the Scheme's best interests. As such, the Trustee considers investment managers' voting policies and records, and requires its investment managers to report significant votes to it as relevant. To do so, the Trustee has developed the following criteria to define a significant vote:

- Votes relating to one of the Trustee's key stewardship themes;
- Votes relating to an issuer to which the Scheme has a large £ exposure;
- Votes which may be inconsistent between investment managers; and
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

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<sup>2</sup> The UN Principles of Responsible Investment are a voluntary UN supported international network of investors working together to implement its six aspirational principles. See <https://www.unpri.org/>.

Engagement and voting behaviour are directly relevant in the sections of the portfolio where physical equities are held. However, stewardship and engagement are also considered to be of importance for the Scheme's other investment managers (e.g. in portfolios which hold credit).

The remainder of this Statement provides a summary of activity during the reporting period, based on information supplied by the Scheme's investment managers. In requesting the information, the Trustee asked the Scheme's managers to disclose significant votes and engagement examples in line with the above criteria and chosen themes.

**Engagement – Equity**

The Scheme invests in the following funds that invest in physical equities:

Manager	Fund
AQR	AQR Diversified Risk Premia Fund
Man	Man Progressive Diversified Risk Premia Fund
Beach Point	Beach Point SCF X Fund
Magnetar	Magnetar Constellation Fund

Set out below are a few examples provided by the above managers, where they have been able to engage to produce a positive impact. In particular, examples were requested related to the Trustee's key themes. Save for the Trustee's opinion, all of the information provided below has been sourced from the respective manager. No response has been provided by BeachPoint as the fund is currently in the process of being liquidated.

**AQR**

*"AQR's engagement is undertaken at a firm level and is not yet explicitly incorporated into their investment strategies.*

*AQR pursues stewardship with the aim of promoting greater transparency and disclosure. AQR believe that being a responsible investor mandates both the consideration of ESG issues in the investment process (responsible asset selection) and a commitment to interacting with companies on ESG-related concerns (responsible ownership). Accordingly, responsible ownership is a key focus of their ESG efforts.*

*AQR is an active participant in industry discussions across the spectrum of ESG-related issues. In 2023, AQR colleagues served on numerous industry ESG working groups, including the Investment Association and multiple UN PRI committees."*

Two examples of successful engagements that AQR undertook are as follows:

- **Engagement A:** *"In early 2023, AQR launched a new engagement program, requesting that companies disclose scope 1 and 2 emissions data. AQR targeted 20 companies over the year. AQR received feedback from three companies that they plan to introduce entirely new emissions disclosure in 2024, and AQR will be continuing the dialogue accordingly. Other companies were reluctant to commit to a timeline, preferring to defer the decision until regulation makes it a requirement for them (either the proposed SEC rules in the United States or the advent of CSRD in Europe)."*
- **Engagement B:** *"2023 was AQR's fourth year of participation in the Carbon Disclosure Project ("CDP") Non-Disclosure Campaign, engaging with nearly 300 companies on behalf of the signatory base. 20% of the companies AQR engaged with successfully disclosed their environment-related data to CDP. AQR were recognised by CDP as their biggest supporter in terms of quantity of companies engaged via the Non-Disclosure Campaign."*

The Trustee is comfortable with the engagement examples provided by AQR. The Trustee has also noted that AQR is a signatory of the UN PRI and has a rating of A. The Trustee will continue to engage with AQR, in particular with regard to Diversity, Equity & Inclusion, noting that this theme was not covered in the engagement examples provided.

### **Magnetar**

*"Where Magnetar owns publicly traded securities, they will occasionally engage with management by providing strategic advice on financially material matters to drive better outcomes. In relation to certain new investments, Magnetar's New Business and Ethics Committee ("**Committee**") screens investments that meet the Committee's criteria for review, including ESG-related risks. The Committee's screening is conducted internally, and any issues raised are relayed to the investment team for additional diligence and, if need be, interaction with the target company. Lastly, the Front Office can engage with companies post-close, either as part of a pre-close investment strategy, or based on post-close experience with the company."*

An example of a successful engagement that Magnetar undertook was the following:

- **Engagement A:** *"Following diligence process, we believed a potential investee company had valuable assets but would benefit from an improved governance structure, including identifying a new CEO, hiring of a General Counsel, Head of Human Resources and bringing on an independent director onto the Board. We provided the company with convertible preferred financing at the end of 2021, contingent upon the replacement of the CEO and the right to appoint an independent director. In 2022, a new external CEO was hired, who has a track record of creating shareholder value in the satellite industry and has been well received by the market. A new General Counsel and Head of Human Resources have now also been hired, and additional operational changes have been made."*

The Trustee recognises Magnetar's improvement in providing an engagement example, noting that no engagement examples were provided last year. The Trustee also recognises that the fund is currently in the process of being redeemed (with the final proceeds due to be received in December 2027) meaning the Trustee has relatively little influence over the manager.

### **Man**

*"At Man Group, we are committed to reducing our impact on the environment. As stewards of capital and long-term investors, we seek to manage financially material climate-related risks and opportunities through our own investment decisions, as well as through our influence on investee companies, in line with the values of our clients."*

An example of a successful engagement that Man Group undertook was the following:

- **Engagement A:** *"Man Group formed part of a wider engagement campaign targeting 10 companies identified as laggards regarding supply chain management and transparency in this area. This is the second example, following a 2022 campaign related to GHG reporting and target setting, of where the Stewardship team has focused an engagement campaign on a group of companies held in one of Man Numeric's quantitative strategies. This pioneering effort is one that Man Group is uniquely positioned to undertake, given the firm's broad range of strategies, and our firm-level Stewardship team which represents each of the firm's five investment management businesses. A letter was sent to each of the target companies which led to further detailed discussions with individual companies. The overall response rate to the letter was approximately 50%. One notable dialogue was a virtual meeting with Power Integrations Inc, a semiconductor company. The company explained its manufacturing partner*

*requirements of suppliers, under which they intend to include ESG metrics. Power Integrations Inc is a smaller company with more limited resources and their ESG reporting, and credentials are rather primitive. However, they claim to be taking shareholder engagement seriously and are working to apply the advice they receive."*

The Trustee is supportive of the engagement example provided by Man Group; noting that improved availability of ESG metrics within supply chains is essential for any climate-related commitment.

**Engagement – other asset classes**

The Trustee also invests in a number of other asset classes including fixed income strategies and other illiquid opportunities as follows.

Manager	Fund
Insight	Insight High Grade ABS Fund
Schroders	Schroders Equity Sentinel Fund
Schroders	Schroders Sterling Long Duration Corporate Bond Portfolio
CQS	CQS Credit Multi Asset Fund
Hermes	Federated Hermes Unconstrained Credit Fund
HPS	HPS Private Loan Opportunities Fund
KKR	KKR Private Credit Opportunities Fund

All managers have shared information with the Trustee and the investment adviser on their engagement policies and work undertaken to generate improved long-term outcomes in the companies in which they invest. The Trustee acknowledges that the ability of fixed income and alternative asset class managers to engage and influence can be limited in comparison to direct equity holdings, depending on the nature/structure of the investment. However, the Trustee is of the view that all managers should have a regard to ESG matters and that this should form some part of their investment process.

Set out below are a few examples provided by the Scheme's fixed income managers where they have been able to engage to produce a positive impact. The Trustee has chosen these examples in line with their criteria for significance, i.e. focusing on the Scheme's largest mandates and not those in run-off or wind-down. Save for the Trustee's opinion, all the information provided below has been sourced from the respective manager.

**Insight**

*"Insight consider ESG factors as part of their rigorous analysis, in the case of High Grade ABS this includes detailed due diligence on the originators both prior to making an investment as well as on an ongoing basis.*

*Insight believes that integrating relevant and appropriate ESG considerations in select investment processes, and their dialogue with issuers & other stakeholders, encourages better investment decisions and can ultimately help their clients achieve their desired outcomes, as well as support the economy, the environment & wider society."*

In terms of active engagement, Insight provided the following examples of engagements undertaken during 2023:

- **Volkswagen engagement:** *"Insight engaged with Volkswagen, a German multinational automotive manufacturer to improve their provision of ESG data, in turn improving Insight's ability to rate the issuer's securitisation. Following the engagement, Insight understand Volkswagen is working to reporting carbon emissions for the automobiles financed in their public securitisation, mainly by the provision of Energy Performance Certificates for the vehicles. This will be a step towards improving our ability to measure the carbon output of their*

*portfolios. Insight will continue to engage with Volkswagen in 2024 to assess its progress in publishing CO2 emissions for securitised auto pools."*

- **Lloyds Bank engagement:** *"Lloyds Bank is a British retail and commercial bank. We conducted a 1-to-1 engagement between a portfolio manager in our Secured Finance team and a member of the bank's Treasury team responsible for future funding plans. We discussed the likely funding paths over the next five years and the impact that ESG requirements might have on that. We discussed how the provision of EPC data would enable more precise estimations of energy usage and in turn, carbon data to report to clients. The company agreed to provide EPC certification data on all their new originations. We plan to continue to monitor provision of ESG information and on data tapes and continue to engage as and when Lloyds Bank brings new issuances to the market."*

The Trustee is satisfied that the examples above demonstrate Insight's commitment to engaging on the Trustee's key themes. The Trustee will continue to monitor the engagements of Insight going forward.

**Schroders:**

*"As an active investment manager, Schroders believe that their main lever to instigate change is through effective stewardship of investee companies. They have embedded climate change risk into their existing processes and controls, alongside specific ESG and climate-related governance and decision-making bodies."*

Two recent engagement examples provided by Schroders are as follows:

- **Barclays:** *"Our engagement with Barclays on climate change has been intensive and consistent, with discussions taking place around three times a year since 2020. However, our first recorded engagement with Barclays on this topic dates back to 2008. These engagements, currently led by our European Equity team, have been a part of our research into fossil fuel financing (including oil sands financing) and broader banking engagement across Europe. Initially, we encouraged them to measure emissions related to its financing activities, set climate targets, and develop robust climate policies. As the company has made progress, our recent engagements have become more technical in nature focusing on the scope and completeness of targets, assurance over emissions measurement, and providing disclosure on client transition. In 2020, the bank took a significant step by announcing its commitment to Net Zero emissions. It developed a target methodology in the same year and set targets for two major sectors - energy and power. As of 2023, the bank has set emission reduction targets for six high-emitting sectors. It has also announced a \$1 trillion target to provide sustainable and transition finance to clients, accompanied by a client transition framework to support the shift to lower-carbon business models."*
- **UnitedHealth:** *"In March 2023, our ESG team sent an email to UnitedHealth explaining the mental health benchmark and outlining plans for the collaborative engagement. The objective was to raise awareness of the importance of mental health in the workplace and initiate discussions on improving mental health practices. We also wanted to understand the company's approach to providing mental health services to consumers, as a healthcare insurance provider. We followed this up further with a more detailed discussion on the company's approach to mental health in the workplace, provision of services to consumers, and corresponding disclosures. For employee mental health, the company had various programs in place, such as flexible working arrangements, a well-being program, on-site employee clinic services, and an employee assistance program. They also had initiatives to address burnout and create a culture of openness and*

*awareness. During this engagement, the company also highlighted challenges in the US healthcare system including high consumer healthcare costs and issues with insurance coverage when customers are referred to healthcare providers outside the network."*

The Trustee is satisfied that the examples above demonstrate Schroder's commitment to continuous engagement in relation to the Trustee's key themes.

**Hermes:**

*"EOS at Federated Hermes is one of few stewardship overlay organisations that was built specifically to service third party clients as well as the host asset manager. Their investment in client delivery is more than just a philosophy – it's a commitment to clients. They achieve positive change on behalf of an international coalition of clients and investors by pooling their assets together to exercise more effective stewardship. Their team has been strategically built to share this vision and embed it into their culture."*

Two recent engagement examples provided by Hermes are as follows:

- **Orbia:** *"We first engaged with Orbia, a global chemicals company, on SBTs in 2020 when it was in the process of validating the accuracy of Scope 1 and 2 data and assessing how to collect Scope 3 data. It aimed to publish an emissions reduction target by the end of 2020, and we advocated a science-based approach. We met again in 2021, when a new CEO was appointed, to assess whether a change in leadership would impact Orbia's sustainability ambitions. We were pleased to hear the CEO was committed to continuing the journey, and that ESG metrics would be included in remuneration. Orbia's next sustainability disclosure was published in May 2021 and included a highly ambitious target to reduce Scopes 1 and 2 by 47% by 2030. In January 2023, Orbia then announced the target had been verified by the SBTi as aligned with a 1.5°C trajectory. We subsequently met to discuss a roadmap for achieving new targets."*
- **Akbank:** *"Akbank is a bank which is amongst the most gender-diverse of any emerging market peer, in terms of women in management, women in technology and digital roles, and overall workforce gender balance. We believe the bank can and should strive to reach gender parity at all management levels. We have engaged on this objective six times and have seen significant progress. During the first half of 2023, we wrote to the bank to provide examples of leading gender pay gap strategies from international peers. We also learned that the bank may produce new diversity and inclusion targets in its next set of ESG disclosures and it has asked us for feedback on a board diversity policy. The company's latest data, for 2023, showed impressive progress, reaching 37% women in executive positions and 53% women in the total workforce. Given its progress, we started a related objective on gender pay gap reporting."*

The Trustee is satisfied that the examples above demonstrate Hermes' commitment to engaging with issuers on the Trustee's key themes.

**CQS**

*"CQS have a three-pronged approach to engagement - their Targeted Engagement Programme which maps key objectives for priority companies to the UN Sustainable Development Goals, their day-to-day engagement as part of the research process, and collaborative engagements."*

Two recent engagement examples were provided by CQS are as follows:

- **Campari:** *"In March 2022, we joined a collaborative engagement through the PRI platform to encourage better water management and related disclosures from*

*Campari. As a positive sign, they extensively addressed our letter at their 2022 AGM and outlined their progress within their operations. They also confirmed that they are completing the CDP climate change questionnaire this year and would seriously consider completing the CDP Water questionnaire in future and welcomed our feedback on water management improvements in the interim. In March 2023 we joined the same collaboration, co-signing a letter alongside eight other investors. The letter acknowledged the progress Campari has made regarding water use in their own operations but pushed for a supply chain assessment and completion of the CDP Water questionnaire. Campari recognised investors' need for disclosures and transparency and in October 2023, they confirmed that they will complete the CDP Water questionnaire for the first time in 2024 and fully assess the water risks in their supply chain."*

- **Euronet:** *"We have been actively engaging with Euronet since 2021 on issues including ESG disclosures, climate targets and improving diversity. We highlighted the lack of diversity within senior management and at Board level. In 2022, Euronet committed to nominate an "ethnically diverse candidate" to their Board. In May 2023, Euronet elected an ethnically diverse female to their Board. Her professional experience includes over 30 years in the financial sector across capital markets, wealth management and asset management, where she held operational, managerial and board positions covering Latin America, Asia, and Europe, the Middle East and Africa. Despite progress regarding diversity, we reduced our exposure to Euronet in October 2023 due to continued challenges in receiving an engagement response on climate issues."*

The Trustee is satisfied that the engagement examples CQS were able to provide this year display a genuine effort by the manager to align its investee companies with the Trustee's sustainability ambitions.

Based on the information received from the investment managers in other asset classes, the Trustee is satisfied that all of its managers are taking steps to engage, within the parameters of their specific asset class/investment process.

## Voting on behalf of the Scheme

This section sets out how investment managers' voting policies and records, including their approach to significant votes.

### **AQR**

*"Where clients have delegated proxy voting to AQR, the manager seeks to align our voting with long-term value creation, including on ESG issues. Our standard approach to voting in applicable commingled funds is to apply a Sustainable policy. We can customise proxy voting in separate accounts to meet client needs. AQR's Stewardship Committee is responsible for managing our approach to proxy voting, including the selection and use of third party proxy advisers as well as the manner in which AQR votes its proxies and discharges its fiduciary obligation to clients.*

*AQR retains ISS Governance Services, an independent third-party Proxy Advisory firm, for a variety of services including, but not limited to, receiving proxy ballots, working with custodian banks, proxy voting research and recommendations, and executing votes".*

A summary of AQR's voting statistics for the relevant period is included in Appendix 2. AQR were unable to differentiate between significant or non-significant proxy votes during the period. The Trustee will continue to encourage AQR to disclose significant votes in line with its definition going forward.

### **Beach Point**

*"Beach Point outsources proxy voting, using ProxyEdge to execute proxy voting for the equities we may own. Although many proxy proposals can be voted in accordance with*



*the Firm's established guidelines, the Firm recognises that certain proposals may require special consideration, which may dictate that the Firm make an exception to its general guidelines."*

Beach Point's voting statistics for the reporting period are included in Appendix 2. The manager noted that during the period, no significant votes were cast. Beach Point have explained that since they are a fixed income manager, they have limited exposure to equities in the Fund, and as such, tend to hold little of the issued amounts and voting shares, and thus have fewer opportunities to cast "significant" votes. They also noted that the nature of their votes have primarily focused on the annual selection of board of directors or audit service providers and thus, may not be deemed to be outside the ordinary course of business.

Whilst the Trustee does not necessarily agree with this approach to disclosing most significant votes, the Trustee appreciates it has limited influence on the manager given it is currently redeeming from the fund.

**Man:**

*"As part of their commitment to stewardship, Man maintains a custom voting policy. This custom voting policy seeks to encourage good corporate governance practices and promote ESG standards, whilst taking into consideration both company specific circumstances and broader market differences. Man understands that not all companies can fit a single model of governance and that best practice, regulatory requirements and corporate governance codes within different markets require a balanced and bespoke voting approach. They endeavour to conduct a fair level of research and consider the context and explanations provided by investee companies when making voting decisions. Nevertheless, their voting policy also comprises global best practice guidelines and areas of focus that we believe should be considered across all regions.*

*Man's aim is to vote at all meetings for our holdings where we have the legal right to do so. Man Group appointed Glass Lewis as its proxy service provider and use Glass Lewis's voting platform 'Viewpoint' to vote our shares electronically, receive research reports and customise voting recommendations."*

The Trustee is satisfied with Man's explanation of their voting practices. A summary of Man's voting statistics for the reporting period are included in Appendix 2.

Man were able to differentiate between significant and non-significant proxy votes during the period, in line with the Trustee's definition of what defines a significant vote. Further details on Man's significant votes are included in Appendix 3.

**Magnetar**

*"Magnetar's voting is carried out through their proxy voting advisor, ISS. In their view, proxy voting ensures each vote is considered and recorded using a policy that we are comfortable with. When receiving shareholder ballot information via email or mail, they believe there is a high risk the voting data that is pertinent to make the vote and record it may be lost or misplaced. Using ISS makes a significant difference to the certainty of data capture as ISS receive the data via file from the prime brokers and submit the vote via file to the tabulation agent.*

*Historically, proxy voting decisions have not been driven by ESG considerations. Magnetar's Proxy Voting Policy requires Magnetar to vote proxies prudently and solely in the economic interests of, and for the exclusive purpose of providing economic benefits to, clients. Social, political or other objectives unrelated to the value of clients' investments will not be considered. Magnetar has retained ISS as its proxy service provider and generally relies on its standard voting policy. However, if Magnetar chooses to vote differently from ISS's recommendation, the relevant Portfolio Manager will notify*

*Magnetar's Proxy Voting Coordinator (as defined in Magnetar's Proxy Voting Policy), explaining the rationale for such votes."*

While the Trustee feels Magnetar's explanation of their voting practices has room for improvement, it notes that the importance of the voting behaviour is likely to be immaterial given the fund is in the process of being sold down.

Magnetar were able to disclose the significant votes that were cast during the period. A summary of these significant votes are included in Appendix 3.

## Summary

The Trustee is comfortable that its investment managers are exercising their voting and engagement policies to a satisfactory level at this stage and that the Trustee's stewardship policy, as set out in the SIP, is being appropriately implemented on its behalf. The Trustee has also noted an improvement over the year in the engagement undertaken by its managers on its behalf, although the Trustee notes that there is still room for improvement. This will continue to be an area of focus going forward for the Trustee.

This is the fourth statement prepared by the Trustee in relation to the implementation of its engagement and voting policies. The Trustee expects that as the regulations in this area continue to develop, the standard of disclosures from managers is likely to improve in this area. The Trustee recognises that as a large institutional investor it has a part to play in the good governance and stewardship of the assets in which it invests. Going forward it will continue to monitor and assess its investment managers on a regular basis to ensure that its stewardship policy continues to be implemented.

In 2024, the Trustee plans to continue engaging with its investment managers at rolling manager meetings, and to share their consistent list of stewardship questions ahead of the respective meetings. Additionally, the Trustee will track manager responses in a centralised document and engage / challenge the manager where the Trustee feels responses are not sufficient. The Trustee plans to engage with four of the Scheme's investment managers in 2024 and looks forward to reporting progress made in this space.

In a similar way to engagement, the Trustee plans to consider how best to assess the voting activity of the Scheme's managers and how best to then engage with the managers where necessary.

## APPENDIX 1

### Investment Managers: ESG focused standards, codes and/or industry memberships



#### Glossary:

1. **CA100+** – Climate Action 100+ is a five-year initiative led by investors to engage systemically important greenhouse gas emitters and other companies to drive the clean energy transition and achieve the goals of the Paris Agreement.
2. **Ceres** – A sustainability non-profit organisation working with the most influential investors and companies to build leadership and drive solutions throughout the economy.
3. **GRESB** – Established by a group of large pension funds who wanted to have access to comparable and reliable data on the ESG performance of their investments, GRESB has become the leading ESG benchmark for real estate and infrastructure investments across the world.
4. **IIGCC** – The Institutional Investors Group on Climate Change is a leading global investor membership body and the largest one focusing specifically on climate change.
5. **(UN) PRI** – The Principles of Responsible Investment is a United Nations supported international network of investors working together to implement its six aspirational principles.
6. **SASB** – The Sustainability Accounting Standards Board is a non-profit organisation founded to develop sustainability accounting standards.
7. **UKSIF** – The UK Sustainable Investment and Finance Association is a membership organisation for those in the finance industry committed to growing sustainable and responsible finance in the UK.
8. **UK Stewardship Code** – The stewardship code is part of UK company law concerning principles that institutional investors are expected to follow. Its principal aim is to make institutional investors be active and engage in corporate governance in the interests of their beneficiaries.
9. **UNEP FI** – The United Nations Environment Programme Finance Initiative is a global partnership established between the United Nations Environment Program (UNEP) and the financial sector.
10. **UN Global Compact** – A non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

## APPENDIX 2

### Voting Statistics

Below is the voting activity over the period for the Scheme's asset managers which held listed equities over the period.

#### AQR

Key Voting Statistics (Jan 2023– Dec 2023)	Number
Number of holdings at period end	1,858
Total Fund AUM at period end	\$863m
Number of meetings eligible to vote during the period	821
Number of resolutions eligible to vote during the period	11,358
% of resolutions voted	85%
% of resolutions voted with management	92%
% of resolutions voted against management	8%
% of resolutions abstained	0%
% of meetings with at least one vote against management	33%
% of resolutions where manager voted contrary to recommendation of proxy adviser	2%
Any use of proxy voting services during the period	AQR retains ISS Governance Services (ISS), an independent third-party Proxy Advisory firm, for a variety of services including, but not limited to, receiving proxy ballots, working with custodian banks, proxy voting research and recommendations, and executing votes.

#### Man

Key Voting Statistics (Jan 2023 – Dec 2023)	Number
Number of holdings at period end	1,563
Total Fund AUM at period end	£1,106m
Number of meetings eligible to vote during the period	347
Number of resolutions eligible to vote during the period	3939
% of resolutions voted	98%
% of resolutions voted with management	77%
% of resolutions voted against management	23%
% of resolutions abstained	1%
% of meetings with at least one vote against management	78%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	13%
Any use of proxy voting services during the period?	Man Group appointed Glass Lewis as its proxy service provider. We use Glass Lewis's voting platform 'Viewpoint' to vote our shares electronically, receive research reports and custom voting recommendations. We have monitoring controls in place to ensure that the recommendations provided are in accordance with our custom voting policy and that our votes are timely and effectively instructed. Specifically, our voting framework employs screening to

	identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, we also have in place electronic alerts to inform us of votes against our policy, votes that need manual input and rejected votes that require further action.
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**Beach Point**

Key Voting Statistics (Jan 2023 – Dec 2023)	Number
Number of holdings at period end	20
Total Fund AUM at period end	\$76m
Number of meetings eligible to vote during the period	8
Number of resolutions eligible to vote during the period	50
% of resolutions voted	96%
% of resolutions voted with management	98%
% of resolutions voted against management	2%
% of resolutions abstained	0%
% of meetings with at least one vote against management	13%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	13%
Any use of proxy voting services during the period?	Beach Point outsources proxy voting, using ProxyEdge to execute proxy voting for the equities we may own.

**Magnetar**

Key Voting Statistics (Jan 2023 – Dec 2023)	Number
Number of holdings at period end	486
Total Fund AUM at period end	\$1,643m
Number of meetings eligible to vote during the period	207
Number of resolutions eligible to vote during the period	842
% of resolutions voted	99%
% of resolutions voted with management	82%
% of resolutions voted against management	15%
% of resolutions abstained	0%
% of meetings with at least one vote against management	14%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	18%
Any use of proxy voting services during the period?	Voting is carried out via our proxy voting advisor, ISS. In our view, proxy voting ensures each vote is considered and recorded using a policy that we are comfortable with. When receiving shareholder ballot information via email or mail, we believe there is a high risk the voting data that is pertinent to make the vote and record it, may be lost or misplaced. Using ISS makes a significant difference to the certainty of data capture as ISS receive the data via file from the prime brokers and submit the vote via file to the tabulation agent.

## APPENDIX 3

### Significant votes

The Trustee delegates responsibility for the exercising of rights (including voting rights) attaching to investments to the Scheme's investment managers. The Trustee is not aware of any material departures from the managers' stated voting policies. Given the nature of these mandates and the fact that voting activities appear to be undertaken in line with the managers' voting policies, the Trustee is comfortable that the voting policies for the Scheme have been adequately followed over the period.

As previously mentioned, the votes shown in the below tables have therefore been chosen in relation to the Trustee's definition of a 'significant vote', which are votes that meet one or more of the following criteria:

- Votes relating to one of our key stewardship themes – Climate Change and Diversity, Equity & Inclusion;
- Votes relating to an issuer to which the Scheme has a large £ exposure;
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

Man and Magnetar were able to disclose the significant votes cast during the period, with Beach Point noting that they did not cast any significant votes over the year. AQR were unable to disclose their significant votes cast during the period – the Trustee will continue to engage with the manager to encourage them to disclose these votes going forward. A summary of the 'significant votes' cast by the Scheme's managers is included in the table below.

**Significant votes (1<sup>st</sup> January 2023 – 31<sup>st</sup> December 2023):**

Voter	Company	Date	Resolution nature	Vote	Reason for significance	Management Recommendation	Outcome of the vote
Man	Chubu Electric Power Co Inc	28/06/2023	Shareholder Proposal Regarding Policy and Report on Capital Allocation Alignment with Net Zero by 2050 Pathway	For	Related to Climate Change	Against	Rejected
Man	Mitsubishi Corporation	23/06/2023	Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement	For	Related to Climate Change	Against	Rejected
Man	Citigroup Inc	25/04/2023	Shareholder Proposal Regarding Report on Human Rights Standard for Indigenous Peoples	For	Related to D, E & I	Against	Rejected
Magnetar	Company A	05/06/2023	Amend Certificate of Incorporation to Extend Consummation of Business Combination.	For	Large £ holding	For	Passed
Magnetar	Company B	14/03/2023	Amend Certificate of Incorporation to Extend Consummation of Business Combination.	For	Large £ holding	For	Passed
Magnetar	Company C	11/05/2023	Amend Certificate of Incorporation to Extend Consummation of Business Combination.	For	Large £ holding	For	Passed