Implementation Statement

Pearl Group Staff Pension Scheme (the "Scheme")

This implementation statement ("IS") has been prepared by the Trustee and covers both the Defined Benefit ("DB") and Defined Contribution ("DC") sections of the Scheme covering the Scheme year from 1 July 2021 to 30 June 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual implementation statement which outlines the following:

1. A description of any review and changes made to the Statement of Investment Principles ("SIP") over the Scheme year;

2. Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year; and

3. A description of the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and stating any use of third-party providers of proxy voting services.

Executive summary

Based on the activity carried out by the Trustee, its fiduciary manager and its investment managers over the year, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that its fiduciary manager and some of its investment managers were able to disclose good evidence of voting and engagement activity. However, some investment managers have been unable to provide examples of engagements carried out over the Scheme year either at a fund level or a firm level.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

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

Review and changes made to the SIP over the year

The SIP was revised in August 2021 to take account of the changes to the DB section of the Scheme with a second buy-in policy with Phoenix Life Limited being introduced and the changes to the Scheme's investment strategy associated with this. It was further updated in November 2021 to reflect changes to the Scheme's DB investment strategy with the introduction of a third buy-in policy with Phoenix Life Limited.

Meeting the objectives and policies outlined in the SIP

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

General Investment Policy

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

(A) A full range of asset classes, including alternative asset classes such as infrastructure equity;

(B) The risks and rewards of a range of alternative asset allocation strategies;

(C) The suitability of each asset class;

(D) The suitability of the possible styles of investment management and manager diversification; and

(E) The need for appropriate diversification both across asset classes and within asset classes."

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

For the DB section, the Trustee is aware of the range of asset classes available and is satisfied with the investments and strategy followed over the period. The DB investment strategy was constructed in a manner consistent with the above policy, given the de-risking also carried out over the period. For the DC section, these factors were considered as part of the DC investment strategy review discussed in more detail below.

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

Scheme stewardship policy introduction

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

Environmental, Social and Governance Factors

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

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

(F) Realisation of investments;

(G) Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments;

For direct investments in pooled funds, the Trustee expects the fund manager of the underlying pooled fund to carry out the above duties. Where the assets are held in segregated rather than pooled format, the Trustee expects each sub fund manager of the underlying assets to carry out the powers of investment delegated to them. In all cases the fund manager should give effect to the principles in this statement so far as is reasonably practicable."

This policy is considered in more detail in the Stewardship Policy Implementation section of this Statement.

Voting and Engagement

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

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

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

For the DC section, the Trustee, through receipt of voting data from AIL, can see that the investment managers are actively voting on the Trustee's behalf and engaging with investee companies on behalf of the Trustee. The Trustee will continue to monitor and expand its engagement in this area over 2022/2023.

For the DB section, voting is not applicable to return seeking assets such as Property, Infrastructure Equity, Private Equity and Illiquid Credit which sit alongside the liability hedging portfolio and corporate bond funds. However, engagement is pertinent, and the Trustee does still expect managers to engage as required to protect and enhance the value of the assets. Engagement by the investment managers is discussed in the Defined Benefit Engagement Activity section.

"The Trustee considers the risk that environmental, social and governance (ESG) factors, including climate change, negatively impact the value of investments held as being financially material. The Trustee considers this risk by taking advice from its investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance."

Aon's manager research team discuss the engagement policies of fund managers as part of their fund rating review.

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

Working closely with UBS, AIL developed the new UBS Global Equity Climate Transition Fund to combine low carbon (aligned with achieving net zero by 2050), positive impact and an improvement in ESG scores. This new fund invests in global equities and is passively managed. In February 2022, AIL introduced an allocation to the UBS Global Equity Climate Transition Fund within the default strategy used by the Plan, namely the Aon Managed Retirement Pathway Funds. The UBS Global Equity Climate Transition Fund replaced the existing MSCI World (BlackRock) exposure (25% of Aon Managed Global Equity Fund) and there was no impact on the member charge.

AIL introduced a 25% allocation to the UBS Global Equity Climate Transition Fund within the Aon Managed Global Equity Fund, which is used within the Plan's default strategy (as detailed above) and is one of the self-select funds available to members.

On behalf of the Trustee, AIL also manages ESG risk through:

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

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

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

The assets held by the DB section are also assessed where possible on ESG factors. From 30 June 2021, Aon's rating system for ESG has changed. The Corporate Bond portfolio has been rated Integrated which means that the fund management team is aware of potential ESG risks in the investment strategy and has taken appropriate steps to identify, evaluate and mitigate potentially financially material ESG risks within the portfolio. The remaining assets either are due to be rated or will not be rated due to illiquid nature of the assets and ESG risks not directly being applicable to its strategies. The Trustee regularly monitors these risks and when a concern is identified, the Trustee will engage with its investment consultant to consider the methods by which, and the circumstances under which, they would engage with the investment manager and other stakeholders.

Governance

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

The Trustee reviews its investments on a regular basis and receives quarterly monitoring reports from its investment advisor on the DB and DC sections. The quarterly report outlines the valuation of all investments held, monitors the performance of these investments and records any transactions encountered during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. Through the quarterly monitoring report, the DB asset allocation is also monitored and compared to the strategic asset allocation set out in the SIP. During the year, the direct investments made were two buy-in policies which were agreed with Phoenix Life Limited ("PLL"). The Trustee received appropriate investment advice on the buy-in policies and on their impact on the Scheme's remaining investment strategy.

Arrangements with investment managers

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

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustee will express its expectations to the investment managers."

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

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

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

Aon meets with each "buy" rated manager on a quarterly basis to receive an update on the portfolio, performance and any major developments in the portfolio or the manager's business or personnel. Following discussions with the manager, Aon reviews each sub-component rating and the overall rating. In addition to regular monitoring, triennially Aon performs a deep dive review of every "buy" rated manager. Aon also meets with managers on an ad-hoc basis if there are significant changes to any monitoring points which raise concern (changes to investment team, poor performance, etc.).

For the DB and DC investments, the Trustee received annual reports on the monitoring and engagement activities carried out by their investment managers. More information can be found within the "Voting and Engagement" section of this report.

"In line with the required actions from the Pensions Regulator, on an annual basis the Trustee will produce an IS outlining how the Trustees have adhered to the policies in this document which will also be included in the annual reports and accounts."

The Trustee will abide by actions required by the Pensions Regulator and produce an Implementation Statement annually.

<u>Cost Transparency</u>

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

The Trustee gathers cost information on their DB investments annually, to provide a consolidated summary of all the investment costs incurred. The cost report includes a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. A cost and transparency report was provided to the Trustee in May 2022.

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

The Trustee, with assistance from Aon, collates all of the member borne cost and charges annually. These are published in the Annual Chair's Statement.

Having reviewed the member borne costs for the most recent year, Aon has confirmed that they appear appropriate for each fund. The Trustee is satisfied that there are no specific concerns.

Meeting the objectives and policies as set out in the SIP that apply to DC section alone

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

Investment Objective

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

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

During the year AIL made changes to the default strategy, introducing an allocation to the Global Equity Climate Transition Fund, which is an index solution that combines ESG, climate change and impact investing. The fund has a 25% allocation within the Aon Managed Global Equity Fund, which is used within the Plan’s default strategy and is one of the self-select funds. The fund generated a 30% reduction in carbon intensity (scope 1 & 2 emissions) and a 7% p.a. absolute decarbonisation (from 2019 base year). This change was made in February 2022.

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

Asset Allocation Strategy

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

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

Under fiduciary mandates managed by AIL, AIL monitors and reviews the strategy and performance of the Retirement Pathway options on a regular basis. During the course of the year, the Trustee received quarterly investment monitoring reports from AIL which provided information on the short and long-term performance of all funds offered to members. During the period of review, the Retirement Pathway options underperformed their objectives for members, in volatile market conditions.

In Q3 2021, AIL reduced its allocation to the BlackRock Systematic Multi Allocation Credit Fund by 5% and correspondingly increased its allocation to the PIMCO Global LIBOR Fund, within the Aon Managed Diversified Multi Strategy Bond Fund. In addition to this, the Aon Managed Active UK Equity Fund was closed on 14th September 2021.

Within the Aon Managed Diversified Asset Fund, AIL introduced new allocations to gold and asset backed securities and reduced its allocations to equity, absolute return bonds and corporate bonds. AIL also reduced the allocation to emerging market equities and increased the allocation to multi-factor equities within the Aon Managed Global Equity Fund and Aon Managed Initial Growth Phase Fund.

In the beginning of 2022, AIL introduced an allocation to the new UBS Global Equity Climate Transition Fund within the growth phase of the Aon Managed Retirement Pathway Funds, increasing the allocation to funds with a strong climate focus to 81%. This also impacted the Aon Managed Global Equity Fund.

In Q2 2022, within the Aon Managed Diversified Asset Fund, AIL increased exposure to growth assets following the market falls seen over the quarter. Within the Aon Managed Diversified Asset Fund, AIL increased exposure to equities and gold and reduced its allocation to corporate and government bonds. AIL also introduced the Janus Henderson ABS fund in order to diversify exposure to asset-backed securities.

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

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

Choosing Investments and Risk Measurement and Management

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

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

The Trustee assessed its DC investment strategy on 1 April 2020 after taking professional advice. The Trustee has not formally reviewed the investment manager or funds options offered to members during the Scheme year.

The next review of the DC Investment Strategy is due in 2023.

Meeting the objectives and policies as set out in the SIP that apply to DB section alone

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

Investment Strategy

"The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided."

"The Trustee's policy is to make the assumption that including risky assets in its investment strategy will enable the total Scheme assets to outperform the increase in the gilt based liabilities over the long

term. The Trustee will use active fund management where it believes it can be expected to add value."

In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The Scheme has continued to manage its interest and inflation rate risk by investing a proportion of the assets in a Liability Driven Investment ("LDI") mandate, with the remainder invested in corporate bonds and some additional return seeking assets, targeting, on a best-estimate basis, to reach full funding on the gilt funding basis by June 2027 or earlier.

During the year, the Trustee agreed to sell the remaining infrastructure equity manager, DIF, to reflect the strength of the Scheme's funding position. Furthermore, two buy-ins with PLL were entered over the period to reduce the risk of the overall investment strategy and guarantee a portion of the Scheme's liabilities with an insurer. The assets held by the Scheme continue to perform as expected and the Trustee will continue to monitor the asset performance to meet the required investment return to reach the full funding target.

Risk Measurement and Management

"The Trustee's policy is to monitor the investment risks on a quarterly basis and the funding risks on an annual basis. Each quarter, the Trustee receives reports on the performance of the defined benefit section fund managers."

Over the year to 30 June 2022, the Trustee received a Quarterly Monitoring Report from its investment consultant which summarised the asset allocation, performance and any significant updates for the assets held by the Scheme. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. The asset allocation is also monitored and compared to the strategic asset allocation set out in the SIP.

A semi-annual LDI monitoring report is generated for the Trustee to analyse the performance of the LDI portfolio. As at 31 December 2021 and 30 June 2022, the Trustee was comfortable the LDI portfolio was performing in line with expectations.

The Trustee periodically invited investment managers to provide a regular update. Over the year in September 2021, DTZ and LGIM provided a detailed update of their strategies. The Trustee questioned the investment managers on how their strategies were performing and was comfortable with their responses.

Stewardship Policy Implementation: Scheme activity over the year to 30 June 2022

Prior to the year covered by this Statement, the Trustee carried out training on The Task Force on Climate-related Financial Disclosures ("TCFD"). This included an overview on the background to the disclosures, timelines to comply and a high-level overview of the requirements. Over the year, the Trustee began outlining its plan to meet TCFD as well as discussing progress at a Trustee meeting. The Trustee also consulted with Phoenix, the Sponsor, considering a large proportion of the Scheme's assets are buy-in policies with Phoenix Life Limited. Over the year, the Trustee, with help from its investment consultant, began drafting the Governance pillar statement.

For the DB investments, the Trustee uses ClearGlass to collect annual cost transparency reports covering all of the Scheme investments (apart from the buy-in policies). The Trustee asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template and ESG standards for each asset class. These will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme. The Trustee reviewed the report post year end and was satisfied.

Summary

Overall, the Trustee is of the opinion that it has successfully carried out all of the policies and actions set out in its SIP. It is also satisfied that its investment managers are exercising their voting rights and engaging with investee companies where appropriate (see following sections for detail). The Trustee will continue to monitor its managers' activities in these areas.

Voting and engagement activity undertaken over the year

The DB and DC sections of the Scheme invest in funds across a range of asset classes, and the Trustee has delegated responsibility for the selection, retention and realisation of investments to the investment managers in whose funds it invests and in the case of the DC section to the Scheme’s fiduciary manager, AIL.

As part of the production of this statement, the Trustee – supported by its investment advisers, Aon – has reviewed the voting and engagement activities carried out on its behalf by the Scheme’s investment managers.

The remainder of this section summarises information received from the Scheme’s relevant investment managers about their approach to voting, including the use of any proxy voting services provided (relevant for equity and multi-asset managers only), and their approach to engaging with underlying security issuers.

The Trustee acknowledges that the concept of stewardship is less relevant to gilt investments and cash. As such, these investments have not been covered in this statement.

DC Section of the Scheme

Aon Investments Limited ("AIL")

As the fiduciary investment manager, AIL appoints underlying asset managers to achieve the objective of the default strategy and each self-select fund. The Trustee delegates the monitoring of ESG integration and stewardship quality to AIL.

During the year AIL enhanced its ESG rating process and made evolutions to the ESG ratings both in terms of the assessment criteria and rating levels. These changes are designed to reflect the growing recognition of financial materiality of ESG issues. The new ESG ratings have moved to a three-tier ESG rating system[1]. AIL has confirmed that all equity and fixed income managers have been rated Integrated or better on ESG criteria. This means that all the appointed asset managers have taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.

AIL has undertaken a considerable amount of engagement activity over the period, examples of which have been outlined within this statement. AIL held 15 ESG specific meetings predominantly covering the equity and fixed income managers that are invested in by AIL across all delegated funds in which AIL's clients invest. At these meetings, AIL were able to analyse and discuss the voting and engagement activities undertaken during the year to 30 June 2022, highlighting areas of improvement and discussing manager strategy in the area of Responsible Investment.

Engagement Example: Passive Manager

Over the last two years, AIL's Engagement Programme maintained a dialogue with one of its leading global asset managers on behalf of many of Aon's schemes which invest with the manager, including the Scheme, through the default strategy. Discussions focused on areas of concern regarding stewardship, in particular the manager's ability to demonstrate commitment to publicly stated climate change goals, reporting and transparency. This included meetings with their Global Head of Stewardship and newly appointed Head of ESG.

The manager has clearly made big strides over the last 12 months, even though sometimes the rhetoric has outpaced its ability to deliver. Discussions were helpful regarding the following areas:

- Following AIL's review of significant votes cast by the manager during the year, AIL was encouraged to see more evidence that the manager is prepared to challenge companies on climate transparency, particularly in light of the manager's public pledges and claims on the importance of sustainability issues. However, while encouraging, AIL noted that the manager's voting actions were more measured compared with others and could go further, in line with the manager's stated principles. That said, AIL has yet to see the real impact of the revised stewardship and voting principles which the manager brought into force for 2021, along with the appointment of the new Head of ESG. AIL will be monitoring the manager's voting activity over the 2022 proxy season.
- AIL was encouraged by the manager's initiative to give pooled fund investors the ability to vote individually, rather than needing to accept the manager's standard voting policy, noting that this is an option not widely available. AIL noted the reality is that pooled clients will only have the option to choose from a short list of alternative voting policies. Furthermore, AIL noted that this facility is not currently available to DC investors due to operational restrictions and will engage with the manager and platform provider to monitor developments and push for these to be resolved.
- AIL was pleased that the manager has made improvements to the reporting available on the website and the amount of reporting at the firm level, following feedback. That said, AIL was disappointed that this has not yet translated into product level reporting. AIL has also expressed concerns that the manager is still not in a position to offer meaningful and decision useful

[1] More information on the Aon ESG Ratings Process can be found here: Guide-To-Aons-ESG-Ratings.aspx

engagement reporting, despite repeated engagements on this topic. In particular, AIL has found the manager hesitant to divulge detail around their activities, for example they will not provide voting rationales on all significant votes, and continues to push for improvements in this area.

AIL welcome the progress made by the manager around voting and challenge on climate / sustainability issues and reporting improvements. However, AIL remains of the view that greater progress could be made given the manager's scale and potential influence. AIL will continue to monitor and engage with the manager, scrutinising their voting and engagement actions. As part of these discussions AIL will take these concerns forward in stronger terms and ask the manager to be clearer as to their intentions in these areas.

Voting and Engagement - Equity Funds

Over the year, the Scheme was invested in several funds which held equity exposure. AIL appoints a number of underlying asset managers within each fund. The following section describes the voting behaviour, including examples of significant votes and engagement activity for the funds that were in place for the majority of the reporting year.

All equity managers utilise third party proxy voting service providers (typically Institutional Shareholder Services ("ISS") and Glass Lewis) for various services such as providing vote recommendations or research.

Aon Managed Retirement Pathway Funds, Aon Managed Global Equity Fund, Aon Managed Diversified Asset Fund

The Aon Managed Retirement Pathway Funds (default strategy), invested in six underlying passive equity funds over the period including a new UBS Global Equity Climate Transition Fund. The Aon Managed Diversified Asset Fund (available as a self-select fund) invested in five underlying passive equity fund and the Aon Managed Global Equity Fund, which are available as self-select funds, invested in four underlying passive equity funds including a new UBS Global Equity Climate Transition Fund.

The voting activity undertaken over the year for each underlying fund to 30 June 2022 is shown below. Please note the UBS Global Equity Climate Transition Fund launched in February 2022 and information is shown since the fund's launch.

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Retirement Pathway Funds	Aon Managed Global Equity Fund	Aon Managed Diversified Asset Fund
BlackRock MSCI World Index Funds*	87.0%	6.0%	0.0%	Yes	Yes	Yes
BlackRock Emerging Market Index Fund*	99.0%	11.0%	3.0%	Yes	Yes	Yes
BlackRock Currency Hedged MSCI World Index Fund	87.0%	6.0%	0.0%	Yes	No	Yes
LGIM Global Developed Four Factor Scientific Beta Index Fund	99.7%	20.3%	0.2%	Yes	Yes	Yes
LGIM Global Developed Four Factor Scientific Beta Currency Hedged Index Fund	99.7%	20.3%	0.2%	Yes	No	Yes
UBS Global Equity Climate Transition Fund	100.0%	8.1%	0.9%	Yes	Yes	No

Source: Aon Investments Limited, BlackRock, LGIM, UBS.

*Also available as self-select funds.

**This fund was incepted in February. Voting statistics are only available from this period

Voting example: China Tower Corporation Limited (January 2022)

In January 2022 BlackRock voted against a proposal for China Tower Corporation Limited, a telecommunications company, to elect Gao Tongqing as director. BlackRock voted against this director election due to concerns around the lack of gender-related diversity at board level. Additionally, BlackRock also noted that the proposed board composition fails to comply with the local regulatory requirements of Hong Kong Exchanges and Clearing Limited (HKEX) to have no more 'single gender' boards for Hong Kong listed issuers.

BlackRock have engaged with the company to communicate its concerns about the lack of gender diversity on the board. While the board will need to appoint a female director before the end of the transition period in 2024 to comply with HKEX's Listing Rules, BlackRock are of the view that Nomination Committee members should take a more proactive approach toward achieving a minimal level of gender diversity and ensuring the diversity of perspective.

Despite voting against this proposal, the vote passed.

Voting example: Accenture plc (January 2022)

In January 2022, LGIM voted against the management of Accenture plc, a professional services company, on a resolution to elect director Arun Sarin. LGIM states a vote against management was applied as it expects a CEO, or non-executive director, not to hold too many external positions to ensure they can undertake their duties effectively. LGIM also expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.

LGIM has stated it will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement example: Texas Instruments

BlackRock's Investment Stewardship team provided an engagement example with the American technology company, Texas Instruments. During 2021 BlackRock held meetings with Texas Instruments on several occasions, following BlackRock's vote against management on behalf of clients for the insufficient progress on the Task Force for Climate-related Financial Disclosures ('TCFD') and Science Based Targets initiative disclosure.

Following a vote against management in April 2021, BlackRock engaged with Texas Instruments in Q3 2021 as a follow-up opportunity to reiterate to Texas Instruments the context to BlackRock's voting action at the AGM and also to hear about how the company plans to integrate the feedback it has received from shareholders. BlackRock considers this to be a particular concern as the semiconductor industry, which Texas Instruments operates in, has struggled to make net zero commitments, in part, given the critical use of hydrocarbons and perfluorocarbons in the complex semiconductor manufacturing process and the lack of viable substitutes for broad use.

As part of the engagement, Texas Instruments communicated its plans to continue improving its sustainability reporting, including investigating the potential of incorporating science-based targets into the company's strategy and also that it has joined its peers in participating in industry-level dialogue to advance its strategy. Texas Instruments has since released its 2020 sustainability report, which included Sustainability Accounting Standards Board and TCFD-aligned disclosures, along with a new goal to reduce absolute Scope 1 and 2 greenhouse gas emissions by 25% and reduce energy intensity by 50% by the end of 2025, against a 2015 baseline.

As a result of these efforts, BlackRock believes Texas Instruments recognises the need for clear plans to transition its business model to operate in a low-carbon economy. BlackRock continues to monitor the company's progress on fully aligning to the four pillars of the TCFD and delivering on its climate- and sustainability-related commitments.

Engagement example: Anti-microbial resistance

Over the year, LGIM has engaged with several companies on the topic of anti-microbial resistance (“AMR”). LGIM believes the overuse of many antimicrobials in human activities are often linked to the uncontrolled release of antimicrobial agents which can last for a prolonged period of time. Existing water sanitation and management systems have not been designed to address AMR concerns.

LGIM reached out to 20 water utility companies through an open letter to understand if these investee companies are aware of this issue and if they have plans to introduce effective monitoring systems to detect agents such as antibiotic-resistant bacteria and genes. In addition, LGIM has hosted meetings with several of these companies. These meetings highlighted that awareness of AMR is low in most countries; LGIM believe this is due to the lack of regulatory requirements and / or little perception of the potential business risks to the individual company.

Following continued engagements, LGIM found several investee companies are considering AMR. In particular, one utility company is seeking to understand what happens to emerging contaminants in the wastewater treatment process and has implemented a programme that will analyse the results to try to understand what improvements in their systems would be required to address it.

Through these engagements, LGIM also stresses it is important to promote a more enhanced and standardised approach to AMR through influencing the regulatory landscape. It is working with its peers within the Investor Action on AMR initiative.

Aon Managed Global Impact Fund

The Aon Managed Global Impact Fund, available as a self-select fund, invested in three underlying active impact equity funds. This Fund also forms part of the Aon Managed Retirement Pathway .

The voting activity undertaken over the year for each underlying fund to 30 June 2022 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained
Mirova Global Sustainability Equity Fund	100.0%	42.0%	1.0%
Nordea Global Climate and Environment Fund	99.1%	10.8%	0.0%
Baillie Gifford Positive Change	93.7%	2.6%	0.3%

Source: Aon Investments Limited, Baillie Gifford, Nordea & Mirova

Voting example: Essilor Luxottica

In June 2022 Mirova voted against the management of Essilor Luxottica, a company that designs, produces and markets ophthalmic lenses, optical equipment, prescription glasses and sunglasses.

It voted against two resolutions, one of which was against the company’s compensation report and the other specifically on the compensation of the Chief Financial Officer and Chief Executive Officer. Mirova voted against these resolutions due to issues in relation to labour practises and compensation structure.

Previously Mirova had signed an investor statement seeking engagement regarding allegations of unfair labour practices at the one of the company's US locations. It also noted several problematic aspects around the implementation of the compensation structure. To express Mirova’s dissent with lack of engagement and concerns with the amount of compensation paid, Mirova voted against the compensation items.

Voting example: Shimano

In March 2022 Nordea voted against the management of Shimano, a Japanese multi-national manufacturing company, to elect director Thaizo Shimano. It voted against the proposal in this case as Nordea believes it is in the best interest of shareholders to separate the Chief Executive Officer and Chair of Board roles. Nordea also saw that there was a lack of gender diversity on the board.

On this occasion the vote passed but Nordea has stated it will continue to vote against combined Chief Executive Officer and Chair of Board positions in all companies.

Engagement example: Nibe Group

In September 2021, Baillie Gifford engaged with the Chief Financial Officer ("CFO") of Nibe, a manufacturing company specialising in sustainable energy systems like heat pumps. The aim of the engagement was for Baillie Gifford to understand more about Nibe's ESG impact reporting practices and to encourage improved disclosure of the carbon emissions avoided from the use of the company's products.

Nibe confirmed that its emissions calculations were still in progress, made more complicated by the decentralised systems used in its products. Nibe also explained that it is not ready to set science-based targets but it is actively considering them. Baillie Gifford also discussed the proactive role Nibe is playing in the promotion of heat pumps as a climate solution. Baillie Gifford will continue to monitor the company's progress and engage accordingly.

Engagement example: Alphabet

Despite Mirova's continued engagement with Alphabet over the last few years, Alphabet's track record has significantly deteriorated with controversies arising such as:

- Freedom of expression and access to unbiased information in relation to pressure from controversial governments;
- Discrimination against users and employees based on ethnicity and gender;
- HR malpractices; and
- Repeated fines and multiple on-going investigations by regulators on breach of data privacy laws.

Mirova have attempted to engage with Alphabet over the years through different means including collaborative engagements with PRI investors and Share Action, however Alphabet has not responded to any of these requests.

In 2021, Mirova decided to co-file a resolution at Alphabet's AGM, requiring the Board of Directors to oversee a third-party review analysing the effectiveness of its whistle-blower policies in protecting human rights. This request was made in light of repeated allegations by former employees of mishandled complaints and abusive termination of whistle-blowers. Despite the effective control of the capital by its founders and executives, as well as the negative voting recommendation issued by proxy provider ISS, 10% of votes were favourable.

Several of these controversies remain unresolved and more are arising on the same topics, which indicates a lack of proactivity from the company. As a result, Mirova downgraded their view on Alphabet to 'risk'.

Engagement example: Cleanaway

In 2021, Nordea engaged with a waste management company, Cleanaway. Nordea spoke with both the new CEO within the first four weeks of his entering the role, and with the chair. Regarding the new CEO, Nordea continued to have in depth conversations in Q1 2022 to assist with the setting of his environmental agenda. This should, in Nordea's view, include the adoption of Science Based Targets as well as a thorough analysis of the current sustainability profile of the company. The conversation with the chair centred around the handling of the aftermath of Vik Bansal's departure as well as Cleanaway's broader environmental and diversity strategy.

This engagement aligns with the environmental objectives of Nordea's Global Climate and Environment Strategy and is highly relevant with regards to several of the Sustainable Development Goals ('SDGs'), including SDG 5 "Gender Equality".

Regarding Cleanaway's environmental and diversity goals, Nordea believe the chair is supportive but seems to have given the CEO a broad remit regarding the specifics. Nordea will therefore meet with the new CEO shortly to make specific suggestions, the main being the adoption of Science Based Targets and TCFD reporting, as well as an analysis of the company's operations using the FutureFit framework. Nordea will also continue pushing the chair to adopt longer term environmental and diversity goals in order to be able to provide quality oversight and guidance. Nordea will continue to monitor the situation and facilitate further engagement if necessary.

Aon Managed Active Global Equity Fund

The Aon Managed Active Global Equity Fund, available as a self-select fund, invested in four underlying active equity funds and an underlying passive equity fund over the period.

The voting activity undertaken over the year for each underlying fund to 30 June 2022 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained
BNY Mellon Long-Term Global Equity Fund	100.0%	2.2%	0.0%
Baillie Gifford Global Alpha Growth Fund	96.4%	2.4%	0.3%
Harris Associates Global Equity Fund	100.0%	2.4%	0.0%
BlackRock MSCI World Index Funds	87.0%	6.0%	0.0%

Source: Aon Investments Limited, Baillie Gifford, BlackRock, Walter Scott (BNY Mellon) & Harris Associates, UBS.

Voting example: Anheuser-Busch InBev

In September 2021, Harris voted in favour of the management of Alibaba Group Holding Limited, a multi-national technology company, for the resolution to re-elect the executive vice Chairman and co-founder, Joseph Tsai. Harris's rationale was that it trusts that Joseph Tsai will act in the best interest of shareholders given he owns over 300 million shares of Alibaba Group,

As an outcome, the vote was passed. Harris considered this vote significant since it elected contrary to standard guidelines in what it believes to be the best interest of its shareholders.

Engagement example: Cognex Corporation

Over the year, Water Scott (part of BNY Mellon) engaged with Cognex Corporation, a US based company specialising in machine vision technology, reflecting that the company's disclosure regarding sustainability is behind that of the market. Walter Scott engaged with the Cognex Corporation during 2021 through a conference call with the CEO, providing an opportunity to discuss sustainability and the company's objectives. This conference call came shortly after Walter Scott were the lead investor on the annual CDP engagement letter. As part of the discussion, the CEO noted that there had been a significant increase in board engagement on sustainability than there had been historically.

Cognex Corporation are actively investigating how to enhance their sustainability disclosures, including reaching out to Walter Scott for examples of similar technology companies who have done a good job of ESG related disclosures. Walter Scott view this as encouraging, however meaningful progress is still to be made. As such, Walter Scott will fastidiously monitor ongoing developments in the company's ESG rated disclosures and continue to engage constructively on the topic.

Engagement example: BHP

Baillie Gifford engaged with one of the world's largest mining companies, BHP, during the second half of 2021. The environment is a key area where the company is penalised in terms of ESG issues given the nature of its business. In particular, BHP tends to screen poorly by ratings providers on the basis of their emissions and resource usage.

Towards the end of 2021, Baillie Gifford engaged with the Chairman, Ken MacKenzie, and Vice President of Sustainability and Climate Change, Fiona Wild, to discuss the climate transition resolution on the company's AGM agenda. Discussions over the last few years have focused on BHP's emissions targets and disclosures, encouraging better reporting and more attention on their decarbonisation strategy, specifically relating to scope 3 emissions.

Climate change is a material consideration for the BHP, and Baillie Gifford believe the board has responsibility for ensuring successful implementation of the company's climate strategy. Baillie Gifford outlined some concerns with the proposed resolution, specifically that it is advisory, will hand significant influence to proxy advisors and consultants and may reduce accountability from the board. Baillie Gifford explained its belief that an annual vote is not necessary as it wants to avoid an endless cycle of shareholder engagement and short-term progress assessments. Baillie Gifford encouraged the company to take a long-term, forward-looking approach, which explains how the climate strategy relates to the broader business plan, how the company intends to meet targets and where it sees bottlenecks and opportunities.

Baillie Gifford opposed BHP's climate transition plan at the AGM. The resolution received 83% support and was passed. However, Baillie Gifford will continue to engage with the company to encourage them to take a more ambitious approach to addressing its value chain emissions and thus preparing the business for the low carbon transition.

Aon Managed Active UK Equity Fund - Please note that this fund closed in September 2021

The Aon Managed Active UK Equity Fund, available as a self-select fund invested in three underlying active equity funds and a passive underlying fund over the period.

The voting activity undertaken over the year for each underlying fund to 30 June 2022 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained
BlackRock UK Equity Optimum Fund	100.0%	3.0%	1.0%
Majedie UK Equity Fund	100.0%	2.6%	0.5%
Lindsell Train UK Equity	100.0%	0.0%	0.5%
BlackRock UK Equity Index Fund	96.0%	5.0%	1.0%

Source: Aon Investments Limited, BlackRock, Majedie & Lindsell Train.

Voting example: AstraZeneca

In November 2021, Majedie voted against the management of AstraZeneca and against proposed changes to the Remuneration Policy to amend the Performance Share Plan. AstraZeneca was proposing significant increases to variable pay for the second consecutive year and Majedie did not consider the rationale for this to be sufficiently compelling. As an outcome, both items were voted in favour of by a majority of votes. Majedie continue to monitor remuneration outcomes at the company. Majedie classed this as a significant vote, as AstraZeneca was one of the portfolio's top five holdings (as at 30/06/21) and ISS and board voting recommendations on these proposals disagreed.

Engagement example: Yakult

Over the year, Lindsell Train engaged with Yakult regarding its strategies to reduce the amount of plastic packaging and improve its recycling practices.

Lindsell Train had raised concerns that Yakult's progress in terms of its environmental policies had been slow. In particular, Yakult's unambitious greenhouse gas reduction targets, plastic recycling and water consumption reduction targets and that, if not addressed, these could tarnish the brand.

Yakult were quick to respond to the concerns raised. Management conveyed that climate change, plastic packaging, and water-related issues are of enormous strategic importance and it wants to ensure that any areas of concern are properly addressed. Yakult provided a detailed overview of its recycling infrastructure, as well as the various recycling techniques (chemical, thermal and incineration) that are currently practised. Ultimately, Yakult will face tough decisions in terms of the future of its production strategy and the material they use to bottle their product.

Yakult are acutely aware of the demands of the increasingly discerning consumer and will continue to dedicate the necessary resource to ensuring they get this right. Lindsell train will be monitoring their actions closely.

Voting and engagement - Property and Infrastructure

Over the year, the Scheme was invested in several funds which held exposure to property and infrastructure assets. AIL appoints a number of underlying asset managers to provide this exposure. The following section describes the voting behaviour, including examples of significant votes and engagement activity for the strategies that were in place for the majority of the reporting year.

Aon Managed Retirement Pathway Funds, Aon Managed Property and Infrastructure Fund

The Aon Managed Retirement Pathway Funds (default strategy for some employer sections) and Aon Managed Property and Infrastructure Fund (available as a self-select fund), invested in three underlying property / infrastructure funds over the period. The BlackRock Global Property Securities Index Fund invests in listed property investments, the Legal & General Infrastructure Index Fund invests in listed infrastructure and the Threadneedle Pensions Property Fund invests directly in UK commercial property.

Both BlackRock and LGIM utilise third party proxy voting service providers (typically Institutional Shareholder Services ("ISS") and Glass Lewis) for various services such as providing vote recommendations or research in relation to the listed investments held.

The voting activity undertaken by BlackRock and LGIM in relation to the listed investments over the year to 30 June 2022 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Retirement Pathway Funds	Aon Managed Property and Infrastructure Fund
BlackRock Global Property Securities Index Fund	85.0%	4.0%	0.0%	Yes	Yes
LGIM Infrastructure Index Fund	100.0%	23.6%	0.0%	Yes	Yes

Source: Aon Investments Limited, BlackRock, LGIM.

Direct property investments

The Trustee appreciates that engagement activities within the direct property fund may be limited in comparison to other asset classes, such as equity and fixed income. Nonetheless, the Trustee expects ESG engagement to be integrated in its managers' investment approaches. The direct property manager (Threadneedle) is a signatory of the UN PRI and has adopted ESG policies across its investments. Threadneedle takes an approach to real estate whereby they strive to understand the risks posed within the asset class and focus on mitigating these during the lifecycle of the projects. This can be done through property management, refurbishment, building improvements and strategic asset management.

Key topics of engagement during 2021 include the energy efficiency of assets, low carbon development opportunities, tenant engagement and Net Zero initiatives. During 2021, Threadneedle completed a range of projects designed to improve the energy efficiency of the assets. As an example, capital expenditure of £1.4 million was allocated to Skydome in Coventry to replace legacy boilers, upgrade and improve the BMC and replace the roof, including the installation of a new photovoltaic system. Threadneedle continue to monitor data, particularly around energy and greenhouse gas emissions, across the portfolio.

Engagement - Fixed Income

Over the year, the Scheme invested in 11 funds, including the default strategy, which held exposure to fixed income. AIL appoints a number of underlying asset managers to provide this exposure.

While equity managers may have more direct influence on the companies they invest in, fixed income managers are also increasingly influential in their ability to encourage positive change. The Trustee also acknowledges that the concept of stewardship may be less applicable with respect to some of its fixed income investments, particularly for government bonds.

Aon Managed Retirement Pathway Funds, Aon Managed Diversified Asset Fund, Aon Managed Passive Corporate Bond Phase, Aon Managed Liquidity Fund

The Aon Managed Retirement Pathway Funds (default strategy for some employer sections) invested in six underlying actively managed fixed income funds over the period. The Aon Managed Retirement Pathway Funds also invested in several passively managed fixed income strategies, including both corporate bonds and government bonds, and a fund that provides exposure to short dated money market assets.

Aon Managed Passive Corporate Bond Phase Fund (available as a self-select fund) invested in a single passively managed fixed income strategy.

The Aon Managed Diversified Asset Fund (available as a self-select fund) invested in six underlying actively managed fixed income funds. These funds also invested in several passively managed fixed income strategies and a fund that provides exposure to short dated money market assets.

The Aon Managed Liquidity Fund (available as a self-select option) invested in a single underlying fund that provided exposure to short dated money market assets.

Further detail is provided in the table below.

Underlying manager information

Underlying manager	Aon Managed Retirement Pathway Funds	Aon Managed Diversified Asset Fund	Aon Managed Passive Corporate Bond Phase	Aon Managed Liquidity Fund
BlackRock (two active strategies)	Yes	Yes	No	No
BlackRock (passive corporate bonds)	Yes	Yes	Yes	No
BlackRock (passive government bonds)	Yes	Yes	No	No
BlackRock (cash)	Yes	Yes	Yes	Yes
Insight (active strategy) *	Yes	No	No	No
LGIM (annuity matching bonds)	Yes	No	No	No
PIMCO (active strategy)	Yes	Yes	No	No
T-Rowe Price (active strategy)	Yes	Yes	No	No
Aegon (active strategy)	Yes	Yes	No	No
Janus Henderson (active strategy)	Yes	Yes	No	No

Source: Aon Investments Limited.

*The Insight Absolute Return Bond Fund (active strategy) was fully disinvested in October 2021.

Engagement example: Dell Inc

An ongoing engagement example detailed by PIMCO is with Dell Inc regarding supply chain management, which was first initiated in 2020. PIMCO engaged Dell on labour rights issues within its supply chain, including compliance on working hours and an investigation into forced labour disputes.

PIMCO encouraged the Dell to disclose supplier audit coverage and assurance progress for conflict mineral sourcing ('conflict resources' are natural resources extracted in a conflict zone and sold to perpetuate the fighting). Dell had been encouraged to include sub-tier suppliers in this assessment and make public commitments to 100% Responsible Minerals Assurance Process (“RMAP”) for conflict mineral sourcing.

Following the engagement, Dell confirmed its audits cover much of the supply chain. Dell also updated disclosure on its RMAP-conformant supplier list to maintain transparency. In 2021, Dell worked to a goal of achieving 100% RMAP conformance for conflict mineral including tin, tantalum, tungsten, gold and cobalt; metals which form a fundamental part of the production process of its technology products. PIMCO will continue to engage with Dell on supply chain transparency and traceability.

Aon Managed Long Term Inflation Linked Fund and Aon Managed Pre-Retirement Bond Fund

The Aon Managed Long Term Inflation Linked Fund (available as a self-select fund) invested in an underlying passively managed government bond fund over the period. The underlying funds invested solely in government bonds.

The Aon Managed Pre-Retirement Bond Fund (available as a self-select fund) invested in an underlying fund that aims to match changes in the cost of purchase a level annuity at retirement. To achieve this, the underlying fund invests in a mixture of government and corporate bonds.

Voting and engagement - Multi-Asset / Other

Over the year, the Scheme was invested in a fund which held exposure to multiple asset classes including equities and fixed income, including the default strategy. AIL appoints a number of underlying asset managers to provide this exposure. The following section describes the voting behaviour, including examples of significant votes and engagement activity for the funds that were in place for the majority of the reporting year.

Aon Managed Retirement Pathway Funds (Default), Aon Managed Diversified Asset Fund

The Aon Managed Retirement Pathway Funds (default), Aon Managed Diversified Asset Fund (available as a self-select fund) invested in an actively managed multi-asset fund over the period. The BlackRock Market Advantage Fund invests in equities alongside a range of other asset classes including fixed income, property and commodities.

These funds also invested in gold via an actively managed strategy managed by Invesco. BlackRock uses third party proxy voting service providers (typically Institutional Shareholder Services ("ISS") and Glass Lewis) for various services such as providing vote recommendations or research in relation to the listed investments held. The voting activity undertaken by BlackRock over the year to 30 June 2022 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Retirement Pathway Funds	Aon Managed Diversified Asset Fund
BlackRock Market Advantage Fund*	85.0%	7.0%	0.0%	Yes	Yes

Source: Aon Investments Limited, BlackRock.

*This Fund was fully disinvested from in June 2021.

While equity managers may have more direct influence on the companies they invest in, managers investing in alternative asset classes such as gold are also increasingly influential in their ability to encourage positive change.

The Invesco Physical Gold Exchange-Traded Commodities Fund provides exposure to physical gold. Invesco incorporates ESG considerations within the Fund, as it follows the London Bullion Market Association (LBMA) Responsible Gold Guidance that requires strict adherence to rules around the provenance of gold. The LBMA was set up to ensure the highest standards for sourcing gold and combat systematic or widespread abuses of human rights, including child labour, to avoid contributing to conflict, to comply with high standards of anti-money laundering and to combat terrorist-financing practices.

Since early 2019, Invesco has sought to minimise exposure to gold mined prior to 2012, the date after which Invesco can be certain gold has been sourced in compliance with the LBMA's Responsible Gold Guidance. The Fund has held 100% exposure to gold mined post 2012 and is fully compliant with LBMA's Responsible Gold Guidance.

Additionally, Invesco engage directly with companies in the gold mining space and see engagement as an opportunity to encourage continual ESG improvement. As an example, Invesco met with the lead independent director of Barrick Gold (one of the largest gold miners in the world) on two occasions over the last two years. At these meetings, discussions focused on how the company performed on key environmental issues associated with mining including carbon emissions, water management, biodiversity protection and dam management. The company's carbon reduction targets were also discussed, emphasising the importance of having a credible decarbonisation plan in place.

Defined Benefit Section of the Scheme

Engagement activity – fixed income funds

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality are critical parts of investment decision-making.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed income managers over the year.

Legal and General Investment Management ("LGIM")'s Corporate Bonds

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. It's top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

More information can be found on LGIM's engagement policy: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.

LGIM has not provided engagement examples for the fund. Aon has engaged at length with LGIM regarding its lack of strategy level engagement reporting. LGIM confirmed it was working towards producing this in Q4 2022, however the Trustee disinvested its corporate bonds from LGIM during Q4 2022. The example provided below is at a firm level, i.e. it is not specific to the fund the Scheme is invested in.

Engagement example (firm level): Antimicrobial resistance

LGIM has engaged with a number of water utility companies on the topic of anti-microbial resistance ("AMR"). LGIM states that the overuse of many antimicrobials in human activities are often linked to the uncontrolled release of antimicrobial agents which can last for prolonged period of time. Existing water sanitation and management systems have not been designed to address AMR concerns. LGIM reached out to 20 water utility companies through an open letter to understand if these investee companies were aware of this issue, and if they had plans to introduce effective monitoring systems to detect agents such as antibiotic-resistant bacteria and genes. In addition, LGIM hosted meetings with some of the companies, which highlighted that awareness of AMR is low in most countries. LGIM believe this is due to the lack of regulatory requirements and/ or little perception of potential business risks to the individual company.

Following continued engagements, LGIM found several investee companies are now considering AMR. In particular one utility company is seeking to understand what happens to emerging contaminants in the wastewater treatment process and has implemented a programme that will analyse the results to try to understand what improvements in their systems would be required to address it. Through the engagement, LGIM stressed it is important to promote a more enhanced and standardised approach to AMR through influencing the regulatory landscape. It is working on this with its peers within the Investor Action on Antimicrobial Resistance initiative.

Engagement activity – Property and Alternatives

The Trustee acknowledges that the ability of alternative managers to engage with and influence investee companies may be less compared to equity managers.

The following section demonstrates some of the engagement activity being carried out by the Scheme's property and alternative managers over the year.

DTZ Investors Property Fund

Engagement policy

DTZ's Responsible Property Investment policy is aligned to the United Nations ("UN") Policy on Climate Change. This applies to all clients' assets, covering over £5bn assets under management ("AUM"). Therefore, DTZ has engaged with the clients of all funds for which these targets cover. The engagement ensures that clients are brought onto the pathway with DTZ and are aligned with its ambitions and look to align their own business with these targets.

DTZ also engages with all third-party fund managers, on an annual basis, to understand how they are integrating ESG within their operations. DTZ sends out an annual survey covering a broad range of ESG topics. It reviews these responses and feeds back to managers on key areas of improvement, market best practice and minimum standards that it might expect managers to meet. DTZ believes these recommendations can help fund managers to understand how they are performing against peers; allow DTZ to understand what risks might exist and enable it to work with asset managers to improve their ESG performance.

DTZ has been unable to provide a relevant example of engagement at this time and the Trustee's portfolio with DTZ is in the process of being wound up.

DIF Capital Partners Infrastructure V

Engagement policy

DIF engages with investments on relevant ESG topics through its ESG Path. The purpose of the ESG Path is to improve ESG performance through an iterative engagement process. The ESG Path is centred around the DIF ESG focus areas:

- Governance
- Safety
- Community and People
- Environment
- Climate Resilience

The approach of the ESG Path consists of a Baseline survey, followed by an action plan to improve ESG performance. The action plan is then monitored annually, with tools developed to support investments improving the ESG score including:

- Climate change heat map: to evaluate the exposure to climate-related transition and physical risks,
- Greenhouse gas ("GHG") emissions evaluation tool: to support investments in the assessment of their Scope 1, Scope 2 and Scope 3 GHG emissions.

Engagement example: American Roads

DIF first started engaging with American Roads, a US based transport company, with its ESG Path in 2018 covering 30 assets. Since then, DIF gradually increased the scope of the ESG engagement each year to ensure that the workload remained manageable. Several improvements and engagements have been made since 2018, and the Asset is now achieving scores on all ESG Pathway pillars. Examples of action plans already achieved:

- The Asset implemented an ethics and compliance hotline called "Red Flag Reporting." The Asset hung posters and distributed wallet cards with the web address and phone number of the hotline.
- The Asset partnered with a local university master's student to conduct a study on Solar PV (materials and devices that convert sunlight into electrical energy) systems. The Asset is planning to launch other similar partnerships focused on biodiversity, urban design, light and noise pollution.

Macquarie Asset Management ("MAM") Infrastructure Debt Investment Solutions

Engagement policy

MAM recognises the importance of collaboration and continues to engage with investors, borrowers, industry groups and other stakeholders on ESG matters with the aim to refining its approach, sharing knowledge and collaborating on global ESG challenges such as climate change.

There are a number of stakeholder engagements underway to support MAM's goal to manage its portfolio with its net zero objective:

- MAM's investment and portfolio management teams are actively engaging in direct dialogues with borrowers to source ESG performance indicators where available, to monitor the ongoing performance of the portfolio with respect to its net zero objective. This includes asking for scopes 1 and 2 GHG emissions and energy consumption data from its borrowers.
- MAM is represented on an industry infrastructure debt manager working group. An objective of this working group is to assist in designing industry standards for ESG related information covenants. In particular, MAM has co-led a project with other managers and has published a proposed ESG Debt Covenant package to help standardise information requirements in standard loan documentation. More information if available here: https://giia.net/feedback-welcomed-on-new-esg-covenant-package/
- Engaging with its borrowers to report on their data on the Global Real Estate Sustainability Benchmark ("GRESB") platform, in order to enhance transparency for its clients.

MAM has been unable to provide an example of engagement at this time. The Trustee disinvested from MAM after the accounting year end.