Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023

The Trustees of the Clarkson PLC Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Implementation Statement (the "Statement") is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the SIP and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on and uses the same headings as the Scheme's latest SIP which was in place during the Scheme Year – dated 6 August 2020. This Statement should be read in conjunction with the latest SIP which can be found here.

This Statement uses the same headings as the Scheme's SIP dated 6 August 2020 and should be read in conjunction with the SIP.

1. Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was formally reviewed was on 6 August 2020 following advice from the Scheme's investment advisers, Lane Clark & Peacock LLP ("LCP").

The Trustees have, in their opinion, followed all of the policies in the Scheme's SIP during the Scheme Year. The Trustees are currently in the process of reviewing the SIP and it is expected that the this will be formally adopted during the Scheme Year to 31 March 2024. The following sections provide detail and commentary about how and the extent to which they have done so.

2. Investment objectives

Progress against the long-term journey plan for the DB Section is reviewed as part of the quarterly performance monitoring reports. The Trustees are also able to view the progress on an ongoing basis using LCP's modelling tool (LCP Visualise) online.

The Trustees monitor the DB Section's funding position relative to reaching full funding on a "gilts + 0.5% pa" basis. In 2018 the Scheme achieved full funding on this basis and as a result the Trustees and Company agreed to move to a lower risk long term asset mix. Over the Scheme Year the Trustees agreed to refine its bond portfolio to match the Scheme's liabilities more closely and reduce risk by investing in a Liability Driven Investment portfolio and a short-dated credit portfolio. These changes will be implemented post Scheme Year end. As part of the performance and strategy review of the DC default arrangement in March 2023, the Trustees reviewed and considered the following:

- DC Section membership demographics, analysing member choices at retirement;
- the expected impact on member outcomes of changing the de-risking glidepath; and,
- a review of the active managers used within the default strategy.

Based on the outcome of this analysis, the Trustees concluded that the default arrangement has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members. However, the Trustees are considering changes to the underlying funds used within one of the white-labelled blends.

The Trustees also provide members of the DC Section with access to a range of investment options which they believe are suitable for this purpose and enable appropriate diversification. The Trustees have made available a self-select fund range to members covering all major assets classes as set out in the SIP.

3. Investment strategy

3.1 DB Investment strategy

In March 2023, the Trustees undertook a review of the Scheme's matching assets, to match the Scheme's liabilities more closely and reduce risk. The Scheme currently invests in a long-dated corporate bond fund as well as index-linked gilts to broadly hedge the interest rate and inflation risks in the Scheme's liabilities. As part of this review, the Trustees considered the merits of switching the Scheme's investments in long-dated corporate bonds into a short-dated credit ("SDC") fund to reduce risk, as the Scheme would be lending money to companies for a much shorter term (ie 2–3 years rather than 15–20 years). The Trustees also considered switching the Scheme's government bonds into a Liability Driven Investment ("LDI") portfolio, which have been designed specifically for pension schemes wishing to match their liabilities more closely than is possible using standard gilt funds. The Trustees agreed to implement these changes, pending consultation with the Company, and plans to implement the changes later in 2023, post Scheme Year end.

The Trustees monitor the Scheme's asset allocation quarterly and compare this to the strategic asset allocation. Over the year, the actual asset allocation did not materially deviate from the strategic allocation. A number of disinvestments to meet the Scheme's cashflow requirements took place over the period and, where possible, these disinvestments were structured as such to move the Scheme closer to the strategic allocation. As at Scheme year end, the asset allocation was slightly overweight growth assets and underweight bonds. The Trustees will look to re-balance the Scheme's assets as part of the wider changes to the bond portfolio.

3.2 DC Investment strategy

As noted in Section 2, the Trustees, with the help of their advisers and in consultation with the sponsoring employer, reviewed the strategy and performance of the default arrangement over the Scheme Year. Following this review the Trustees concluded that drawdown remains an appropriate retirement target for the default lifestyle strategy. The Trustees also reviewed the de-risking phase of the default arrangements and considered the impact of changing the risk and expected return profile of this phase.

As part of this review the Trustees made sure the Scheme's default arrangement was adequately and appropriately diversified between different asset classes. The Trustees are considering diversifying the underlying funds used in one of the white-labelled blends used within the default lifestyle strategy. This review is continuing into the next Scheme Year. As noted in Section 2, the Trustees also reviewed retirement data provided by the Scheme's administrators, looking at how members chose to access their benefits at retirement.

In addition, in June 2022, the Trustees reviewed a formal recommendation from LCP regarding the addition of the Aegon DC Active Beta Property Fund to the self-select fund range. Alongside this, the Trustees agreed to add the HSBC Islamic Global Equity Index Fund to the self-select fund range following LCP's suitability advice in December 2022. Both funds were added to the self-select fund range in January 2023. The funds are white-labelled and available to members as the 'Clarkson Property Fund' and 'Clarkson Passive Islamic Global Equity Fund', respectively.

In the previous Scheme Year, the Trustees reviewed the equity allocation within the Passive Global Equity Fund, and, following advice from LCP, agreed to transfer assets within the Passive Global Equity Fund to a climate-tilted global equity fund. It was agreed the fund switches would be implemented gradually over 8 quarterly trades. The transition began in Q2 2022 and continued throughout the Scheme Year with the remaining 3 quarterly tranches to be completed by Q4 2023. At which point the Passive Global Equity Fund will be a 100% invested in the climate-tilted fund.

4. Considerations made in determining the investment arrangements

When the Trustees reviewed the DB investment strategy in March 2023 and DC investment strategy in March 2023, they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustees invest for the long term, to provide for the Scheme's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustees therefore seeks to appoint managers whose stewardship[1] activities are aligned to the creation of long-term value and the management of long-run systemic risks.

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

The Trustees monitor the performance of the Scheme's investment managers on a quarterly basis, using monitoring reports prepared by the investment adviser. The reports show the performance of each fund over the quarter, one year and three years. Performance is considered in the context of the manager's benchmark and objectives. The Trustees also monitor its managers' responsible investment ("RI") capabilities using scores provided by its investment adviser formally on a biennial basis. In addition, the investment advisers provide updates every 12 – 18 months following any manager research meetings where the managers' RI capabilities are also reviewed.

5. Implementation of the investment arrangements

The Trustees selected two new DC investment managers over the Scheme Year: Aegon and HSBC which are accessed via the Fidelity platform. The Trustees have also appointed one new DB investment manager, BlackRock, to manage a short-dated credit portfolio as well as L&G to manage an LDI portfolio. Before appointing the managers, the Trustees received information on the investment process and philosophy, the investment team and past performance. The Trustees also considered the manager's approach to responsible investment and stewardship. The Trustees obtained formal written advice from its investment adviser, LCP, before investing in the funds and made sure the investment portfolio of the funds chosen were adequately and appropriately diversified. The Trustees rely on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustees' policies prior to any new appointment. The Trustees evaluate manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Section 10 provides more detail on the activities carried out over the year.

The Trustees periodically invite the Scheme's investment managers to present at Trustees' meetings. Over the period, the Trustees met with Schroders at the June 2022 meeting to discuss the Trustees' investment in the Schroders Diversified Growth Fund ("Schroders DGF"), used by both the DB and DC Sections, which covered Schroders' considerations of, among other aspects, ESG factors within the Fund.

The Trustees were comfortable with all their investment manager arrangements over the Scheme Year.

In line with the Scheme Year, the Trustees undertook a value for members' assessment on 6 July 2023 which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be very competitive when compared against schemes with similar sized mandates.

From 1 April 2022, Schroders announced that the fees for the Schroders DGF were reduced by 0.1% pa. In addition, in Q1 2023, the Scheme also qualified for Schroders longevity discount and fees for this fund were further reduced by 0.04% pa for both the DB and DC Sections.

6. Realisation of investments

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

Over the Scheme year, the Trustees sourced disinvestments for cashflow purposes from various funds to help rebalance the DB Section's assets towards the strategic asset allocation.

It is the Trustees' policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees offer continue to be daily priced.

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

7. Consideration of financially material and non-financial matters

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

Within the DC Section the Trustees recognise that some members may wish for ethical matters to be taken into account in their investments and therefore, as mentioned in the SIP, they have made available an Ethical Global Equity Fund as an investment option to members. Over the Scheme Year, the Trustees made available the Clarkson Passive Islamic Global Equity Fund recognising that some members may wish to invest in a way that reflects their religious beliefs.

As discussed in Section 3, the Trustees added two new pooled funds, the Clarkson Property Fund and Clarkson Passive Islamic Global Equity Fund, to the fund self-select fund range in January 2023. In addition, the Trustees began introducing the LGIM Low Carbon Transition Fund, within the Passive Global Equity Fund included in the default strategy, in a phased approach. For the DB section, post Scheme Year end, the Trustees also appointed the BlackRock to manage a short dated credit portfolio, and L&G to manage an LDI portfolio. In selecting and appointing these managers, where relevant, the Trustees reviewed LCP's RI assessments of the shortlisted managers.

8. Stewardship

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

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus the monitoring and engagement with their investment managers on specific ESG factors. At the October 2022 Trustees meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were: Climate Change, Human Capital and Business Ethics. The Trustees have communicated these priorities to its managers since the Scheme Year end and will report on them in the next Statement.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve.

9. Responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 4, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the performance monitoring reports they receive.

The performance of the professional advisers is considered on an ongoing basis by the Trustees.

The Trustees have put in place formal objectives for their investment adviser (LCP) and will review the adviser's performance against these objectives every year. The last review of the objectives was undertaken in January 2023 and an assessment of LCP's performance against the objectives was carried out in March 2023. Overall, the Trustees were satisfied with LCP's performance.

10. Policy towards risk, risk measurement and risk management (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to the risk of inadequate returns for the DB Section of the Scheme, the Trustees monitor the Scheme's funding position and, when undertaking a review of the investment strategy, the best estimate expected return on the DB Section's asset allocation. At its last review, the expected return on the DB Section's assets were anticipated to be sufficient to produce the return needed to meet the Trustees' objectives over the long-term.

With regard to the risk of inadequate returns in the DC Section of the Scheme, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default arrangement and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

In addition to the above SIP wording, the Trustees note that short term inflation is currently higher than expected levels, and the Trustees are continuing to monitor the situation closely with regular updates from the Scheme's investment adviser.

The DB Section invests in assets which help to mitigate the impact of changes in interest rates and inflation on its funding position - ie assets which provide interest and inflation hedging. Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustees formally review the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding position allowing for membership and other experience. The Trustees also informally monitor the funding position more regularly at Trustees meetings and the Trustees also have the ability to monitor this daily on LCP Visualise.

The following risks are covered earlier in this Statement: lack of diversification risk, investment manager risk and excessive charges, liquidity/marketability risk and ESG risks.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Scheme's SIP.

12. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustees' expectations.

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

- BlackRock ACS World (ex-UK) Equity Tracker Fund, underlying fund within the Passive Global Equity Fund (DC only);
- BlackRock ACS UK Equity Tracker Fund underlying fund within the Passive Global Equity Fund and Passive UK Equity Fund (DC only);
- LGIM Low Carbon Transition Global Equity Index Fund underlying fund within the Passive Global Equity Fund (DC only)
- LGIM Ethical Global Equity Index Fund, underlying fund of the Ethical Global Equity Fund (DC only);
- BNY Mellon Real Return Fund (DB and underlying the DC DGF); and
- Schroders Diversified Growth Fund (DB and underlying the DC DGF).
- HSBC Islamic Global Equity Index Fund (DC only)

For the DC Section we have included the funds used in the default strategy due to the high proportion of assets invested in these funds (c99%). We have also included voting information for funds which incorporate ESG, religious or ethical factors, such as the LGIM Ethical Global Equity Index Fund and HSBC Islamic Global Equity Index Fund, recognising that members choosing to invest in this fund may be interested in this information.

12.1 Description of the voting processes

12.1.1 BlackRock

BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. BlackRock believe that there are certain fundamental rights attached to shareholdings. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Consistent with these shareholder rights, BlackRock believes it has a responsibility to monitor and provide feedback to companies, in their role as stewards of their clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including ESG matters and, for those clients who have given them authority, through voting proxies in the best long-term economic interests of their clients. BlackRock also participates in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with their clients' interests as long-term shareholders.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with BlackRock's view of what supports sustainable long-term value creation, they will engage with a company and/or use their vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides them with the opportunity to improve their understanding of the business and ESG risks and opportunities that are material to the companies in which BlackRock's clients invest. As long-term investors on behalf of clients, BlackRock seeks to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where they believe they could be enhanced. BlackRock primarily engages through direct dialogue but may use other tools such as written correspondence to share our perspectives. Engagement also informs BlackRock's voting decisions.

BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. These high-level Principles are the framework for more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how they monitor and engage with companies), BlackRock's policy on voting, its integrated approach to stewardship matters and how BlackRock deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews its Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

The BIS team and its voting and engagement work continuously evolve in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure BlackRock takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. Its engagement priorities are global in nature and are informed by BlackRock's observations of governance-related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy itself, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock's proxy voting process is led by the BIS team, which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock does not support impediments to the exercise of voting rights and will engage regulators and companies about the need to remedy the constraint. Whilst BlackRock does subscribe to research from proxy advisory firms, Institutional Shareholder Services ("ISS") and Glass Lewis, this is just one among many inputs into its voting decision process. Other sources of information BlackRock uses include the company's own reporting, its engagement and voting history with the company, the views of its active investors, public information and ESG research.
In relation to significant votes, BlackRock periodically publishes "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance.

12.1.2 Legal and General Investment Management ("LGIM")

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector, and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. LGIM also takes into account client feedback received at regular meetings and / or *ad hoc* comments or enquiries.

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

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

To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes that require further action.

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

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

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

It is vital that the proxy voting service is regularly monitored and LGIM does this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out LGIM's expectations, an analysis of any issues LGIM has experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of LGIM's formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

LGIM provides information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. It also provides the rationale for all votes cast against management, including votes of support to shareholder resolutions.

12.1.3 Newton

Newton is the investment manager for the BNY Mellon Real Return Fund.

As an active manager, Newton is keen to ensure that the decisions surrounding the exercise of ownership rights are aligned with its investment thesis as well as with its clients' expectations.

Stewardship activities are fundamental to the investment solutions Newton provide its clients. Newton believes the value of its clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Newton considers the activities to be an integral and important part of its investment process. For this reason, Newton prefers to retain discretion in relation to exercising its clients' voting rights and have established policies and procedures to ensure the exercise of global voting rights. Newton's approach has been designed as an investment-led approach that is aligned with Newton's wider investment activities. Newton's long-term approach to investing aligns well with its stewardship intentions by seeking to understand and influence the long-term sustainability of the investments and investment landscape and, ultimately, the long-term investment requirements for which their clients are seeking solutions and which are a key reason why they entrust the Newton Investment Management Group to manage their assets.

Identifying its clients' requirements and expectations is achieved at the outset of their relationship by way of initial discussions and formal provisions within investment management agreements. Regular meetings and ad-hoc requests from clients and their advisors provide them with additional insights. In addition, Newton often delivers presentations and training to clients on a variety of aspects of stewardship, which it believes helps support their expectations of their investment managers and also helps it to evolve its own position in relation to stewardship matters.

In a practical sense, Newton's understanding of clients' stewardship expectations allows them to articulate clearly and explicitly in engagement meetings with companies the importance that the ultimate beneficiaries place on particular issues.

Newton utilises an independent voting service provider for the purposes of managing upcoming meetings and instructing voting decisions via its electronic platform, and for providing research. Its voting recommendations are not routinely followed; it is only in the event that Newton recognises a potential material conflict of interest (as described below) that the recommendation of its external voting service provider will be applied.

Newton's external voting provider is subject to the requirements set by Newton's Vendor Management Oversight Group. As such, regular due diligence meetings are held and minutes maintained with this provider, which includes reviewing its operational performance, service quality, robustness of research and its internal controls, including management of its potential material conflicts of interest. In addition, and along with its other clients, Newton participates in consultations that seek specific feedback on proxy voting matters. This helps ensure alignment of interest between Newton's expectations and the voting recommendations provided by the external provider.

Newton's significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.

12.1.4 Schroders

The corporate governance analysts input votes based on their proprietary research in line with Schroders' house voting policy and do not take voting instructions from their clients. Schroders reports transparently on its voting decisions with rationales on their website.

As active owners, Schroders recognizes its responsibility to make considered use of voting rights. It therefore votes on all resolutions at all AGMs/EGMs globally unless it is restricted from doing so (e.g. as a result of share blocking). Schroders aims to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with its published ESG policy.

The overriding principle governing Schroders voting is to act in the best interests of its clients. Where proposals are not consistent with the interests of shareholders and its clients. Schroders is not afraid to vote against resolutions. It may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

Schroders evaluates voting resolutions arising at its investee companies and, where it has the authority to do so, vote on them in line with Schroders' fiduciary responsibilities in what it deems to be the interests of their clients. Schroders Corporate Governance specialists assess each proposal, applying their voting policy and guidelines (as outlined in their ESG Policy) to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Schroders' specialists will draw on external research, such as the IVIS and ISS, and public reporting. Schroders own research is also integral to their process; this will be conducted by both its financial and Sustainable Investment analysts. For contentious issues, their Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders also engages with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. ISS act as Schroders one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with its own bespoke guidelines, in addition, it receives ISS's Benchmark research. This is complemented with analysis by its in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

Schroders believes that all resolutions when it votes against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.

12.1.5 HSBC Global Asset Management

HSBC exercise its voting rights as an expression of stewardship for client assets. HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors and remuneration linked to performance.

HSBC uses the leading voting research and platform provider ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene their guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines.

HSBC regards the votes against management recommendation as the most significant. With regards to climate, in its engagement, HSBC encourages companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally supports shareholder resolutions calling for increased disclosure on climate-related issues.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	Fund 1[1]	Fund 2[1]	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7
Manager name	BlackRock	BlackRock	LGIM	LGIM	Newton	Schroders	HSBC
Fund name	ACS World (ex-UK) Equity Tracker Fund	ACS UK Equity Tracker Fund	Ethical Global Equity Index Fund	Low Carbon Transition Global Equity Fund	Real Return Fund	Diversified Growth Fund	HSBC Islamic Global Equity Fund
Total size of fund at end of reporting period	£6,772m	£10,574m	£949m	£3,286m	£3,746m	£2,479m	£1,683m
Value of Scheme assets at end of reporting period	£23.4m (DC)	£2.9m (DC)	£0.2m (DC)	£43.3m (DC)	£11.1m (DC) £12.4m (DB)	£11.1m (DC) £12.3m (DB)	£0.0m (DC)
Number of holdings at end of reporting period	1,851	565	1,041	2,791	69	1,059	105
Number of meetings eligible to vote	1,991	680	1,155	4,828	78	1,270	95
Number of resolutions eligible to vote	25,196	10,135	16,602	50,462	1,287	15,662	1,423
% of resolutions voted	95.2%	100.0%	99.8%	99.9%	100.0%	95.3%	97.0%
Of the resolutions on which voted, % voted with management	88.6%[1]	96.1%[1]	82.0%	79.0%	89.2%	85.6%	80.5%
Of the resolutions on which voted, % voted against management	6.6%[1]	3.9%[1]	17.8%	19.9%	10.8%	9.7%	19.8%
Of the resolutions on which voted, % abstained from voting	0.5%[1]	0.5%[1]	0.2%	1.2%	0.0%	0.6%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	31.9%	21.5%	76.0%	66.1%	45.0%	52.0%	78.9%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0.4%	0.0%	13.0%	11.1%	7.0%	2.3%	12.1%

Note: totals may not sum due to rounding.

[1]The manager has confirmed that the figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

12.3 Most significant votes over the Scheme Year

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

The Trustees have interpreted "significant votes" to mean those that:

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

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

12.3.1 BlackRock

ACS World (ex-UK) Equity Tracker Fund

- **Santos Limited, 3 May 2022, Vote cast:** Against resolution**, Outcome of the vote**: Withdrawn
- **Management recommendation:** Against resolution
- **Relevant stewardship priority**: Climate Change
- **Summary of resolution:** Climate related lobbying
- **Rationale for the voting decision:** BIS did not support the resolution as, based on their analysis, they found it to be overly prescriptive given that it seeks to direct the company's climate-related lobbying activities. BIS has long engaged with Santos on this issue, and, over the years, the company has taken a series of actions to conduct a more comprehensive review of their corporate political activities and industry association memberships. As described in BlackRock's 2020 Vote Bulletin, when Santos has identified meaningful differences in position, they have made them known and, in certain cases, exited advocacy groups, most notably the Business Council Australia in October 2019. The company also committed to greater transparency and has published additional disclosures accordingly.

  Based on the company's publicly available disclosures, and their multi-year engagement, BlackRock believe Santos has demonstrated progress in ensuring their corporate political activities and industry association memberships align with their stated policy positions.
- **Approximate size of the Scheme's/ mandate's holding at the date of the vote**: The size of the holding was not available at the time of writing. The Trustees' advisers, on behalf of the Trustees, are liaising with BlackRock to obtain this information.
- **The reason the Trustees considered this vote to be "most significant":** This vote aligns with one of the Trustees' stewardship priorities.
- **Next steps**: BlackRock has been contacted to provide this information, but this wasn't available at the time of writing.

ACS UK Equity Tracker Fund

- **J Sainsbury Plc, 7 July 2022**, **Vote cast:** Against resolution, **Outcome of the vote:** Did not pass
- **Relevant stewardship priority**: Human Capital

- **Management recommendation:** Against resolution

- **Summary of resolution:** Shareholder Resolution on Living Wage Accreditation

- **Rationale for the voting decision:** BIS supports companies paying their workers a wage equal to or above current real living wage rates, and BIS engages with boards and management on their approach to ensuring their company is best placed to recruit and retain the workers on which they depend for their success.

  However, BIS did not support the shareholder proposal. In their view, worker pay policies and rates should be determined by company management, with reference to relevant regulations and board oversight. BIS do not believe it is consistent with their clients' long-term interests to legally bind J Sainsbury plc (Sainsbury's) to peg their pay levels to those set by the Living Wage Foundation, as the passing of the shareholder proposal would require. This decision reflects BIS's view is that it is not the role of shareholders to direct company management to cede control of a key decision, core to the company's ability to deliver their strategy and balance the interests of all stakeholders, to a third-party.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote***:* The size of the holding was not available at the time of writing. The Trustees' advisers, on behalf of the Trustees, are liaising with BlackRock to obtain this information.

- **The reason the Trustee considered this vote to be "most significant":** This vote aligns with one of the Trustees' stewardship priorities.

- **Next steps**: Given the importance of frontline workers to the company's success, BIS will continue to engage with Sainsbury's on their approach to human capital management.

12.3.2 LGIM

Ethical Global Equity Index Fund

- **Texas Instruments Incorporate, 28 April 2022, Vote cast:** Against resolution, **Outcome of the vote**: Passed

- **Relevant stewardship priority**: Business Ethics

- **Management recommendation:** Not disclosed

- **Summary of resolution:** Elect Director Richard K. Templeton

- **Rationale for the voting decision:** A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight, and that a board will be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 0.46%

- **The reason the Trustee considered this vote to be "most significant":** This vote aligns with one of the Trustees' stewardship priorities.

- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

- **Next steps**: LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

LGIM Low Carbon Transition Global Equity Fund

- **Alphabet Inc, 1 June 2022, Vote cast:** For resolution, **Outcome of the vote:** Did not pass

- **Relevant stewardship priority**: Climate Change

- **Management recommendation:** Not disclosed

- **Summary of resolution:** Report on Physical Risks of Climate Change

- **Rationale for the voting decision:** Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 1.15%

- **The reason the Trustee considered this vote to be "most significant":** This vote aligns with one of the Trustees' stewardship priorities.

- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

- **Outcome and next steps**: LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Newton

Real Return Fund

- **Conoco Phillips, 10 May 2022**, **Vote cast:** For resolution, **Outcome of the vote**: Did not pass

- **Relevant stewardship priority**: Business Ethics

- **Management recommendation:** Against resolution

- **Summary of resolution:** Political Lobbying Disclosure

- **Rationale for the voting decision:** Newton supported a shareholder proposal requesting a report on the company's policies and procedures governing both direct and indirect lobbying activities.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 1.17%

- **The reason the Trustee considered this vote to be "most significant":** This vote aligns with one of the Trustees' stewardship priorities and it is rare for a shareholder proposal to achieve majority support.

- **Was the vote communicated to the company ahead of the vote:** No.

- **Next steps**: Newton has been contacted to provide this information, but this wasn't available at the time of writing.

Schroders

Diversified Growth Fund

- **AFC Energy Plc., April 2022. Vote Cast:** Against Resolution, **Outcome of the vote:** Passed

- **Relevant Stewardship Priority:** Business Ethics

- **Summary of resolution:** Accept Financial Statements and Statutory Reports

- **Rationale for the voting decision:** Schroders voted against this resolution because of the following reasons:

    - the Key Committees includes a non-independent member;

    - the performance conditions for the options granted to the Executive Directors relate to share price targets, a measure considered to have a number of drawbacks;

    - the options granted to the Executive Directors under the Transitional Award Plan vest in less than three years;
    - some of the outstanding awards of the Executive Director were repriced during the year under review; and
    - the board is less than 20% female.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** Unknown

- **The reason the Trustee considered this vote to be "most significant":** This was a vote against a management recommendation.

- **Was the vote communicated to the company ahead of the vote:** Schroders may tell the company of their intention to vote against the recommendations of the board before voting, in particular if they are large shareholders or if they have an active engagement on the issue. It always informs companies after voting against any of the board's recommendations.

- **Next steps**: Schroders monitors voting outcomes particularly if they are large shareholders or if they have an active engagement on the issue. If it thinks that the company is not sufficiently responsive to a vote or other engagement work, it may escalate it's concerns by starting, continuing or intensifying an engagement. As part of this activity Schroders may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.

HSBC

Islamic Global Equity Index Fund

- **Starbucks Corporation, March 2023. Vote:** For**, Outcome of the vote:** Passed

- **Relevant Stewardship Priority:** Climate change

- **Summary of resolution:** Shareholder proposal to Report on Plant-Based Milk Pricing

- **Rationale for the voting decision:** HSBC believe that the proposal would enhance accountability in relation to the pricing of plant-based milk.

- **Approximate size of the Scheme's/ mandate's holding at the date of the vote:** 0.65%

- **The reason the Trustee considered this vote to be "most significant":** This vote aligns with one of the Trustees' stewardship priorities.

- **Was the vote communicated to the company ahead of the vote:** No.

- **Next steps**: HSBC will continue to engage on the issue along with other issues of concern and will likely vote against a similar proposal should they see insufficient improvements.