

## **Highlands and Islands Enterprise Superannuation Scheme ('the Scheme') – Implementation Statement 6<sup>th</sup> April 2022 - 5<sup>th</sup> April 2023**

An Implementation Statement ('Statement') has been prepared in accordance with applicable legislation, taking into account guidance from The Pensions Regulator for the period from 6<sup>th</sup> April 2022 - 5<sup>th</sup> April 2023 ('the Scheme Year').

The Statement sets out how, and the extent to which, the Trustees policy in relation to exercising voting rights has been followed during the year by describing the voting behaviour on behalf of the Trustees of the Scheme.

The Trustees have used Minerva Analytics ('Minerva') to obtain voting and investment engagement information ('VEI') on the Scheme's behalf.

This Statement includes Minerva's report on key findings on behalf of the Trustees over the Scheme Year.

A summary of the key points is set out below. Where investment managers were unable to provide data for the exact Scheme Year dates, coverage period has been provided in brackets.

### **Aviva**

Aviva stated that there was no voting information to report. Fund level information was provided on engagements although this was not in line with Scheme's reporting period as Aviva are not able to provide part month or monthly data, only yearly (coverage period 01/01/22 to 31/12/22). From this, Minerva was able to conclude that the manager had followed the Trustees' engagement policy, noting that more detailed information could have been provided by the manager.

### **Baillie Gifford**

Baillie Gifford's voting activity was in line with the Trustees' policy. Whilst Minerva believes that the voting policies and disclosures broadly comply with the International Corporate Governance Network (ICGN) Voting Guidelines Principles and good corporate governance practices, there were minor areas of divergence within audit & reporting and remuneration due to a lack of detail in their policy. Despite this, Minerva was able to conclude that Baillie Gifford's voting policies are broadly in line with good practice.

The manager provided detailed fund level engagement information. Voting and engagement information was not provided in line with Scheme's reporting period as Baillie Gifford are unable to provide part month data, only monthly (coverage period 01/04/2022 to 31/03/23). Minerva was able to determine that Baillie Gifford followed the Trustees' voting and engagement policies.

### **Legal and General Investment Management ('LGIM')**

LGIM's voting and engagement information was provided for the Diversified Fund and the World Equity Index – GBP hedged, albeit it was for a slightly different reporting period versus the Scheme Year (coverage period 01/04/2022 to 31/03/23). That said, based on the information provided, Minerva was able to conclude that the manager's voting policies and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices. They were also able to confirm that the manager's voting activity has followed the Trustees' policy.

LGIM provided engagement information at a fund level but only included basic summarised information. Both LGIM's voting and engagement information covered a period that is not in line with the Scheme's reporting period as the manager was not able to provide monthly data, only quarterly. The Trustees will continue to encourage LGIM to provide detailed information, in line with Scheme's reporting period, but acknowledge that the information provided was in line with the Trustees' own policies.

In relation to LGIM's Matching Core LDI Funds, it was determined that the Scheme's holdings had no voting or engagement information to report due to nature of the underlying holdings.

Engagement activity information was provided for LGIM's Sterling Liquidity Fund, noting that the coverage period was slightly different to the Scheme's investment period. Due to the nature of this fund, it was concluded that there was no voting activity to report.

### **M&G Investments**

It was determined by Minerva that the Scheme's holdings in the M&G Alpha Opportunities Fund and the M&G Sustainable Total Return Credit Investment Fund have no voting information to report due to nature of the underlying holdings. M&G provided detailed fund level engagement information but this was outside the Scheme's reporting period as the manager is not able to provide part month data, only monthly (coverage period 01/04/22-31/03/23). Based on the information provided Minerva was able to determine that M&G followed the Trustees' engagement policies.

### **Oak Hill Advisors ('OHA')**

Minerva confirmed that OHA's voting policy was in line with Trustees' policy. The manager provided voting information in line with Scheme's holding period but did not provide significant votes as the primary focus of the fund is on fixed interest assets (albeit it is possible the fund may have small equity positions) which have limited voting rights. For this reason the manager is also not a signatory to the UK Stewardship Code. OHA provided detailed fund level engagement information that is in line with the Scheme's reporting period. Minerva was able to determine OHA followed the Trustees' voting and engagement policies.

### **Annuities**

The Scheme invests in annuities and given the nature of the policies, the Trustees' view is that voting and engagement practices of the providers do not need to be covered.

### **Final Comments**

Since last year, there has been an improvement in the information provided from Aviva who provided detailed fund level engagement information. LGIM also provided fund level engagement information this year but this remained basic. Baillie Gifford could further improve by providing more detail on audit & reporting and remuneration in their voting policy. OHA have improved by providing information in line with the Scheme's reporting period and by increasing the level of detail provided on engagements.

Aviva, LGIM, Baillie Gifford and M&G could all improve by providing information in line with Scheme's reporting period. The Trustees will continue to encourage these managers to provide detailed information in line with Scheme's reporting period.

Minerva will seek any outstanding information and will agree a way forward on any actions identified with the Trustees once this information is available.

# Highlands and Islands Enterprise Superannuation Scheme

Spence & Partners Limited

## Implementation Statement (IS): Voting & Engagement Information (VEI) Report

Scheme Reporting Period:  
6<sup>th</sup> April 2022 to 5<sup>th</sup> April 2023

13<sup>th</sup> June 2023

# Contents

---

1	SIP Disclosures	3
2	Sourcing of Voting and Engagement Information	7
3	Voting and Engagement	9
4	Exercise of Voting Rights	11
5	Manager Voting Policy	14
6	Manager Voting Behaviour	16
7	Significant Votes	18
8	Manager Engagement Information	34
9	Conclusion	46

# 1 SIP Disclosures

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year-end relating to the following:

1. Financially Material Considerations
2. Non-Financial Considerations
3. Investment Manager Arrangements

Stewardship - including the exercise of voting rights and engagement activities - is set out in the 'Voting and Engagement' section.

Source of Information:

*Highlands and Islands Enterprise Superannuation Scheme  
Statement of Investment Principles  
August 2022*



## 1.1 Financially Material Considerations

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. They believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes that they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their investment managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment managers' own policy on socially responsible investment. The Trustees will assess that this corresponds with their responsibilities to the beneficiaries of the Scheme with the help of their investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustees will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and their investments;
- Use ESG ratings information provided by their investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via their investment consultant.

If the Trustees determine that financially material considerations have not been factored into the investment managers' process, they will take this into account on whether to select or retain an investment.

## 1.2 Non-Financial Considerations

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

## 1.3 Investment Manager Arrangements

### *Incentives to align investment managers' investment strategies and decisions with the Trustees' policies*

The Scheme invests in pooled funds and so the Trustees acknowledge the funds' investment strategies and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then select managers that best suits their strategy taking into account the fees being charged, which acts as the investment manager's incentive.

The Trustees use the fund objective/benchmark as a guide on whether their investment strategy is being followed and monitor this regularly.

***Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term***

The Trustees select managers based on a variety of factors including investment philosophy and process, which they believe should include assessing the long term financial and non-financial performance of the underlying company that they invest in.

The Trustees also consider the managers' voting and ESG policies and how they engage with a company as they believe that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their managers to make every effort to engage with investee companies but acknowledge that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but do expect that by investing in those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme. The Trustees believe that the annual fee paid to the investment managers incentivises them to do this.

If the Trustees feel that the investment managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, they will use these factors in deciding whether to retain or terminate a manager.

***How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' policies***

The Trustees review the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustees assess the performance of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The investment managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of their investment consultant to ensure it is in line with the Trustees' policies.

***How the Trustees monitor portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range***

The Trustees monitor the portfolio turnover costs on an annual basis.

The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant

***The duration of the arrangement with the investment managers***

The Trustees plan to hold each of their investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the investment managers can lead to the duration of the arrangement being shorter than expected.



# 2 Sourcing of Voting and Engagement Information

This section sets out the availability of the information Minerva initially requested from the Scheme's managers, to facilitate the preparation of this report:

**Table 2.1: Summary of Available Information**

Fund Manager	Investment Fund/Product	Voting Information	Significant Votes	Engagement Information
<b>Aviva</b>	Aviva Lime Property Fund	No Info to Report	No Info to Report	Part Info Available
<b>Baillie Gifford</b>	Emerging Markets Leading Companies Fund	Part Info Available	Full Info Available	Part Info Available
<b>LGIM*</b>	Diversified Fund	Part Info Available	Full Info Available	Part Info Available
	LDI Funds (6 funds)	No Info to Report	No Info to Report	No Info to Report
	Sterling Liquidity Fund	No Info to Report	No Info to Report	Part Info Available
	World Equity Index Fund – GBP hedged variant	Part Info Available	Full Info Available	Part Info Available
<b>M&amp;G</b>	Alpha Opportunities Fund	No Info to Report	No Info to Report	Part Info Available
	Sustainable Total Return Credit Investment Fund	No Info to Report	No Info to Report	Part Info Available
<b>Oak Hill Advisors</b>	Diversified Credit Strategies Fund	Full Info Available	No Info to Report	Full Info Available

\* LGIM have requested that a Disclaimer be shared, which should be read in relation to any stewardship information provided by them. It can be found at the end of this report.

## Table Key

- Full Info Available** The manager has provided either a PLSA Voting Template or voting data that **precisely** matches the specific investment's holding / reporting period
- Part Info Available** The manager has provided either a PLSA Voting Template or voting data that **partially** matches the specific investment's holding / reporting period
- No Info to Report** The manager has explicitly stated that there is no voting or engagement information to report for this specific investment or that it is not expected there will be any voting or engagement information to report due to the nature of the underlying investments
- No Info Provided** At the time of preparing this report, the manager has either not formally responded to the information request or has not provided information when we believe there should be information to report



## Minerva Says:

### Voting Activity

There was voting information disclosed for the Scheme's investments in the following funds:

- Baillie Gifford Emerging Markets Leading Companies Fund
- LGIM Diversified Fund
- LGIM World Equity Index Fund – GBP hedged variant
- Oak Hill Advisors Diversified Credit Strategies Fund

### Significant Votes

There was 'Significant Vote' information disclosed for the Scheme's investments in the following funds:

- Baillie Gifford Emerging Markets Leading Companies Fund
- LGIM Diversified Fund
- LGIM World Equity Index Fund – GBP hedged variant

### Engagement Activity

There was reportable engagement information provided for the Scheme's investments with the following managers:

- Aviva Lime Property Fund
- Baillie Gifford Emerging Markets Leading Companies Fund
- LGIM Diversified Fund
- LGIM Sterling Liquidity Fund
- LGIM World Equity Index Fund – GBP hedged variant
- M&G Alpha Opportunities Fund
- M&G Sustainable Total Return Credit Investment Fund
- Oak Hill Advisors Diversified Credit Strategies Fund

# 3 Voting and Engagement

The Trustees are required to disclose the voting and engagement activity over the Scheme year. The Trustees have used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This statement provides a summary of the key information and summarizes Minerva's findings on behalf of the Scheme over the Scheme's reporting year.

The voting and engagement activity undertaken by the Scheme's managers, as reported by them and set out in this document, has been in the scheme members' best interests inasmuch that it demonstrates that the Scheme's managers have undertaken stewardship activity they deem to be appropriate and proportionate in the oversight and management of the Scheme's investments.

## 3.1 Voting and Engagement Policy and Funds

The Trustees' policy on Stewardship from the Scheme's SIP is set out below:

*The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.*

*The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment managers' voting policies, with the help of their investment consultant, and decide if they are appropriate.*

*The Trustees also expect the investment managers to engage with investee companies on the capital structure and management of conflicts of interest.*

*If the policies or level of engagement are not appropriate, the Trustees will engage with the specific investment manager, with the help of their investment consultant, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.*

*The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments that they manage.*

The following table sets out:

- The funds and products in which the Scheme was invested during the Scheme's reporting period;
- The holding period for each fund or product; and
- Whether each investment manager made use of a 'proxy voter', as defined by the Regulations

**Table 3.1: Scheme Investment/Product Information**

Fund Manager	Investment Fund/Product	Investment Made Via	Fund / Product Type	Period Start Date	Period End Date	'Proxy Voter' Used?
Aviva	Aviva Lime Property Fund	Direct	DB Fund	06/04/2022	05/04/2023	N/A
Baillie Gifford	Emerging Markets Leading Companies Fund	Direct	DB Fund	06/04/2022	05/04/2023	ISS & GLASS LEWIS
	Diversified Fund	Direct	DB Fund	06/04/2022	05/04/2023	ISS
LGIM*	LDI Funds (6 funds)	Direct	DB Fund	06/04/2022	05/04/2023	N/A
	Sterling Liquidity Fund	Direct	DB Fund	06/04/2022	19/12/2022	N/A
	World Equity Index Fund – GBP hedged variant	Direct	DB Fund	06/04/2022	05/04/2023	ISS
M&G	Alpha Opportunities Fund	Direct	DB Fund	06/04/2022	01/11/2022	N/A
	Sustainable Total Return Credit Investment Fund	Direct	DB Fund	20/12/2022	05/04/2023	N/A
Oak Hill Advisors	Diversified Credit Strategies Fund	Direct	DB Fund	06/04/2022	30/11/2022	NO

### Minerva Says

As shown in the table above:

- Baillie Gifford identified Institutional Shareholder Services, or 'ISS' and Glass Lewis as their 'Proxy Voters'
- LGIM also identified 'ISS' as their 'Proxy Voter'
- Oak Hill Advisors, who only occasionally hold equities as a by product of their fixed interest investments, do not use a 'Proxy Voter'
- The investments shown as 'N/A' had no listed equity voting activity associated with them, and so had no need for a proxy voter

# 4 Exercise of Voting Rights

The following tables show a comparison of each of the Scheme's relevant manager(s) voting activity versus the Trustees' policy (which in this instance is the manager's own policy).

**Table 4.1: Baillie Gifford's Approach to Voting**

<b>Asset manager</b>	Baillie Gifford
<b>Relevant Scheme Investment(s)</b>	Emerging Markets Leading Companies Fund

[Baillie Gifford's Governance and Sustainability - 2022 Principles and Guidelines](#) sets out Baillie Gifford's stewardship approach and how they integrate environmental, social and governance (ESG) matters into their investment process. They say: *'As a private partnership, we know from our own experience how critical ownership structures and corporate cultures can be to the success and longevity of a business. Too often in asset management, active ownership or 'stewardship' and ESG matters are an afterthought. As a truly long-term investor these issues are central to how Baillie Gifford invests, how we manage our own affairs and how we interact with our clients.'*

Baillie Gifford's Voting Policy is built on the following 5 Policy Areas:

**Key Points of Manager's Voting Policy**

#	Policy Area	Example of Topics Covered
1	<b>Prioritisation of Long-Term Value Creation</b>	Equity Issuance; Share Repurchase; Allocation of Income & Dividends; Mergers, Acquisitions and Disposals; Political Donations
2	<b>A Constructive and Purposeful Board</b>	Board Effectiveness; Board Composition; Roles of Chair, Chief Executive and Senior/Lead Independent Director; Director Tenure
3	<b>Long-term Focused Remuneration with Stretching Targets</b>	Long Term Incentive Plans (LTIP), Remuneration of Directors
4	<b>Fair Treatment of Stakeholders</b>	Annual General Meetings; Director Elections; Auditors; Proxy Access; 'Poison Pill' Anti-Takeover Devices; Articles of Association; Shareholder Resolutions; Bundled Resolutions; Related Party Transactions; Multi Class Share Structures; Disclosure.
5	<b>Sustainable Business Practices</b>	Diversity & Inclusion; Combating Bribery and Corruption; Human Rights and Labour Rights; Climate Change and other Environmental Impacts and Risks; Nature & Biodiversity.

Baillie Gifford produce [quarterly reports](#) disclosing their latest voting information, at firm level.

**Is Voting Activity in Line with the Scheme's Policy?**

Yes

Some examples of the manager's voting activity are provided in Section 7 – Significant Votes

**Table 4.2: LGIM's Approach to Voting**

<b>Asset manager</b>	LGIM (Legal & General Investment Management)
<b>Relevant Scheme Investment(s)</b>	<ul style="list-style-type: none"> <li>▪ Diversified Fund</li> <li>▪ World Equity Index Fund – GBP hedged variant</li> </ul>

**Key Points of Manager's Voting Policy**

LGIM's Corporate Governance and Responsible Investing Policy sets out what the manager considers to be corporate governance best practice. It explains their expectations with respect to topics they believe are essential for an efficient governance framework, and for building a sustainable business model. LGIM expects all companies to closely align with their principles, or to engage with them where circumstances prevent them from doing so.

LGIM's voting policy is built on the assessment of 5 key policy areas:

#	Policy Area	Example of Topics Covered
1	<b>Company Board</b>	Board Leadership, Board Independence, Board Diversity, Succession Planning and Board Evaluation
2	<b>Audit, Risk &amp; Internal Control</b>	External Audit, Internal Audit and Whistleblowing
3	<b>Remuneration</b>	Fixed Remuneration, Incentive Arrangements and Service Contracts and Termination Payments
4	<b>Shareholder &amp; Bondholder Rights</b>	Voting Rights and Share-class Structures, Shareholder Proposals and Political Donations
5	<b>Sustainability</b>	Material ESG Risks & Opportunities, Target Setting, Public Disclosure and Engagement

Is Voting Activity in Line with the Scheme's Policy?

Yes

Some examples of the manager's voting activity are provided in Section 7 – Significant Votes

Table 4.3: Oak Hill Advisors' Approach to Voting

<b>Asset manager</b>	Oak Hill Advisors
<b>Relevant Scheme Investment(s)</b>	Diversified Credit Strategies Fund
<b>Key Points of Manager's Voting Policy</b>	<p>The manager provided the following commentary on their approach to voting:</p> <p><i>'OHA is a below-investment grade credit manager. Our investment activities are predominantly focused on credit and as a result, we typically do not deal with a large volume of proxy votes. There are instances where OHA may assume equity positions and this is especially true in our distressed business. We may acquire equity in order to assert greater influence over a company or we may receive equity as part of a restructuring process. Other instances in which we occasionally are "shareholders" pertain to our ownership of closed-end funds where the underlying holdings are usually credit-related.</i></p> <p><i>It is the policy of OHA to vote Client proxies in the interest of maximizing value. To that end, OHA will vote in a way that it believes is consistent with its fiduciary duty to its Clients.'</i></p>
<b>Is Voting Activity in Line with the Scheme's Policy?</b>	<p>Yes</p> <p>By voting in the specific manner that they have described, we believe that the manager is doing so in the best financial interests of the Scheme beneficiaries.</p>

### Minerva Says

- Both Baillie Gifford and LGIM have set out how they approach their stewardship responsibilities for listed companies on behalf of their clients.
- Oak Hill Advisors have set out a reasonable approach to proxy voting for a manager that predominantly invests in fixed interest investments.
- From the information available, we believe that the voting approaches are consistent with the Scheme's voting approach expectations of its investment managers.

# 5 Manager Voting Policy

As the current approach of the Scheme is to use the voting policy of the external asset managers, it is important that these policies are independently reviewed to ensure that they match current good practice and the general stewardship expectations set by the Scheme. Well-managed companies that operate in a commercially, socially and environmentally responsible manner are expected to perform better over the longer term, as the Scheme believe that adopting such an approach will allow each company's management to identify, address and monitor the widest range of risks associated with their specific business.

Set out in the following table is Minerva's independent assessment of the Scheme's managers' publicly available voting policies, in the context of current good practice as represented by the ICGN Voting Guidelines, whilst also bearing the Scheme's stewardship expectations in mind. This has been done for each manager where they have identified voting activity on behalf of the Scheme.

We have assessed each manager's policy individually, looking at it from Minerva's perspective of seven 'Voting Policy Pillars' that are at the core of our proxy voting research process, and which we have developed over the last 25 years. In using this well-tried approach, the Scheme can be sure that their investment managers voting policies are being carefully considered against current good practice.

**Table 5.1: Voting Policy Alignment**

**Manager Voting Policy Alignment with Current Good Practice**

Investment Manager	Audit & Reporting	Board	Capital	Corporate Actions	Remuneration	Shareholder Rights	Sustainability
Baillie Gifford	Limited Disclosures	Aligned	Aligned	Aligned	Limited Disclosures	Aligned	Aligned
Comments	<p><b>Audit &amp; Reporting</b> – Baillie Gifford have shown a medium level of sensitivity to issues related to Audit &amp; Reporting based on its voting policy disclosures. There is a lack of specific disclosure on the approach taken by the manager in areas of concern such as the assessment of investee companies' internal control systems and internal audit function. Furthermore, the manager's published voting policy does not contain a clear position on key areas concerning the level of non-audit fees paid to the external auditor and reporting expectations on Corporate Social Responsibilities.</p> <p><b>Remuneration</b> – Baillie Gifford's public voting policy does not provide a full view on transparency disclosures expected by the manager on remuneration practices. Baillie Gifford has not provided specific details of its positions with regards to the issues surrounding executive directors' service contracts and notice periods and it has not disclosed whether they support a minimum shareholder level for executive directors, during their tenure and post-mandate.</p>						
LGIM	Aligned	Aligned	Aligned	Aligned	Aligned	Aligned	Aligned



### Manager Voting Policy Alignment with Current Good Practice

Investment Manager	Audit & Reporting	Board	Capital	Corporate Actions	Remuneration	Shareholder Rights	Sustainability
Comments	LGIM's voting policy and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices.						
Oak Hill Advisors	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comments	As Oak Hill Advisors are fixed interest managers who typically hold very few equities, they have stated that their voting policy is to vote client proxies in the interest of maximizing value. To that end, OHA will vote in a way that it believes is consistent with its fiduciary duty to its clients.						

#### Table Key

<b>Aligned</b>	This aspect of the manager's voting policy is aligned with good practice
<b>Limited Disclosures</b>	This policy pillar could only be partially assessed on the information available in the manager's voting policy
<b>No Disclosures</b>	This policy pillar could not be assessed due to a lack of information in the manager's voting policy
<b>Not Available</b>	The manager's voting policy was not disclosed for analysis by Minerva

#### Minerva Says

For the Scheme's managers that responded to our information requests by providing voting information:

- Baillie Gifford's and LGIM's public voting policies are, in our view, broadly in line with good practice, and are what we would expect to see from such large asset stewards.
- Oak Hill Advisors have set out a reasonable approach to proxy voting for a manager that predominantly invests in fixed interest investments.

# 6 Manager Voting Behaviour

The Trustees believe that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour as disclosed by the each of the Scheme's managers:

**Table 6.1: Manager Voting Behaviour**

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
Baillie Gifford	Emerging Markets Leading Companies Fund	65	702	100.0%	93.6%	3.0%	3.4%
	<b>Comments</b>						
	<p>The manager provided a summarised voting record for the Fund that covered the period from 01/04/22 to 31/03/23, rather than for the Scheme's investment holding period (the manager does not provide bespoke reporting that covers clients' investment holding periods).</p> <p>From the summarised information provided, we can see that the manager has voted at almost all investee company meetings for these two Funds, which is in line with the Trustees' expectations of its managers.</p>						
LGIM	Diversified Fund	9,541	99,252	99.8%	77.4%	21.9%	0.7%
	World Equity Index Fund – GBP hedged variant	3,145	38,823	99.9%	78.8%	20.5%	0.7%
	<b>Comments</b>						
<p>The manager provided a summarised voting record for the Fund that covered the period from 01/04/22 to 31/03/23, rather than for the Scheme's investment holding period (the manager does not provide bespoke reporting that covers clients' investment holding periods).</p> <p>From the summarised information provided, we can see that the manager has voted at almost all investee company meetings for these two Funds, which is in line with the Trustees' expectations of its managers.</p>							

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
Oak Hill Advisors	Diversified Credit Strategies Fund	9	57	100.0%	100.0%	-	-
	<b>Comments</b>						
	<p>The manager provided a summarised voting record for the Fund that covered the Scheme's specific investment holding.</p> <p>From the summarised information provided, we can see that the manager has voted at almost all investee company meetings for these two Funds, which is in line with the Trustees' expectations of its managers.</p>						

## Table Key

**Available Information** matches the Scheme's specific reporting period / investment holding period

**Available Information** is for a different period than the Scheme's reporting period / investment holding period

**Information** was not provided by the manager

**Not Applicable**

## Minerva Says

For the Scheme's managers that responded to our information requests by providing voting information, we believe that they have followed the Scheme's requirements in relation to voting activity, as stated in the Scheme's SIP:

*The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.*

# 7 Significant Votes

Set out in the following section are 5 examples of the Scheme's manager(s) voting behaviour from the relevant fund(s) in which the Scheme was invested. A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

1. Identified by the manager themselves as being of significance;
2. Contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK);
3. Is one proposed by shareholders that attracts at least 20% support from investors;
4. Attracts over 10% dissenting votes from shareholders.

Where the manager has not provided sufficient data to identify 'Significant Votes' based on criteria 2-4 above, we have used manager-identified examples:

**Table 7.1 Baillie Gifford's 'Significant Votes'**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
Baillie Gifford	Emerging Markets Leading Companies Fund	CONTEMPORARY AMPEREX TECHNOLOGY CO., LIMITED	05/06/22	1.37%	Shareholder Resolution - Governance	For	Pass
<b>Why a 'Significant Vote?'</b>							
This resolution is significant because it was submitted by shareholders and received greater than 20% support.							
<b>Manager's Vote Rationale:</b>							
We supported a shareholder resolution put forward by the controlling shareholder relating to a profit distribution plan. The resolution received full support from the board and we were comfortable with the proposed terms.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
No							

**Next Steps / Implications of the Outcome:**

The resolution was put forward by the controlling shareholder of the company and we were comfortable with the proposed terms of the interim dividend distribution.

**Relevance to Manager's Stated Policy:**

Prioritisation of Long-Term Value Creation	A Constructive and Purposeful Board	Long-term Focused Remuneration with Stretching Targets	Fair Treatment of Stakeholders	Sustainable Business Practices
--	-------------------------------------	--	--------------------------------	--------------------------------

We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
Baillie Gifford	Emerging Markets Leading Companies Fund	B3 SA - BRASIL BOLSA BALCAO	28/04/22	1.9%	Elect Director(s)	Against	The resolution failed

**Why a 'Significant Vote?**

This resolution is significant because we opposed the election of a director.

**Manager's Vote Rationale:**

We opposed a resolution to confer our votes on unknown directors should the slate of directors change.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

No.

**Next Steps / Implications of the Outcome:**

This is a routine resolution in Brazil which we always oppose as a matter of principle as we do not believe it is in the best interests of shareholders who vote by proxy to allow our votes to be applied to director candidates that we have not had the chance to review in advance.

**Relevance to Manager's Stated Policy:**

Prioritisation of Long-Term Value Creation	A Constructive and Purposeful Board	Long-term Focused Remuneration with Stretching Targets	Fair Treatment of Stakeholders	Sustainable Business Practices
--	-------------------------------------	--	--------------------------------	--------------------------------

We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
Baillie Gifford	Emerging Markets Leading Companies Fund	FIRST QUANTUM MINERALS LTD	05/05/22	1.7%	Remuneration	Against	The resolution passed

**Why a 'Significant Vote?'**

This resolution is significant because we opposed remuneration.

**Manager's Vote Rationale:**

We opposed remuneration because of the lack of performance target disclosure for the STIP and the lack of sufficiently stretching targets for the LTIP.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

No.

**Next Steps / Implications of the Outcome:**

We were concerned by the lack of performance target disclosure for the STIP and the lack of sufficiently stretching targets for the LTIP. We will seek to engage with the company to convey our concerns.

**Relevance to Manager's Stated Policy:**

Prioritisation of Long-Term Value Creation	A Constructive and Purposeful Board	Long-term Focused Remuneration with Stretching Targets	Fair Treatment of Stakeholders	Sustainable Business Practices
--	-------------------------------------	--	--------------------------------	--------------------------------

We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
Baillie Gifford	Emerging Markets Leading Companies Fund	LONGI GREEN ENERGY TECHNOLOGY CO LTD	20/05/22	1.1%	Elect Director(s)	Against	The resolution passed

#### Why a 'Significant Vote'?

This resolution is significant because we opposed the election of a director.

#### Manager's Vote Rationale:

We opposed the election of an executive director because he sits on the Audit Committee, which we believe should be comprised entirely of independent directors.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

No.

#### Next Steps / Implications of the Outcome:

Although the composition of the Audit Committee is in line with local requirements, we generally expect that the Audit Committee will be 100% independent given its important oversight and scrutiny function. We therefore opposed the election of an executive who sits on the Audit Committee, and contacted the company to explain our perspective on this matter.

#### Relevance to Manager's Stated Policy:

Prioritisation of Long-Term Value Creation

A Constructive and Purposeful Board

Long-term Focused Remuneration with Stretching Targets

Fair Treatment of Stakeholders

Sustainable Business Practices

We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
Baillie Gifford	Emerging Markets Leading Companies Fund	PETROLEO BRASILEIRO S.A. - PETROBRAS	19/08/22	6.2%	Elect Director(s)	Against	Not stated

#### Why a 'Significant Vote'?

This resolution is significant because we opposed the election of a director.

#### Manager's Vote Rationale:

We opposed the resolution to allow our votes to be recast on the slate of directors should the slate change due to concerns regarding unknown candidates being added.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

No.

#### Next Steps / Implications of the Outcome:

As is common in Brazil, we were being asked to either accept the management's slate of directors (put forward by the Brazilian federal government) or adopt cumulative voting for the election of board directors. We were also being asked to approve any subsequent amendments to the management's slate of directors following the submission of our votes. Given our ongoing concerns regarding the involvement of the Brazilian Federal Government in the corporate governance of Petrobras, we opposed this resolution.

#### Relevance to Manager's Stated Policy:

**Prioritisation of Long-Term Value Creation**

**A Constructive and Purposeful Board**

**Long-term Focused Remuneration with Stretching**

**Fair Treatment of Stakeholders**

**Sustainable Business Practices**

We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach



**Table 7.2 LGIM's 'Significant Votes'**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	Diversified Fund	Twitter, Inc.	13/09/22	0.4%	Resolution 2 - Advisory Vote on Golden Parachutes	Against	95.0% of votes cast were in support of the resolution
<b>Why a 'Significant Vote'</b>							
High Profile Meeting: LGIM considers Twitter to be significant given the high profile nature of the meeting. Golden parachute payments are lucrative settlement payments to top executives in the event that their employment is terminated. This is an issue we assess across all companies, and is particularly pertinent for Twitter at the moment as the proposed takeover by Elon Musk continues to evolve.							
<b>Manager's Vote Rationale:</b>							
Remuneration: Termination: A vote against is applied as LGIM does not support the use of golden parachutes. As a long-term and engaged investor, we entrust the board to ensure executive directors' pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business, where this is not the case we will use our vote.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our general policy not to engage with our investee companies in the three weeks prior to an AGM so as to not limit our engagement to shareholder meeting topics and vote decisions.							
<b>Next Steps / Implications of the Outcome:</b>							
It is worth noting that in Twitter's 2022 AGM, we voted against their say on pay proposal, as did 42% of shareholders. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.							
<b>Relevance to Manager's Stated Policy:</b>							
Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability			
We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach							

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	Diversified Fund	Alphabet Inc.	01/06/22	0.10%	Resolution 7 - Report on Physical Risks of Climate Change	For	17.7% of votes cast were in support of the resolution

**Why a 'Significant Vote?**

LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

**Manager's Vote Rationale:**

Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

**Next Steps / Implications of the Outcome:**

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

**Relevance to Manager's Stated Policy:**

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

**We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	Diversified Fund	Royal Dutch Shell Plc	24/05/22	0.33%	Resolution 20 - Approve the Shell Energy Transition Progress Update	Against	79.9% of votes cast were in support of the resolution

**Why a 'Significant Vote?**

LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

**Manager's Vote Rationale:**

Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned about the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

Voted in line with management.

**Next Steps / Implications of the Outcome:**

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

**Relevance to Manager's Stated Policy:**

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

**We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	Diversified Fund	Rio Tinto Plc	06/04/22	0.30%	Resolution 17 - Approve Climate Action Plan	Against	84.3% of votes cast were in support of the resolution

#### Why a 'Significant Vote'?

LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

#### Manager's Vote Rationale:

Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Next Steps / Implications of the Outcome:

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

#### Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	Diversified Fund	Prologis, Inc.	04/05/22	0.26%	Resolution 1.9 - Elect Director Michael W. Ranger	Against	92.9% of votes cast were in support of the resolution

**Why a 'Significant Vote?**

LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we have voted against all combined board chair/CEO roles.

**Manager's Vote Rationale:**

Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

**Next Steps / Implications of the Outcome:**

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

**Relevance to Manager's Stated Policy:**

<b>Company Board</b>	<b>Audit, Risk &amp; Internal Control</b>	<b>Remuneration</b>	<b>Shareholder &amp; Bondholder Rights</b>	<b>Sustainability</b>
----------------------	---	---------------------	--	-----------------------

**We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund – GBP hedged variant	Amazon.com, Inc.	25/05/22	1.8%	Resolution 1f - Elect Director Daniel P. Huttenlocher	Against	93.3% of votes cast were in support of the resolution

#### Why a 'Significant Vote?

LGIM pre-declared its vote intention for this resolution, demonstrating its significance.

#### Manager's Vote Rationale:

Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Next Steps / Implications of the Outcome:

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

#### Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund – GBP hedged variant	Meta Platforms, Inc.	25/05/22	0.78%	Resolution 5 - Require Independent Board Chair	LGIM voted in favour of the shareholder resolution	16.7% of votes cast were in support of the resolution

#### Why a 'Significant Vote?

LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

#### Manager's Vote Rationale:

Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Next Steps / Implications of the Outcome:

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

#### Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund – GBP hedged variant	Demant A/S	08/03/23	0.01%	Resolution 6.a - Reelect Niels B. Christiansen as Director	Abstain	Not stated

**Why a 'Significant Vote?'**

Thematic - Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

**Manager's Vote Rationale:**

Audit Committee independence: A vote against is applied as LGIM expects the Committee to be comprised of independent directors. Remuneration Committee independence: A vote against is applied as LGIM expects the Committee to be comprised of independent directors. Remuneration - Accountability - Escalation - A vote against is applied as LGIM has had concerns with remuneration practices for consecutive years. Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least one-third of board members being women. We expect companies to increase female participation both on the board and in leadership positions over time.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

**Next Steps / Implications of the Outcome:**

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

**Relevance to Manager's Stated Policy:**

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

**We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach**



Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund – GBP hedged variant	Companhia Brasileira de Distribuicao	27/04/22	<0.01%	Resolution 3 - Elect Directors	Against	84.6% of votes cast were in support of the resolution

#### Why a 'Significant Vote?

LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

#### Manager's Vote Rationale:

Bundled: Independence: A vote against is applied as the board is not sufficiently independent which is a critical element of a board to protect shareholders minority shareholder's interests. Bundled: Committee independence: A vote against is applied as LGIM expects the Committee to be comprised of independent directors. Bundled: Diversity: A vote against is applied as LGIM expects a company to have a diverse board, including at least one woman. We expect companies to further increase female participation on the board and leadership positions over time. Bundled: Board mandates: A vote against is applied as LGIM expects a CEO or a non-executive director not to hold too many external roles to ensure they can undertake their duties effectively.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Next Steps / Implications of the Outcome:

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

#### Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund – GBP hedged variant	McDonald's Corporation	26/05/22	0.31%	Resolution 6 - Report on Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders	For	13.2% of votes cast were in support of the resolution

#### Why a 'Significant Vote?

LGIM pre-declared its vote intention for this resolution, demonstrating its significance.

#### Manager's Vote Rationale:

Shareholder proposal - Health - Antibiotic use - As last year, we voted in favour of the proposal as we believe the proposed report will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) continues to be a key focus of the LGIM Investment Stewardship team's engagement strategy. We believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, people and global GDP. This is unfortunately further substantiated through the recent study published in the Lancet at the beginning of 2022 by the Global Research on AntiMicrobial resistance (GRAM) project: Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis. While we note the company's past efforts to reduce the use of antibiotics in its supply chain for chicken, beef and pork, we believe AMR is a financially material issue for the company and other stakeholders, and that concerted action is needed sooner rather than later. By supporting this proposal, we want to signal to the company's board of directors the importance of this topic and the need for action.

#### Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

#### Next Steps / Implications of the Outcome:

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

#### Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

We believe this voting activity is consistent with the manager's stated approach, and so is also consistent with the Scheme's approach



## Minerva Says

Baillie Gifford's and LGIM's reported 'Significant Vote' information seems to be consistent with their stated voting policies, and so is consistent with the Scheme's expectations.

# 8 Manager Engagement Information

The Trustees have set the following expectation in the Scheme's SIP in relation to its managers' engagement activity:

*The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe this will be beneficial to the financial interests of members over the long term. Trustees also expect the investment managers to engage with investee companies on the capital structure and management of conflicts of interest.*

*If the policies or level of engagement are not appropriate, the Trustees will engage with the specific investment manager, with the help of their investment consultant, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.*

The Trustees believe that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The following table(s) summarises the engagement activity of the manager(s):

**Table 8.1: Summary of Engagement Information Provided**

Manager	Engagement Information Obtained	Level of Available information	Info Covers Scheme's Reporting Period?	Comments
Aviva	YES	FUND	YES	The manager provided <i>detailed fund level information</i> albeit for the <i>period from 01/01/22 to 31/12/22</i>
Baillie Gifford	YES	FUND	YES	The manager provided <i>detailed fund level engagement information</i> for the <i>period from 01/04/22 to 31/03/23</i> , rather than for the Scheme's specific reporting period
LGIM	YES	FUND	YES	The manager provided <i>basic fund level information</i> for the <i>period from 01/04/22 to 31/03/23</i> , rather than for the Scheme's specific reporting period
M&G	YES	FUND	YES	The manager provided <i>detailed fund level engagement information</i> for the <i>period from 01/04/22 to 31/03/23</i> , rather than for the Scheme's specific reporting period
Oak Hill Advisors	YES	FUND	YES	The manager provided <i>detailed fund level information</i> for the Scheme's reporting period

**Table Key**

**GREEN = A positive result.** The manager has provided engagement information / fund level info available / matches the Scheme’s reporting / investment holding period  
**ORANGE = A ‘partial’ result.** We had to try to source engagement information / firm level info available / does not match the Scheme’s reporting / investment holding period  
**RED = A negative result.** No engagement information was located at any level

**Aviva**

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Open
Lime Property Fund	01/01/22	31/12/22	21	100.0%	-	-	-	-	100.0%

Aspect of Engagement Activity	Details
Key Points of the Manager’s Engagement Policy	<p>The following description of the manager’s engagement policy is set out in their most recent Responsible Investment Annual Review:</p> <p><i>‘Effective and responsible active ownership has long been part of our fundamental approach to investment at Aviva Investors. We believe that persistent and constructive dialogue with issuers, corporates and sovereign representatives is vital to preserve and enhance the value of assets on behalf of our beneficiaries and clients. This is achieved through voicing our support for more sustainable practices and gathering insights to inform investment decisions. Through written correspondence, face-to-face meetings, phone calls and more collaborative formats, we encourage sovereigns and companies to consider the whole picture of sustainability because this is how they will create the greatest return for investors while helping to build a better future for society.</i></p> <p><i>Aviva Investors operates a fully integrated approach to investment and ownership, combining the skills of our fund managers, investment analysts and ESG specialists across asset classes. During daily, weekly and quarterly discussion forums, we will continually monitor an entity’s management and performance, including developments which may have a significant impact on valuation or risk profile. As part of our analysis, we track areas of performance, including management of key ESG areas. If we feel we do not have enough information or have identified gaps, improvements in an entity’s awareness or management of their ESG risks and opportunities, we will establish dialogue. This dialogue will be conducted in close cooperation with, and often led by, portfolio managers and research analysts. Key insights are disseminated in written company, industry and thematic notes to feed into idea generation, analysis, forecasts and conclusions about further escalation.’</i></p> <p>The manager also separately identified the following as their stewardship priorities ‘..that will guide our engagement activities, voting intentions and ultimately our investment decisions’:</p>

Stewardship Priority	Details
<b>1. Stakeholder business models</b>	<p>Businesses must ensure there is a clear link between its stated corporate purpose, strategy, stakeholder welfare and board decision making. Our expectation is that companies will:</p> <ul style="list-style-type: none"> <li>▪ Define a corporate purpose that transcends a narrow focus on immediate shareholder returns;</li> <li>▪ Identify key stakeholders and create a value proposition for each group, ensuring compliance with international human rights frameworks as a minimum baseline;</li> <li>▪ Build corporate strategy and business plans to maximise multi-stakeholder value generation;</li> <li>▪ Identify, set targets, monitor and report against key stakeholder performance indicators.</li> </ul>
<b>2. Diversity and social inclusion</b>	<p>The balanced representation of board directors with respect to gender, ethnicity, and social backgrounds is a critical business issue, one that is essential for ensuring a deep understanding of key stakeholders and securing the best available talent. (We view diversity through the broadest lens, including disability and sexual orientation).</p> <ul style="list-style-type: none"> <li>▪ Additionally, companies have a responsibility to actively promote social inclusivity and help break down rather than reinforce social barriers. Our expectation is that companies will:</li> <li>▪ Appoint at least one racially and ethnically diverse director to the board;</li> <li>▪ Develop a strategy to increase the number of ethnically and socially diverse employees in senior management and report against targets;</li> <li>▪ Publish ethnicity data, including ethnic pay gaps, to facilitate external monitoring of progress;</li> <li>▪ Build a more inclusive work culture through targeted programmes such as reverse mentoring and cultural awareness initiatives;</li> <li>▪ Proactively support minority owned businesses within supply chains.</li> </ul>
<b>3. Executive remuneration</b>	<p>Boards should show restraint when determining executive pay during periods of low wage inflation, cost-cutting initiatives and when there has been a significant erosion in stakeholder value. A strong tone from the top in sharing the burden of austerity is essential in maintaining staff morale and engagement. Our expectation is that companies will:</p> <ul style="list-style-type: none"> <li>▪ Align executive management incentives with shareholder outcomes, whilst developing a clear framework for adjusting pay to reflect the experience of wider stakeholders;</li> <li>▪ Ensure management do not benefit from unjustified windfall gains at the point of vesting of long-term incentive awards, that are linked primarily to shifts in market sentiment;</li> <li>▪ Commit to paying employees at least the living wage;</li> </ul>

	<ul style="list-style-type: none"> <li>Integrate robust and measurable strategic and operational sustainability targets (notably indicators linked to the climate transition) into variable incentive plans.</li> </ul>
<b>4. Climate change</b>	<p>We are aligned with the Intergovernmental Panel on Climate Change (IPCC) position that the world needs to limit the temperature rise to no more than 1.5 degrees Celsius above pre-industrial levels. We expect all companies to align with this ambition, and clearly articulate climate strategies and transition pathways that will deliver net zero emissions by the middle of the century. Climate plans must integrate biodiversity impacts and associated mitigation strategies. Our expectation is that companies will:</p> <ul style="list-style-type: none"> <li>Adopt a target to achieve net zero emissions by 2050 and commit to the Science Based Targets Initiative framework;</li> <li>Integrate climate goals into their business strategy and financial targets, including their capex framework;</li> <li>Publish a transition roadmap, including short- and medium-term climate targets and milestones;</li> <li>Report on progress using the Taskforce on Climate-related Financial Disclosures framework (TCFD) and consider the option of providing investors with an advisory vote on the report.</li> </ul>
<b>5. Effective dynamic leadership</b>	<p>All businesses and industries are experiencing disruptive forces linked to evolving regulation, technology, competition, consumer behaviours and sustainability expectations. Companies that are slow to react will not survive. Our expectation is that companies will:</p> <ul style="list-style-type: none"> <li>Ensure their boards and senior management teams have the right balance of skills and experience to identify, react and where appropriate drive industry disruption;</li> <li>Foster a corporate culture that is dynamic, forward looking and embraces changes;</li> <li>Be bolder in taking decisive action to revise corporate strategy, replace leadership teams, reorganise corporate structures or reallocate capital to maintain corporate competitiveness, regardless of short-term repercussions.</li> </ul>

<b>Additional information on Engagements provided by the Manager</b>	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme's holding period, no additional information was provided in terms of:</p> <ul style="list-style-type: none"> <li>engagement objectives;</li> <li>collaborative engagements;</li> <li>process for escalating ineffective engagement; and</li> <li>whether any fintech solution was used to facilitate engagement.</li> </ul>
--	--

<b>Comparison of the Manager's Engagement</b>	<p>The following is a reported engagement activity provided by the manager for the Lime Property Fund:</p>
---	--

<p>Activity vs the Trustees' policy</p>	<p><u>2022 - Glasgow City Council - Engagement on Environmental matters</u></p> <p><b>Rationale for Engagement:</b> <i>Onsite renewables &amp; EV.</i></p> <p><b>Action:</b> <i>Held initial Occupier Engagement Programme meeting. Council is seeking funding for battery/EV combined installation.</i></p> <p><b>Outcome:</b> <i>Asset manager in ongoing discussions.</i></p>
<p>Is Engagement Activity in Line with the Trustees' Policy?</p>	<p><b>Whilst the activity seems consistent with the Manager's stated engagement approach, we believe that more details could have been provided</b></p>

## Baillie Gifford

				Breakdown of Engagement Topics Covered				Outcomes	
Fund(s)	Period Start	Period End	No. of Engagements	Environmental	Social	Governance	Other	Resolved	Open
Emerging Markets Leading Companies Fund	01/04/22	31/03/23	85	37.6%	41.2%	21.2%	0.0%	Not Stated	Not Stated

Aspect of Engagement Activity	Details
<p>Key Points of the Manager's Engagement Policy</p>	<p>We located Baillie Gifford's 2022 ESG Principles and Guidelines on the manager's website. In this document, Baillie Gifford describe their engagement approach as follows:</p> <p><i>Engaging with and monitoring investments we make on behalf of clients is an integral element of our investment process and core to how we discharge our stewardship responsibilities. All investment managers, investment analysts and ESG analysts are involved in this process. We meet with management and other executive staff, heads of divisions and non-executive board members.</i></p> <p><i>When engaging as a bondholder, we understand our ability to influence differs from that of a shareholder, given the contractual nature of our relationship with issuers. However, we believe corporate issuers of debt do take on board our comments and recommendations and we will also engage with sovereign representatives as appropriate.</i></p> <p><i>We generally engage with companies on an individual basis. Subject to analysis around concert party regulatory rules, we will on occasion participate in collective engagement on critical issues which could have a material impact the value of our holding. It can be an important part of our</i></p>



engagement escalation and may be necessary in some instances to achieve our engagement objectives. When appropriate, we will undertake collaborative engagement through a range of industry organisations and associations, such as the UK Investor Forum. Full details of the industry organisations that we support are available in our Investment Stewardship Activities report.

The manager has said the following in relation to identifying engagement priorities:

*The topics we prioritise for engagement will vary by individual issuer, by investment strategy, and will be informed by our proprietary investment research. Often, the larger a position we hold, the greater our ability to engage. However, we endeavour to engage on key issues with all relevant issuers regardless of market capitalisation or holding size.*

*For example, where we have taken a new holding in a company, our initial aims for engagement will typically focus on fact finding and building a dialogue with management teams. We will move to influence change only where we think we can add long-term value and/or we have a good understanding of a significant issue that has arisen. We do not seek to react to one-off events, but, where there are material developments at a company, we will carefully consider how they may affect our investment over the long term.*

*Where our investment strategies have made net zero emissions commitments and particular companies are seen to be lagging, they will be a priority for engagement. Similarly, where issues relating to social or governance matters arise that we deem material, and it is clear there is a need for improvement, we would aim to engage as appropriate.*

Additional information on Engagements provided by the Manager

Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme's holding period, no additional information was provided in terms of:

- engagement objectives
- collaborative engagements
- process for escalating ineffective engagement and
- whether any fintech solution was used to facilitate engagement

Comparison of the Manager's Engagement Activity vs the Trustees' policy

An example of a reported engagement for the Emerging Markets Leading Companies Fund is reported below:

**14/09/22 - Copa Holdings, S.A. – Engagement on Environmental Issues**

**'Purpose:** We met with the CFO and CEO with one of our investors onsite at the Copa offices in Panama, with an ESG analyst dialling in. As part of a much broader discussion, we were able to learn more about how Copa is thinking about sustainability risks and opportunities.

**Discussion:** Copa adopted the International Air Transport Association (IATA) 2050 net-zero carbon goals. The Corporate Governance Committee of the board oversees sustainability priorities in this area and the board itself has become more diverse. At the management level, there is also a cross-functional sustainability committee. In response to our previous requests, Copa had provided further disclosures, including reporting with CDP, and we discussed some of the challenges in this area. The company implemented actions to lower emissions where currently feasible (lower emission fleets, fuel type, electrification of vehicles, and onsite PV) and also recognise the key role that sustainable aviation fuels (SAF) will play and assesses the range of potential technologies.

**Outcomes:** Managing potential risks and opportunities from climate change has moved up the agenda for Copa. It was helpful to learn more about current and future priorities and we will continue to engage with the company on these issues.'

Is Engagement Activity in Line with the Trustees' Policy?

The engagement activity is consistent with the Manager's stated engagement approach, and so is also consistent with the Scheme's approach.

## LGIM

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Open
Diversified Fund	01/04/22	31/03/23	1,547	37.2%	18.4%	36.5%	7.9%	Not Stated	Not Stated
Sterling Liquidity Fund	01/04/22	31/03/23	50	58.0%	4.0%	34.0%	4.0%	Not Stated	Not Stated
World Equity Index Fund – GBP hedged variant	01/04/22	31/03/23	591	43.3%	19.1%	32.3%	5.2%	Not Stated	Not Stated

Aspect of Engagement Activity	Details
Key Points of the Manager's Engagement Policy	<p>LGIM's Investment Stewardship team focuses on client outcomes and broader societal and environmental impacts in its engagements with companies, taking the following six step approach:</p> <ol style="list-style-type: none"> <li>1) Identify the most material ESG issues</li> <li>2) Formulate a strategy</li> <li>3) Enhance the power of engagement (e.g., through public statements)</li> <li>4) Collaborate with other stakeholders and policymakers</li> </ol>

	<p>5) Vote 6) Report to shareholders</p> <p>From LGIM's most recent Active Ownership Report the manager has identified the following as their top 5 engagement topics:</p> <ol style="list-style-type: none"> <li>1. Climate Change</li> <li>2. Remuneration</li> <li>3. Diversity (Gender and Ethnicity)</li> <li>4. Board Composition</li> <li>5. Strategy</li> </ol>
<p>Additional information on engagements provided by the Manager</p>	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme's holding period, no additional information was provided in terms of:</p> <ul style="list-style-type: none"> <li>▪ engagement objectives</li> <li>▪ collaborative engagements</li> <li>▪ process for escalating ineffective engagement and</li> <li>▪ whether any fintech solution was used to facilitate engagement</li> </ul>
<p>Comparison of the Manager's Engagement Activity vs the Trustees' policy</p>	<p>Set out below is an example of engagement activity reported by LGIM in the Dynamic Diversified Fund:</p> <p><b><u>05/10/22 - Procter &amp; Gamble Co – Environmental-themed Engagement Activity</u></b></p> <p><i>Engagement Type:</i> Conference Call.</p> <p><i>Issue Theme:</i> Deforestation / Biodiversity.</p> <p><i>Engagement Details:</i> Not provided.</p> <p><i>Engagement Outcome:</i> Not provided.</p>
<p>Is Engagement Activity in Line with the Trustees' Policy?</p>	<p><b>Whilst we believe that the manager's engagement approach is consistent with the Scheme's approach, we believe that the manager should be able to provide more information relating to engagements undertaken at fund level.</b></p>

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Open
Alpha Opportunities Fund	01/04/22	31/03/23	11	45.4%	36.3%	18.2%	0.0%	100.0%	-
Sustainable Total Return Credit Investment Fund	01/04/22	31/03/23	7	26.8%	26.8%	42.8%	0.0%	100.0%	-

Aspect of Engagement Activity	Details
Key Points of the Manager's Engagement Policy	<p>M&amp;G's approach to engagement is set out in their ESG Investment Policy from January 2022. M&amp;G believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. They believe that if a company is run well, and sustainably, it is more likely to be successful in the long run.</p> <p>To gain insight, establish relationships and/or to influence and affect change M&amp;G undertake the following measures:</p> <ul style="list-style-type: none"> <li>Company meetings – As part of company monitoring, updates on trading strategy, capital allocation etc</li> <li>ESG informed meetings – In company monitoring meetings they may ask questions relating to ESG, which could include remuneration and more general governance meetings</li> <li>ESG engagements – M&amp;G's engagement activity should have a specific time bound objective, action and outcome which is measurable, and will be tracked over time. An ESG objective seeks to influence a company's behaviour or disclosures and cannot be merely to increase understanding. Each engagement is assessed for its effectiveness and is designated a red, green or amber traffic light colour coding. Green indicates a positive engagement outcome. Amber suggests further monitoring is required. Red indicates an unsuccessful outcome. Each engagement is assessed for its effectiveness and is designated a red, green or amber traffic light colour coding. Green indicates a positive engagement outcome. Amber suggests further monitoring is required. Red indicates an unsuccessful outcome.</li> </ul> <p>From M&amp;G most recent Annual Stewardship Report the manager has identified the following as their key engagement topics:</p> <ul style="list-style-type: none"> <li>Leadership &amp; Governance</li> <li>Environment</li> <li>Business Model and Innovation</li> <li>Social Capital</li> <li>Human Capital</li> </ul>
Additional information on engagements	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme's holding period, no additional information was provided in terms of:</p>

provided by the Manager	<ul style="list-style-type: none"> <li>engagement objectives</li> <li>collaborative engagements</li> <li>process for escalating ineffective engagement and</li> <li>whether any fintech solution was used to facilitate engagement</li> </ul>
Comparison of the Manager's Engagement Activity vs the Trustees' policy	<p>An example of a reported engagement undertaken for the Alpha Opportunities Fund is:</p> <p><b><u>09/05/22 – ArcelorMittal - Environmental-themed Engagement</u></b></p> <p><b>Engagement Objective:</b> 'To ask international steelmaker, ArcelorMittal, to commit a short term carbon reduction target, such as to 2025'.</p> <p><b>Action Taken:</b> 'M&amp;G met with CFO and head of IR in person.'</p> <p><b>Engagement Result:</b> 'We previously engaged to encourage the company to report on Scope 3 targets, but specifically we wanted to add short term Scope 1 and 2 targets to the agenda. ArcelorMittal have committed to clear carbon reduction targets by 2030, committed to become carbon neutral by 2050, their SBTi has been submitted and the company is TCFD aligned. They have also linked a capex budget to the 2030 target of \$10bn. The capex they have deployed now for this won't meaningfully reduce emissions until 2028 at the earliest, which is a common issue for steelmakers. They also note that some projects are slow moving due to agreement on funding in the EU between member states and Brussels. Hence, having 2025 reduction target seems a bit unrealistic at this stage. We didn't raise the request straight away, because it has been answered through other questions raised.'</p> <p><b>Engagement Status:</b> 'Closed'</p>
Is Engagement Activity in Line with the Trustees' Policy?	<p><b>The activity appears to be consistent with the Manager's stated engagement approach, and so is also consistent with the Scheme's approach.</b></p>

## Oak Hill Advisors

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Open
Diversified Credit Strategies Fund	06/04/22	30/11/22	4	-	25.0%	-	75.0%	50.0%	50.0%

Aspect of Engagement Activity	Details
<p>Key Points of the Manager's Engagement Policy</p>	<p>The manager had the following to say in terms of describing their approach to engagement:</p> <p><i>'OHA views engagement as purposeful, targeted communication with an entity (e.g., company, government, industry body) with the goal of both promoting transparency and encouraging change with an individual issuer or addressing a market-wide or system risk (e.g., climate risk). OHA views engagement as an opportunity for constructive dialogue and promoting transparency and disclosure around important ESG factors for company management consideration. OHA believes measurement leads to management and can create an intrinsic motivation amongst companies to take action and improve performance on financially material factors that can also contribute to positive social and environmental outcomes.</i></p> <p><i>Given OHA's broad investment platform, which includes a wide range of strategies, the firm utilizes a tailored approach towards engagement based on factors such as level of control and access to management. OHA seeks to engage with relevant parties on ESG topics but engagement varies across strategy and is influenced by transaction type, timeliness, access to information, access to company management and relationships with interested parties. OHA prioritizes areas which it believes are most material to the credit profile of the company, which can vary greatly among companies and industries.</i></p> <p><i>For example, in control or influence type strategies, or in more direct loans made by a small number of investors, OHA typically has greater access to management teams and may be able to exert more influence on ESG matters as compared to syndicated loans or public bonds where there are typically a large number of lenders. In these markets, collaborating with key field building initiatives and trade associations to promote transparency and disclosure provides an opportunity to elevate the awareness of important ESG issues for company management consideration. In situations where financially material ESG issues are not addressed or prioritized by the company, OHA may avoid investment or divest its holdings if it believes there are ESG risks.'</i></p>
<p>Additional information on engagements provided by the Manager</p>	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme's holding period, no additional information was provided in terms of:</p> <ul style="list-style-type: none"> <li>▪ engagement objectives</li> <li>▪ collaborative engagements</li> </ul> <p>They did, however, provide information on the following two points:</p> <ul style="list-style-type: none"> <li>▪ process for escalating ineffective engagement</li> </ul> <p><i>'OHA has a formal ESG incident response policy and process which covers action and response plans depending on the severity and nature of the incident / alert. OHA utilizes RepRisk as a primary input to monitor for ESG risks and incidents within our investments. The ESG &amp; Sustainability team is responsible for monitoring and escalating to the investment team and other internal parties as appropriate. RepRisk alerts may inform and serve as the basis for further research or diligence on specific topics in the research or post investment monitoring phase.'</i></p>

	<ul style="list-style-type: none"> <li>whether any fintech solution was used to facilitate engagement</li> </ul> <p><i>'In September 2022, OHA transitioned to utilizing a technology platform to systematically document, track and report its ESG engagement efforts. This allows OHA to monitor engagement efforts from initial contact to post-engagement outcomes. Utilizing the platform to track the engagement process has increased transparency and enhanced knowledge sharing both internally and externally. OHA looks forward to providing enhanced reporting in the future for its investors around engagement efforts.'</i></p>
<p>Comparison of the Manager's Engagement Activity vs the Trustees' policy</p>	<p>An example of a reported engagement undertaken for the Diversified Credit Strategies Fund is:</p> <p><b><u>Q4 2022 - Warner Music - Social-themed Engagement</u></b></p> <p><b>Engagement Details:</b> <i>'In Q4 2022, OHA engaged with the company following a RepRisk Alert of sexual assault allegations. The objective of the engagement was to learn more about the firm's response to the allegation, understand the firm's HR policies for handling allegations and its approach to Diversity, Equity, and Inclusion at the corporate level and how these practices are promoted/overseen at the firm's subsidiaries/labels.'</i></p> <p><b>Engagement Outcome:</b> <i>'After receiving the RepRisk alert, OHA scheduled a call with the Senior Vice President &amp; Head of Investor Relations. WMG confirmed that the allegations date back 40 years and occurred under a different management team. The involved parties are no longer at WMG today. The company discussed their compliance program, code of conduct, employee training, and incidence reporting processes.'</i></p> <p><b>Engagement Status:</b> <i>'Resolved'</i></p>
<p>Is Engagement Activity in Line with the Trustees' Policy?</p>	<p><b>The engagement activity is consistent with the Manager's stated engagement approach and so is also consistent with the Scheme's approach.</b></p>

### Minerva Says

As can be seen from the previous tables, the Scheme's managers' 'Engagement Activity' appears to broadly comply with their own engagement approaches, and so also complies with the Scheme's approach.

# 9 Conclusions

## 9.1 Assessment of Compliance

In this report, Minerva has undertaken an independent review of the Scheme's external asset managers' voting and engagement activity. The main objective of the review is for Minerva to be in a position to say that the activities undertaken on the Scheme's behalf by its agents are aligned with its own policies.

Set out in the following table is Minerva's assessment of each manager's compliance with the Scheme's approach:

**Table 9.1: Summary Assessment of Compliance**

Fund / Product Manager	Investment Fund/ Product	Does the Manager's Reported Activity Follow the Scheme's Expectations:				UK Stewardship Code 2020 Signatory?	Overall Assessment
		Voting Activity	Significant Votes Identified	Engagement Activity	Use of a 'Proxy Voter?'		
Aviva	Aviva Lime Property Fund	N.I.R.	N.I.R.	YES	N/A	YES	COMPLIANT
Baillie Gifford	Emerging Markets Leading Companies Fund	YES	YES	YES	ISS & GLASS LEWIS	YES	COMPLIANT
LGIM*	Diversified Fund	YES	YES	YES	ISS	YES	COMPLIANT
	LDI Funds (6 funds)	N.I.R.	N.I.R.	N.I.R.	N/A		N.I.R.
	Sterling Liquidity Fund	N.I.R.	N.I.R.	YES	N/A		COMPLIANT
	World Equity Index Fund – GBP hedged variant	YES	YES	YES	ISS		COMPLIANT
M&G	Alpha Opportunities Fund	N.I.R.	N.I.R.	YES	N/A	YES	COMPLIANT
	Sustainable Total Return Credit Investment Fund	N.I.R.	N.I.R.	YES	N/A		COMPLIANT
Oak Hill Advisors	Diversified Credit Strategies Fund	YES	N.I.R.	YES	NO	NO	COMPLIANT

\* LGIM have requested that a Disclaimer be shared, which should be read in relation to any stewardship information provided by them. It can be found at the end of this report.

### Table Key

**GREEN**=Positive outcome e.g., Manager's reported activity follows the Scheme's expectations

**ORANGE**=An issue exists e.g., the information provided does not match the Scheme's reporting / investment holding period

**BLUE**=Manager has confirmed that there is no voting, 'Significant Votes' or engagement information to report (N.I.R.)

**RED**=Negative outcome e.g., no information provided (N.I.P.); Manager is not a signatory to the UK Stewardship Code 2020

**GREY**=Not Applicable e.g., there has been no 'Proxy Voter' used due to the nature of the investments held





## Minerva Says

### Overall Assessment:

**We believe that the Scheme's managers have broadly complied with the Scheme's Voting and Engagement requirements of them.**

### Notes

- 1) The preceding table shows that Minerva has been able to determine that:
  - There was nothing to report for a number of the Scheme's investments, due to the nature of those investments (e.g., LGIM LDI Funds)
  - For the managers where Voting and 'Significant Vote' information was available, their overall approaches are in step with the Scheme's requirements
  - For the managers where Engagement information was available, their overall approaches are also in step with the Scheme's requirements
- 2) All of the Scheme's investment managers are signatories to the UK Stewardship Code, with the exception Oak Hill Advisors (which is understandable, given their geographical location and primary focus on fixed interest assets).
- 3) We were disappointed with the inability of Aviva, Baillie Gifford, LGIM and M&G to provide reporting that specifically covered the Scheme's reporting period, and with some of the information disclosed.
- 4) We also remain somewhat disappointed with the limited engagement information provided by LGIM. Whilst they are now able to provide information on engagements undertaken in individual funds, they are not yet able to provide much in the way of details concerning the engagements.

## LGIM Information Disclaimer

- i. Carbon dioxide equivalent (CO<sub>2</sub>e) is a standard unit to compare the emissions of different greenhouse gases.
- ii. The choice of this metric follows best practice recommendations from the Task Force on Climate-related Financial Disclosures.
- iii. Data on carbon emissions from a company's operations and purchased energy is used.
- iv. This measure is the result of differences in weights of companies between the index and the benchmark, and does not depend on the amount invested in the fund. It describes the relative 'carbon efficiency' of different companies in the index (i.e. how much carbon was emitted per unit of sales), not the contribution of an individual investor in financing carbon emissions.
- v. LGIM set the following threshold for our reportable funds 1) the assets eligible for coverage e.g. eligible ratio needs to be greater than or equal to 50% and 2) the carbon coverage of the eligible assets e.g. eligible coverage needs to be greater than or equal to 60%.
- vi. Eligibility % represents the % of the securities in the benchmark which are eligible for reporting including equity, bonds, ETFs and sovereigns (real assets, private debt and derivatives are currently not included for carbon reporting). The Coverage % represents the coverage of those assets with carbon scores.
- vii. Derivatives including repos are not presently included and the methodology is subject to change. Leveraged positions are not currently supported. In the instance a leveraged position distorts the coverage ratio over 100% then the coverage ratio will not be shown.
- viii. LGIM define 'Sovereigns' as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO<sub>2</sub>e/GDP, Carbon Emissions Footprint uses: CO<sub>2</sub>e/Total Capital Stock.
- ix. The carbon reserves intensity of a company captures the relationship between the carbon reserves the company owns and its market capitalisation. The carbon reserves intensity of the overall benchmark reflects the relative weights of the different companies in the benchmark.
- x. Green revenues % represents the proportion of revenues derived from low-carbon products and services associated with the benchmark, from the companies in the benchmark that have disclosed this as a separate data point.
- xi. Engagement figures do not include data on engagement activities with national or local governments, government related issuers, or similar international bodies with the power to issue debt securities.
- xii. LGIM's temperature alignment methodology computes the contribution of a company's activities towards climate change. It delivers an specific temperature value that signifies which climate scenario (e.g. 3°C, 1.5°C etc.) the company's activities are currently aligned with. The implied temperature alignment is computed as a weighted aggregate of the company-level warming potential.

Third Party ESG Data Providers: Source: ISS. Source: HSBC© HSBC 2022. Source: IMF (International Monetary Fund). Source: Refinitiv. Information is for recipients' internal use only.

Important Information: In the United Kingdom and outside the European Economic Area, this document is issued by Legal & General Investment Management Limited, Legal and General Assurance (Pensions Management) Limited, LGIM Real Assets (Operator) Limited, Legal & General (Unit Trust Managers) Limited and/or their affiliates ('Legal & General', 'we' or 'us'). Legal & General Investment Management Limited. Registered in England and Wales No. 02091894. Registered Office: One Coleman Street, London, EC2R 5AA. Authorised and regulated by the Financial Conduct Authority, No. 119272. Legal and General Assurance (Pensions Management) Limited. Registered in England and Wales No. 01006112. Registered Office: One Coleman Street, London, EC2R 5AA. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, No. 202202. LGIM Real Assets (Operator) Limited. Registered in England and Wales, No. 05522016. Registered Office: One Coleman Street, London, EC2R 5AA. Authorised and regulated by the Financial Conduct Authority, No. 447041. Please note that while LGIM Real Assets (Operator) Limited is regulated by the Financial Conduct Authority, we may conduct certain activities that are unregulated. Legal & General (Unit Trust Managers) Limited. Registered in England and Wales No. 01009418. Registered Office: One Coleman Street, London, EC2R 5AA. Authorised and regulated by the Financial Conduct Authority, No. 119273. In the European Economic Area, this document is issued by LGIM Managers (Europe) Limited, authorised by the Central Bank of Ireland as a UCITS management company (pursuant to European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (S.I. No. 352 of 2011), as amended) and as an alternative investment fund manager with "top up" permissions which enable the firm to carry out certain additional MiFID investment services (pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013), as amended). Registered in Ireland with the Companies Registration Office (No. 609677). Registered Office: 70 Sir John Rogerson's Quay, Dublin, 2, Ireland. Regulated by the Central Bank of Ireland (No. C173733).

Date: All features described and information contained in this report ("Information") are current at the time of publication and may be subject to change or correction in the future. Any projections, estimate, or forecast included in the Information (a) shall not constitute a guarantee of future events, (b) may not consider or reflect all possible future events or conditions relevant to you (for example, market disruption events); and (c) may be based on assumptions or simplifications that may not be relevant to you.

Not Advice: Nothing in this material should be construed as advice and it is therefore not a recommendation to buy or sell securities. If in doubt about the suitability of this product, you should seek professional advice. The Information is for information purposes only and we are not soliciting any action based on it. No representation regarding the suitability of instruments and/or strategies for a particular investor is made in this document and you should refrain from entering into any investment unless you fully understand all the risks involved and you have independently determined that the investment is suitable for you.

Investment Performance: The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested. Past performance is not a guide to the future. Reference to a particular security is for illustrative purposes only, is on a historic basis and does not mean that the security is currently held or will be held within an LGIM portfolio. The above information does not constitute a recommendation to buy or sell any security.

Confidentiality and Limitations: Unless otherwise agreed by Legal & General in writing, the Information in this document (a) is for information purposes only and we are not soliciting any action based on it, and (b) is not a recommendation to buy or sell securities or pursue a particular investment strategy; and (c) is not investment, legal, regulatory or tax advice. Any trading or investment decisions taken by you should be based on your own analysis and judgment (and/or that of your professional advisor s) and not in reliance on us or the Information. To the fullest extent permitted by law, we exclude all representations, warranties, conditions, undertakings and all other terms of any kind, implied by statute or common law, with respect to the Information including (without limitation) any representations as to the quality, suitability, accuracy or completeness of the Information. Any projections, estimates or forecasts included in the Information (a) shall not constitute a guarantee of future events, (b) may not consider or reflect all possible future events or conditions relevant to you (for example, market disruption events); and (c) may be based on assumptions or simplifications that may not be relevant to you. The Information is provided 'as is' and 'as available'. To the fullest extent permitted by law, Legal & General accepts no liability to you or any other recipient of the Information for any loss, damage or cost arising from, or in connection with, any use or reliance on the Information. Without limiting the generality of the foregoing, Legal & General does not accept any liability for any indirect, special or consequential loss howsoever caused and on any theory or liability, whether in contract or tort (including negligence) or otherwise, even if Legal & General has been advised of the possibility of such loss.

Source: Unless otherwise indicated all data contained are sourced from Legal & General Investment Management Limited.

# About Minerva

Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting policy tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

For more information please email [hello@minerva.info](mailto:hello@minerva.info) or call + 44 (0)1376 503500

## Copyright

This analysis has been compiled from sources which are believed to be reliable. No warranty or representation of any kind, whether express or implied, is given as to the accuracy or completeness of the report or its sources and neither Minerva Analytics nor its officers, directors, employees, or agents accept any liability of any kind in relation to the same. All opinions, estimates, and interpretations included in this report constitute our judgement as of the publication date, information contained with this report is subject to change without notice.

Other than for the Pension Scheme for which this analysis has been provided, this report may not be copied or disclosed in whole or in part by any person without the express written authority of Minerva Analytics. Any unauthorised infringement of this copyright will be resisted. This report does not constitute investment advice or a solicitation to buy or sell securities, and investors should not rely on it for investment information.

## Conflicts of Interest

Minerva Analytics does not provide consulting services to issuers, however issuers and advisors to issuers (remuneration consultants, lawyers, brokers etc.) may subscribe to Minerva Analytics' research and data services.

