

# Mitie Group Plc Pension Scheme ('Scheme')

31 March 2022 Implementation  
Statement

October 2022

# 1. Introduction

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The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Mitie Group Plc Pension Scheme (the ‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was amended once during the year ending 31 March 2022, and the changes made were due to the change in the Scheme’s investment strategy following the completion of the triennial valuation. The investment strategy incorporated a linear de-risking path to a lower risk strategy based on the investment objective of the Trustee. The SIP was updated by the Scheme’s strategic advisor Lane Clark & Peacock (“LCP”) and Scheme’s SIP came into force from 2 March 2022. A copy of the current SIP can be found here <https://www.mitie.com/legal/pensions-compliance/>.

Following a competitive tender process in September 2020, Schroders Solutions were appointed as the Fiduciary Manager of the Scheme and the primary role is the day-to-day investment management of the Scheme’s investments. The Fiduciary Manager has been delegated responsibility for exercising their powers to give effect to the principles in the SIP as far as is reasonably practicable. The asset transition from the Scheme’s existing investments to the fiduciary mandate began on the 14 June 2021 following the signing of the Fiduciary Management Agreement (“FMA”).

The transition period concluded during Q3 2021; hence this Implementation Statement is focussed on the period from **30 September 2021 to 31 March 2022**.

Whilst the Trustee’s views and conclusions in this Implementation Statement relating to the SIP and how it has been followed also take into account the period of the Scheme Year prior to 30 September 2021, this, along with voting behaviour as applicable, is in the context of the investment transition which took place during the period prior to that date. During such period, the focus of the Trustee was on implementing the investment transition to the Fiduciary Manager. This implementation statement therefore sets out:

- How the Trustee’s policies on exercising voting rights and engagement have been followed over the Scheme Year where Schroders Solutions have managed the Scheme’s investments; and
- The voting by or on behalf of the Trustee during the period, including the most significant votes cast and any use of a proxy voter.
- The voting by or on behalf of the Trustee during the period, including the most significant votes cast and any use of a proxy voter prior to 30 September 2021.

A copy of this Implementation Statement is available on the following website: <https://www.mitie.com/legal/pensions-compliance/>

## 2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

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The Trustee made no changes to the voting and engagement policies contained in the SIP during the year but will keep them under review in future years. The Trustee recognised their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has appointed Schroders IS Limited, formerly known as River and Mercantile Investments Limited ("R&M") as its Investment Manager and Adviser using its Fiduciary Management service (and is referred to as the "**Fiduciary Manager**" in the Implementation Statement). Schroders IS can appoint other investment managers in respect of underlying investments (referred to as "**Underlying Investment Managers**"). The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Scheme's investments are pooled with other investors. Therefore, direct control of the process of engaging with the companies that issue the underlying securities is delegated to those Underlying Investment Managers.

The Trustee have delegated to their Fiduciary Manager the exercise of rights attaching to investments, including voting rights, and engagement with Underlying Investment Managers who invest in issuers of debt and equity, stakeholders, and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors. Although the Trustee do not monitor or engage directly with the Underlying Investment Managers directly, they expect the Fiduciary Manager to exercise ownership rights and undertake monitoring and engagement in line with the Fiduciary Manager's policies on stewardship, considering the long-term financial interests of the members and beneficiaries. As such, the Trustee also identified the engagement priorities to be in line with the Fiduciary Manager's over the relevant period of the Scheme Year. Details of the engagement priorities are included in the next section of the Implementation Statement.

The Trustee also expect the Fiduciary Manager to report on its policies on stewardship from time to time and provide the Trustee with reporting on the results of their engagements and voting activities regularly (at least once a year).

The Trustee believes it is appropriate to delegate above decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time. The Trustee believe the current approach to stewardship is in members and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management as well as climate risk which ultimately will improve the financial outcome for the Scheme's members.

Over the period since the Scheme fully transitioned into Schroders Solutions' fiduciary mandate, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly Trustee meetings held during the relevant period of the Scheme Year.

**Given its activity during the Scheme Year, noting the transition which took place over the period to 30 September 2021 and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.**

### 3. Voting and Engagement Summary

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The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon (“BNYM”), uses a proxy voting company called Institutional Shareholder Services (“ISS”) to exercise these rights on its behalf and monitors ISS’s activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics from September 2021 to March 2022.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- Schroders Solutions’ engagement priorities for 2021 included themes in each of the following categories (examples included in the Appendix):
  - E Climate change: carbon emissions and footprint of our funds
  - S Human capital: employee engagement and satisfaction
  - G Corporate governance: board composition, executive pay / compensation
- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager’s engagement priorities set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
- On behalf of the Trustee, the Scheme’s Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
- Within the **BNYM Global Equity Fund**, which makes up the majority of the Scheme’s investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with a financial services company. BNYM voted for a shareholder proposal requesting the company report on the impact of the use of mandatory arbitration on employees and workplace culture. As this company requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, the company chose to act and produce a response in light of the high level of support which is a good outcome.

- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company's ability to deliver these solutions and products globally as a positive for society that would also boost the company's credit profile.
- For the Aegon Active Beta Property Fund, it is not invested in companies or publicly traded bonds but only private collective investment schemes ("CIS") such as unit trusts or insurance policies. As all the terms and conditions, including remuneration, are set out in each CIS's documentations there are few voting opportunities, hence there are very rarely any votes that could be regarded as significant. In rare cases that there are significant votes due to fundamental changes in the terms of a CIS, extensive investor consultation would have been carried out. However, the manager does meet the underlying investment managers twice a year with meetings cover, amongst other things, ESG issues and Aegon encourages CIS to identify and quantify the Social impact of both the manager and the CIS. Processes are being monitored and Aegon engages with industry bodies to consider good practice and compliance with industrial Code of Practice.
- In relation to the liability hedging mandate, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.
- River and Mercantile Investment Limited ("RAMIL") which was the legal entity of the Fiduciary Manager applicable over the September 2021 to March 2022, was a signatory to the UK Stewardship code 2020. RAMIL has since been acquired by Schroders from 1 February 2022. Schroders is also a signatory to the UK Stewardship code.

**The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.**

## Appendix 1 – Voting & Engagement statistics

### 1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee, and we cover these here.

Over the year to 31 March 2022, the Fiduciary Manager voted on 111 resolutions across 27 meetings. The Fiduciary Manager voted against management on 6 resolutions which was 5.7% of total resolutions and abstained on 6 resolutions (5.7% of the total resolutions).

The Schroders IS Investment Research team engaged with underlying investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager voted against the reappointing of the fund board due to independence concerns and details how the Fiduciary Manager progressed the engagement over time to reach a point where they are able to support the Company's board.

The engagement related to an umbrella company domiciled in Luxembourg, run by a large global investment manager. Schroders IS first raised concern about the lack of independent fund board members in the Operational Due Diligence onsite visit in October 2018. In April 2019 and 2020, Schroders IS voted against a resolution reappointing 100% non-independent directors. In 2020 a non-executive director was nominated for appointment; however, Schroders IS again felt unable to support the resolution as the Fiduciary Manager had been engaging on the basis of a minimum of 2 independent directors and the new non-executive was also not fully independent as a partner at the legal advisor to the fund. The 2021 Annual General Meeting notice included a resolution to appoint an independent director with significant regulatory experience, Schroders IS felt it appropriate to conclude that the fund had reached Schroders IS's minimum threshold of two independent directors and to support the board resolutions.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise.
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided.
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plan to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

Top engagement themes	
Manager A – Equity	<ul style="list-style-type: none"> <li>▪ Board independence and diversity</li> <li>▪ Incorporating ESG into employee training and appraisals/remuneration</li> <li>▪ Voting policy and engagement processes</li> </ul>
Manager B – Alternatives	<ul style="list-style-type: none"> <li>▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies</li> <li>▪ Board independence and diversity</li> </ul>

	<ul style="list-style-type: none"><li>▪ Formalise voting and engagement policy</li></ul>
Manager C – Alternatives	<ul style="list-style-type: none"><li>▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies</li><li>▪ Formalise voting and engagement policy</li><li>▪ Formalise ESG investment policy</li></ul>
Manager D – Alternatives	<ul style="list-style-type: none"><li>▪ Formalise diversity policy</li><li>▪ Formalise voting and engagement policy</li><li>▪ Formalise ESG investment policy</li></ul>
Manager E – Alternatives	<ul style="list-style-type: none"><li>▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business.</li><li>▪ Formalise diversity policy</li><li>▪ Formalise ESG investment policy</li></ul>

## 2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c. 15 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

### Summary of voting activity – mandates as at 31 March 2022

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund	Aegon Active Beta Property Fund
Total meetings eligible to vote	882	5,268	4
Total resolutions eligible to vote	11,989	54,483	11
% of resolutions did you vote on for which you were eligible?	97%	99%	100%
% did vote with management?	88%	94%	82%
% vote against management?	8%	5%	18%
% abstained	1%	2%	0%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%	0%

#### Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withhold in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withhold and votes abstained. BNYM also did not vote on 3% of the overall proposals.
- Aegon makes a voting recommendation to Mobius Life on what it believes to be in the best interests of the fund as a whole. Therefore, Clients' individual preferences may not be taken into account. There are no significant votes due to the nature of the investments
- 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 different ways, or a vote of “Abstain” is also considered a vote against management.
- The Scheme fully transitioned into Schrodgers Solutions’ fiduciary mandate from September 2021, as such the voting activity statistics above and engagement examples may not apply specifically to the Scheme for the whole 12 months period.



### 3. Examples of most significant votes carried out by the Underlying Managers

Engagement priorities	Examples
Climate change: carbon emissions and footprint of our funds	Origin Energy Limited
Human capital: employee engagement and satisfaction	Microsoft, Goldman Sachs
Corporate governance: board composition, executive pay and compensation	FedEx

#### BNYM Global Equity Fund

##### Microsoft

In November 2021, BNYM supported a shareholder proposal that requested a report on effectiveness of workplace sexual harassment policies. Given Microsoft faces a litany of potential controversies in recent years, BNYM believe a transparent report allows shareholders to more adequately assess if the company is addressing these risks effectively. The proposal passed with majority support, forcing Microsoft to report on the effectiveness of workplace sexual harassment policies.

##### Goldman Sachs

In April 2021, BNYM voted for a shareholder proposal requesting Goldman Sachs report on the impact of the use of mandatory arbitration on employees and workplace culture. As Goldman Sachs requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, Goldman Sachs chose to act and produce a response in light of the high level of support which is a good outcome despite the result of the proposal.

#### Vanguard FTSE All-World ETF Fund

##### ORIGIN ENERGY LIMITED

Origin is the second-largest utility provider in Australia. Over the last several years, activist groups have targeted Origin as one of the largest carbon emitters in Australia. Vanguard has engaged with Origin's board and company leaders over many years and the recent discussions have been focused on the company's climate risk mitigation and energy transition plans.

At the annual meeting on 20 October 2021, Vanguard considered, but did not support, several shareholder proposals requesting that company to publish a report on water quality and groundwater management at its sites, temporarily halt operations in area with cultural heritage sites, publicly disclose all materials and agreements used in consent negotiations with Indigenous communities, suspend membership in industry groups whose goals don't align with the Paris Agreement and commit to align all material future capital expenditures with a 1.5 degrees global warming limit.

Vanguard evaluates the materiality and oversight of these various risks on a case-by-case basis. Should there be gaps in the company's current disclosures or disconnects with long-term strategy, Vanguard may vote in favour of shareholder proposals that seek enhanced reporting of the company's approach to risk oversight and strategy alignment. Based on the analysis carried out, Vanguard expressed their support for the revision of the climate targets and their expectation that Origin would update its disclosure, however they did not support the capital allocation proposal by shareholder as they believed that the proposal was aimed at directing the company's strategy away from gas operations, which was overly prescriptive. In addition, Vanguard found the company's governance and oversight processes on climate risks were sufficient, and related disclosures were appropriate and Origin should retain flexibility to manage its relations with industry associations. As a result, Vanguard decided to not support the proposal on climate-related lobbying resolution at this time but encouraged the board to continue to prioritise its review and oversight of the risks highlighted by the proposal, particularly related to organisations that are not fully aligned to the Paris Agreement. Finally, for the water, cultural heritage and consent resolution, Vanguard concluded that Origin had taken appropriate and sufficient action to manage related risks and impacts and was providing adequate reporting to the public. The resolution was deemed overly prescriptive because they sought to dictate the company's operations.

The votes were considered because they were related to climate risk. Although Vanguard did not support the shareholder's proposals, Vanguard has called on companies and their boards to enhance disclosure on oversight and management of a company's material risks. Market norms, regulations, and investor expectations are moving toward greater disclosure on governance matters. The Trustee can expect Vanguard, through their engagements, proxy voting and public advocacy, to continue to seek relevant, decision-useful information on material risks including climate change.

## FEDEX

FedEx is a US based package logistics company. At the annual meeting for FedEx on 27 September 2021, Vanguard supported a nonbinding management proposal seeking approval for the compensation of named executive officers and a shareholder proposal requesting that the board report on the company's lobbying-related oversight, policies and expenditures. However, Vanguard did not support a shareholders' proposal that requested reports on how the company's policies may reinforce racism within its corporate culture.

For the proposal to ratify named executive officers' compensation, Vanguard's review revealed strong pay for performance alignment on a relative basis and determined that the plan appropriately represented the shareholders' interests and incentivised executives to think about the company's long-term success. Therefore, Vanguard supported this year's executive compensation plan.

For the proposal to report on racism in FedEx's corporate culture, Vanguard are encouraged to see the company's strong commitment to continually improving its diversity-related disclosures through its annual ESG report. Company leaders were receptive to feedback that investors would benefit from additional disclosure on the board's assessment of the effectiveness of its diversity-related efforts. Vanguard did not support the proposal because Vanguard believe the company has provided extensive disclosure of its diversity, equity and inclusion efforts and the board remains committed to improving this reporting.

## Appendix 2 – ESG, Voting and Engagement Policies

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Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
River and Mercantile Investments Limited	The Voting and Engagement policies were provided to the Trustee directly
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below:  <a href="https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html">https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html</a>
Vanguard	<b>Disclosure of rationale of voting</b> can be found: <a href="https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary">https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary</a>
Aegon	The voting and engagement policies document was provided to the Trustee directly
CBRE	<b>CBRE Global ESG policy:</b> <a href="https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf">https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf</a>
Neuberger	<a href="https://www.nb.com/en/global/esg/engagement">https://www.nb.com/en/global/esg/engagement</a>

## Appendix 3 – Description of voting data (1 April 2021 to 30 September 2021)

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The below section refers to the period from 1 April 2021 to the transition of the Scheme's assets to its newly appointed fiduciary manager, Schroders.

Over that period, the Scheme's holdings in listed equities were within pooled funds and the Trustee had delegated to its investment managers the exercise of voting rights. Therefore, the Trustee was not able to direct how votes are exercised and the Trustee itself did not use proxy voting services over this period.

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

- L&G UK Equity Index Fund
- L&G North America Equity Index Fund
- L&G North America Equity Index Fund GBP Hedged
- L&G Europe (ex-UK) Equity Index Fund
- L&G Europe (ex-UK) Equity Index Fund GBP Hedged
- L&G Japan Equity Index Fund
- L&G Japan Equity Index Fund GBP Hedged
- L&G Asia Pac (ex-Japan) Equity Index Fund
- L&G Asia Pac (ex-Japan) Equity Index Fund GBP Hedged
- Capital Group Emerging Markets Total Opportunities Fund
- Baillie Gifford Multi Asset Growth Fund
- Ruffer Absolute Return Fund

### Description of the voting processes

#### L&G

All decisions are made by L&G'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 the voting is undertaken by the same individuals who engage with the relevant company. This ensures its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the voting decision process, therefore sending consistent messaging to companies.

L&G's Investment Stewardship team uses proxy provider, ISS's ProxyExchange electronic voting platform to electronically vote clients' shares. However, all voting decisions are made by L&G and the use of ISS recommendations is solely to augment its 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 are received from ISS for UK companies when making specific voting decisions.

To ensure that the proxy provider votes in accordance with L&G's position on ESG, L&G has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G consider are minimum best practice standards, irrespective of local regulation or practice.

L&G also retains the ability in all markets to override any vote decisions, which is based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to its voting judgement. L&G 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 us of rejected votes which require further action.

In determining significant votes, L&G'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 L&G's annual Stakeholder roundtable event, or where L&G notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an L&G engagement campaign, in line with its Investment Stewardship's 5-year ESG priority engagement themes.

## CAPITAL

Capital's proxy voting process is informed by a set of proxy guidelines that are updated annually by the Guidelines Committee. The Guidelines Committee is comprised of senior members of the Investment Group. Capital's in-house Global Stewardship & Engagement (GSE) team researches each proxy and incorporates insights from any engagement with the company. The GSE team then provides guidance on proxy items to the Analysts, who add further commentary and finalise their recommendations. From there, the proxy may proceed for additional review by senior investment professionals in each region, known as Proxy Coordinators and Proxy Voting Committees. The process is designed to benefit from multiple decision-makers, whose collective experience brings a breadth of knowledge to the specific issues. Capital's proxy voting process is applied globally.

ISS is used for electronic vote execution services only – Capital does not follow or consider proxy advisors' vote recommendations in order to reach its own vote decision. Each proxy ballot is reviewed by the GSE team who facilitate the proxy voting process. Capital relies primarily on its own proprietary research in evaluating companies. To provide supplementary analysis of resolutions at shareholder meetings, Capital may review proxy research from third party vendors. However, voting decisions are made according to its internal voting policies and Capital Group Investment Analysts' recommendations, with the final decision being made by the Proxy Voting Committee of the relevant division who oversee the voting process.

## BAILLIE GIFFORD

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote, then it will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Unlike many of its peers, Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. Baillie Gifford utilises research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and it endeavours to vote every one of its clients' holdings in all markets.

The list below is not exhaustive, but exemplifies potentially significant voting situations:

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

## RUFFER

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer note that it is cognisant of proxy advisers' voting recommendations, in general, they do not delegate or outsource their stewardship activities when deciding how to vote on clients' shares.

Research analysts are responsible, supported by the responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

Ruffer will look to discuss with companies any relevant or material issue that could impact an investment. If it is decided to vote against the recommendations of management, they will endeavour to communicate this decision to the company before the vote along with the explanation for doing so.

## Summary of voting behaviour over the period

As noted earlier in this Section, at the end of September 2021 the Trustee switched all of its holdings to Schroders as fiduciary manager for the Scheme. The Trustee has sought to obtain the relevant voting data for all funds; however, the managers were unable to provide information for part-year periods. As such, we have set out the voting statistics for the full Scheme Year (1 April 2021 to 31 March 2022), rather than for the period of investment.

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

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	L&G	L&G	L&G	L&G	L&G
Fund name	UK Equity Index Fund	North America Equity Index Fund	North America Equity Index Fund GBP Hedged	Europe (ex UK) Equity Index	Europe (ex UK) Equity Index GBP Hedged
Total size of fund at end of reporting period	£18,537m	£34,151m	£13,781m	£10,794m	£3,592m
Value of Scheme assets at end of reporting period (£)	-	-	-	-	-
Number of holdings at end of reporting period	566	642		497	
Number of meetings eligible to vote	772	663		549	
Number of resolutions eligible to vote	10,813	8,181		9,447	
% of resolutions voted	100.0%	99.7%		99.8%	
Of the resolutions on which voted, % voted with management	93.1%	70.4%		82.2%	
Of the resolutions on which voted, % voted against management	6.9%	29.5%		17.1%	
Of the resolutions on which voted, % abstained from voting	0.0%	0.1%		0.7%	
Of the meetings in which the manager voted, % with at least one vote against management	43.6%	94.7%		76.9%	
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	5.4%	23.4%		8.5%	

	Fund 6	Fund 7	Fund 8	Fund 9
Manager name	L&G	L&G	L&G	L&G
Fund name	Japan Equity Index	Asia Pacific (ex Japan) Equity Index Fund	Asia Pacific (ex Japan) Equity Index Fund GBP Hedged	Japan Equity Index GBP Hedged
Total size of fund at end of reporting period	£5,668m	£4,573m	£1,327m	£1,873m
Value of Scheme assets at end of reporting period (£)	-	-	-	-

Number of holdings at end of reporting period	510	421
Number of meetings eligible to vote	512	499
Number of resolutions eligible to vote	6,109	3,457
% of resolutions voted	100.0%	100.0%
Of the resolutions on which voted, % voted with management	86.6%	73.4%
Of the resolutions on which voted, % voted against management	13.3%	26.4%
Of the resolutions on which voted, % abstained from voting	0.0%	0.2%
Of the meetings in which the manager voted, % with at least one vote against management	75.0%	72.9%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.4%	16.6%

	<b>Fund 10</b>	<b>Fund 11</b>	<b>Fund 12</b>
Manager name	Capital Group	Baillie Gifford	Ruffer
Fund name	Emerging Markets Total Opportunities Fund	Multi Asset Growth Fund	Absolute Return Fund
Total size of fund at end of reporting period	£760m	£2,216m	£5,310m
Value of Scheme assets at end of reporting period (£)	-	-	-
Number of holdings at end of reporting period	112	74	81
Number of meetings eligible to vote	177	111	96
Number of resolutions eligible to vote	1,846	1,373	1,307
% of resolutions voted	96.6%	86.6%	100.0%
Of the resolutions on which voted, % voted with management	87.7%	96.5%	91.7%
Of the resolutions on which voted, % voted against management	8.7%	3.4%	6.4%
Of the resolutions on which voted, % abstained from voting	3.6%	0.2%	1.8%
Of the meetings in which the manager voted, % with at least one vote against management	34.9%	18.9%	42.7%
Of the resolutions on which the manager voted, % voted contrary	N/A	N/A	6.8%

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to recommendation of  
proxy advisor

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## Most significant votes over the Scheme Year

Commentary on significant votes over the period, from the Scheme's asset managers which held listed equities, is set out below. We have selected one vote for each fund and tried to capture a range of ESG factors.

### L&G UK Equity Index Fund

- **Informa Plc, United Kingdom, June 2021. Vote:** Against all resolutions. **Outcome of the vote:** For (resolutions 3, 5 and 7), Against (resolution 11).

**Summary of resolution:** Re-elect Stephen Davidson, Mary McDowell and Helen Owers (resolutions 3, 5 and 7), and Approve Remuneration Report (resolution 11)

**Rationale:** The company's prior three Remuneration Policy votes – in 2018, June 2020, and at a General Meeting that was called in December 2020 – each received high levels of dissent, with 35% or more of votes cast against. At the December 2020 meeting, the Remuneration Policy and the Equity Revitalisation Plan (EVP) received over 40% of votes against. The EVP was structured to award the CEO restricted shares to a value of 600% of salary. L&G has noted its concerns with the company's remuneration practices for many years. Due to continued dissatisfaction, L&G again voted against the proposed Policy at the December 2020 meeting. However, despite significant shareholder dissent at the 2018 and 2020 meetings, the company implemented the awards under the plan, a few weeks after the December meeting. Additionally, the Remuneration Committee has adjusted the performance conditions for the FY2018 long-term incentive plan (LTIP) awards while the plan is running, resulting in awards vesting where they would otherwise have lapsed. Due to consistent problems with the implementation of the company's Remuneration Policy and the most recent events as described above, L&G has voted against the Chair of the Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, L&G has taken the decision to escalate its vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.

**Criteria against which this vote has been assessed as "most significant":** L&G considers this vote to be significant as it took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring its vote intention is an important tool in L&G's engagement activities. L&G decided to pre-declare its vote intention for several reasons, including as part of L&G's escalation strategy, where it considers the vote to be contentious, or as part of a specific engagement programme.

### L&G North America Equity Index Fund (GBP Hedged and Unhedged)

- **NVIDIA Corporation, United States, June 2021. Vote:** Against. **Outcome of the vote:** For.

**Summary of resolution:** Elect Director Harvey C. Jones

**Rationale:** L&G views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. For 10 years, L&G has been using its position to engage with companies on this issue. As part of its efforts to influence its investee companies on having greater gender balance, in 2020, L&G increased its expectations on gender diversity on the board by placing a vote against the largest 100 companies in the S&P500 and the S&P/TSX where there is less than 25% women on the board. In 2021, L&G expanded the scope of its vote policy to include all companies in the S&P 500 and the S&P/TSX. L&G's expectation is for all companies in this market to reach a minimum of 30% women on the board and at senior management level by 2023.

**Criteria against which this vote has been assessed as "most significant":** L&G views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

### L&G Europe (ex UK) Equity Index Fund (GBP Hedged and Unhedged)

- **Volkswagen AG, Germany, July 2021. Vote:** Against. **Outcome of the vote:** For.

**Summary of resolution:** Approve Discharge of Management Board and Supervisory Board members

**Rationale:** Whilst L&G notes the progress made by the company in its strategy towards the transition to a lower emission world, L&G remains concerned regarding the handling of the diesel emissions scandal of 2015



by the management and supervisory boards and the overall governance structure of the company. In particular, L&G notes a lack of transparency regarding the handling of the crisis, including any lessons learnt by the boards, how sufficient internal control mechanisms have been put in place, and any progress made around improvement of corporate culture.

**Criteria against which this vote has been assessed as “most significant”:** A vote against the discharge of responsibility of both the management and supervisory boards is a rare step in L&G's escalation policy.

#### L&G Japan Equity Index Fund (GBP Hedged and Unhedged)

- **Recruit Holdings CO., Ltd., Japan, June 2021. Vote:** Against. **Outcome of the vote:** For.

**Summary of resolution:** Amend Articles to Allow Virtual Only Shareholder Meetings

**Rationale:** Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal will authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved. L&G believes the proposed language fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.

**Criteria against which this vote has been assessed as “most significant”:** This was a high-profile vote where the company proposed a change in articles to allow virtual-only AGMs beyond the temporary regulatory relief effective for 2 years from June 2021.

#### L&G Asia Pacific (ex Japan) Equity Index Fund (GBP Hedged and Unhedged)

- **Mapletree Logistics Trust, Singapore, July 2021. Vote:** Against. **Outcome of the vote:** For.

**Summary of resolution:** Adopt Report of the Trustee, Statement by the Manager, Audited Financial Statements and Auditors' Report

**Rationale:** A vote against is applied as the company is deemed to not meet L&G's minimum standards regarding climate risk management and disclosure.

**Criteria against which this vote has been assessed as “most significant”:** L&G considers this vote to be significant as it is applied under the Climate Impact Pledge – its flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

#### Capital Group Emerging Markets Total Opportunities Fund

- **Avenue Supermarts Ltd., India, July 2021. Vote:** Against. **Outcome of the vote:** For.

**Summary of resolution:** Approve Commission to Independent Directors

**Rationale:** Compensation structure includes a variable component.

**Criteria against which this vote has been assessed as “most significant”:** Vote against management.

#### Baillie Gifford Multi Asset Growth Fund

- **Galaxy Entertainment Group Ltd., Hong Kong, May 2021. Vote:** Against. **Outcome of the vote:** For.

**Summary of resolution:** Incentive Plan

**Rationale:** Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. In addition, Baillie Gifford felt the level of dilution was not in the interests of shareholders.

**Criteria against which this vote has been assessed as “most significant”:** This resolution is significant because it received greater than 20% opposition.

## Ruffer Absolute Return Fund

- **Royal Dutch Shell, United Kingdom, May 2021. Vote:** For. **Outcome of the vote:** For.

**Summary of resolution:** Vote on management resolution relating to the company's climate transition plan

**Rationale:** Ruffer supported Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made because of engagement and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100+. Ruffer are committing to continued engagement with the company to work on details of the company's transition plans to ensure absolute emission equivalent targets sit alongside short- and medium-term intensity targets, and the need for further alignment on capital expenditure. As a founding member of Climate Action 100+ initiative, Ruffer has engaged with Shell collaboratively and individually over several years and is looking forward to continuing engagements, focusing on the company's progress on its transition plan.

**Criteria against which this vote has been assessed as "most significant":** Ruffer believes this vote will be of particular interest to its clients. The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.