



SABIC UK Petrochemicals Pension Scheme: Implementation Statement

June 2024

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [SABIC-UK-Petrochemicals-SIP-Dec2023-SIGNED_tcm1028-21283.pdf \(sabic-teesside.co.uk\)](https://www.sabic-teesside.co.uk/SABIC-UK-Petrochemicals-SIP-Dec2023-SIGNED_tcm1028-21283.pdf). Changes to the SIP are detailed on the page 9.

The Implementation Report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 December 2023 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf (this is relevant to DC only)
- the policies in place to ensure the default strategy remains in the best interest of its members (this is relevant to DC only)

Summary of key actions (DB and DC) undertaken over the Scheme reporting year

The Trustee had previously committed £60m to IFM's Global Infrastructure Equity Fund. The first drawdown was met in early January 2023 using proceeds from the L&G ESG Equity divestment. The second tranche of the IFM drawdown took place in early 2024 and was met using the proceeds from an Apollo Semi-Liquid Credit redemption (monies were received in Q4 2023). Morgan Stanley Property was liquidated at the start of 2023 and funds have been returned.

During H2 2023, L&G refined the collateral waterfall limits in the LDI portfolio as a consequence of regulatory updates (specifically the latest The Pension Regulator guidance). L&G Sterling Liquidity Fund ("SLF") was added to the collateral waterfall structure as the first tier of external collateral support and the L&G Absolute Returns Bond Fund ("ARB") is the second tier of support. This reflects an efficient arrangement.

The Trustee agreed to increase the target hedge ratio to 100% on the TP basis based on the 31 December 2021 Triennial Valuation assumptions and cashflows.

This was completed in December using existing assets in the LDI mandate. This reduces the Scheme's funding level volatility (all else being equal).

In Q4 2023, Ares announced their decision to wind down the Secured Income Fund, effective immediately. Over Q4 2023, the Scheme received distributions totalling c.£6.1m, with further distributions of c.£4.3m expected to be received post year-end (i.e., the remaining capital is expected to be returned over time as the underlying assets are sold).

Post year-end, Alcentra proposed a two-year extension of the EDL II fund, which the Scheme invests, which extends the fund maturity to the end of Q3 2026. This will help Alcentra realise the true value of its investments. The Trustee agreed and signed the extension approval forms.

Within the DC section, the Trustee decided to replace the underlying fund used within the Passive Global Equity Fund. This decision was made to increase the level of ESG integration within the strategy and to reduce the overweight allocation to UK equities. The L&G 30/70 Index Fund 75% GBP Currency Hedged was replaced by the BlackRock ACS Climate Transition World Equity Fund in Q1 2024.

Implementation Statement

This report demonstrates that SABIC UK Petrochemicals Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions (DB)

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 100% of these risks on a Technical Provisions basis.	The Trustee agreed to increase the target hedge ratio to 100% on the TP basis based on the 31 December 2021 Triennial Valuation assumptions and cashflows.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI mandate.	<p>The Trustee and Isio monitor liquidity of the portfolio on a quarterly basis through the Investment Performance Report.</p> <p>In H2 2023, L&G refined the collateral waterfall limits in the LDI portfolio. The L&G Sterling Liquidity Fund ("SLF") was added to the collateral waterfall structure as the first tier of external collateral support with the L&G Absolute Returns Bond Fund ("ARB") acting as the second tier of support.</p>
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustee undertake investment strategy changes over time, including the 12 months to 31 December 2023, which are outlined on page 2 and 3.
Credit	Default on payments due as part of a financial security contract.	<p>To diversify this risk by investing in a range of credit markets across different geographies and sectors.</p> <p>To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.</p>	This is considered as part of the investment strategy work, including the Trustee's decision to have credit asset classes in the strategic benchmark. The Trustee are currently considering an Asset Backed Securities ("ABS") allocation.

Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	<p>To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:</p> <ol style="list-style-type: none"> 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory <p>The Trustee monitor the managers on an ongoing basis.</p>	More details on the ESG policy and how it was implemented are presented on page 10.
Non-Financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	Joint Working Group ("JWG") discussions between the Company and Trustee have continued over the reporting period, including discussions on journey planning and timeframes to buy-out.

Managing risks and policy actions (DC)

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Expectations	Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.	Trustee offers a default, alternative lifestyles and self-select fund options to meet the varied requirements of members.	<p>The default is regularly reviewed to check it matches the risk/reward requirements of the scheme members and preserves the value of capital at retirement.</p> <p>The Trustee agreed to increase ESG integration and a lower UK equity bias during the growth phase of the default by replacing the L&G 70/30 Global Equity Fund with the BlackRock ACS Climate Transition World Equity Fund. The decision was made in October and the actual switch took place on 29th January 24 (which is outside of the period covered by this report).</p> <p>The Trustee has continued to keep the default under review as part of its quarterly meetings.</p>
Diverse membership	Risk of the default fund being unsuitable for the requirements of some members.	The Trustee offers alternative lifestyles and self-select fund options for those members who the default may not be appropriate for.	The Trustee formally reviews the ongoing suitability of the investment arrangements on a triennial basis as well as monitoring performance of the funds on a quarterly basis.
Loss aversion	Risk of loss to a member's fund value from period to period and the subsequent impact on their behaviour.	The default has automatic de-risking for members as they get closer to retirement.	The nature of this de-risking is reviewed within the triennial review process.

Fund Manager	The risk a fund manager may not achieve their objectives.	The Trustee receives quarterly investment performance reporting from their investment advisors to assess how the Scheme's investment managers are performing relative to their objectives.	The Trustee continues to monitor all funds on a quarterly basis through performance reporting. As noted above, during the scheme year, the Trustee decided to replace the underlying fund used within the Passive Global Equity Fund. This was not a reactive decision, more to align the long-term objectives of the fund (ESG and UK bias) to the Trustee's views.
Operational	The risk of fraud, poor advice or acts of negligence.	The Trustee's Scheme administrator, custodian and fund managers have internal controls in place in order to reduce the risk of fraud. The Trustee reviews its advisors annually.	There have been no changes to the policy and no concerns were raised over the reporting period.
Political	The legislative and tax environment could change from the environment in which the investment strategy was designed.	The Trustee receives regular updates and advice from its legal advisors on regulatory and legislative changes. The Scheme is a UK pension scheme so is tax exempt with regards to its investments.	There have been no changes to the policy and no concerns were raised over the reporting period.
Cost	The costs of administering and investing the assets exceeds the anticipated cost.	On an annual basis the Trustee produces a Chair's Statement and carries out a Value for Member assessment that looks to review charges and ensure they remain appropriate for members.	There have been no changes to the policy and no concerns were raised over the reporting period.

Interest rates and inflation	Some of the Scheme's assets are held in bonds via pooled investment vehicles.	Offering members a variety of options to invest and diversifying in the default.	There have been no changes to the policy and no concerns were raised over the reporting period. The Trustee also makes a range of asset classes available to members within the wider fund range to allow flexibility for members.
Liquidity	Being able to offer daily pricing for members.	Offering funds that limit this risk.	There have been no changes to the policy and no liquidity concerns were raised over the reporting period. All funds available are daily-dealt.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable in the default. Allowing for a suitable range of self select options for members to cater for their individual risk and return targets.	The Trustee reviews the performance of the DC Section on a quarterly basis.
Environmental, Social and Governance	Management of the Scheme assets with regards to Environmental, Social and Governance factors, including but not limited to, climate change which can impact the performance of the Scheme's investments.	To appoint managers who account for ESG factors as part of their investment process. The Trustee monitors the managers in this regard on an ongoing basis.	Further detail provided later in this report.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.	There have been no changes to this policy over the reporting year.

Changes to the SIP

Over the 12-month period to 31 December 2023, updates were made to the SIP. The main updates are listed below:

- In Q1 2023, the SIP was updated to reflect a new interim strategic benchmark with an expected return of Gilts + 2.6% (which was put in place following the LDI crisis). Changes also reflected new stewardship regulations that came into force in October 2022. The changes incorporated new voting and engagement policies, as well as expansions or modifications to existing policies. See the table below for more exact details:

Policies added to the SIP	
Date updated: March 2023	
Voting Policy - How the Trustee expect investment managers to vote on their behalf	<ul style="list-style-type: none">• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'	<ul style="list-style-type: none">• The Trustee have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.• The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.

- In August 2023, to adhere to regulatory guidance, the SIP was updated to include wording on the Scheme's collateral management policy, specifically the framework held with LGIM to meet LDI capital calls automatically.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Scheme's policy with regards to ESG as a financially material risk. The Scheme has agreed a more detailed ESG policy which describes how it monitors and engages with the investment managers regarding the ESG policies. This page details the Scheme's ESG policy.

The Trustee's ESG beliefs

The Trustee has considered and discussed ESG issues to establish their own beliefs to help underpin investment decision-making with consideration of an appropriate time horizon for the Scheme.

The Trustee defines Responsible Investment ("RI") in line with the UN-backed Principle for Responsible Investing ("PRI"), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

The following statements summarise the ESG beliefs held by the Trustee:

Risk Management	<ol style="list-style-type: none">1. ESG factors are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.2. The Trustee believes that ESG integration leads to better risk-adjusted outcomes and will look for opportunities to reflect this in the investment strategy.3. The Trustee will continue to consider the ESG values and priority areas of the sponsoring employer.
Approach / Framework	<ol style="list-style-type: none">4. The Trustee should understand how investment managers integrate ESG considerations into their investment process and in their stewardship activities.5. The Trustee believes that sectors which demonstrate particularly bad ESG characteristics may underperform and will consider this as needed.6. The Trustee believes that where investment managers are underperforming in relation to ESG, it is not necessarily the best option to terminate their appointment. Where possible, engaging with the manager(s) to initiate change is a more effective option.
Reporting & Monitoring	<ol style="list-style-type: none">7. ESG factors are dynamic and continually evolving, therefore the Trustee should receive training as required to develop their knowledge.8. The Trustee will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.

Voting & Engagement	<p>9. ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.</p> <p>10. The Trustee should understand the impact of voting & engagement activity within their investment mandates.</p>
Collaboration	<p>11. Investment managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI, TCFD and Stewardship Code.</p> <p>12. The Trustee could consider signing up to a recognised ESG framework to collaborate with other investors on key issues in due course.</p>

ESG summaries and actions with the investment managers (DB)

Please note, the Scheme is in the process of disinvesting from Corbin Fund of Hedge Funds and has now fully disinvested from Morgan Stanley Global Property, these mandates have not been included.

Manager and fund	ESG Summary	Actions identified
Alcentra - European Direct Lending 'EDL'	<p>While the EDL fund range does not have specific fund-level ESG objectives, Alcentra did consider ESG as part of the investment due diligence for each fund.</p> <p>As the EDL funds, which the Scheme invests, are fully invested, making retrospective ESG improvements are more limited relative to new funds that are still investing. Given this, future ESG improvements will likely be focused on enhanced engagement and stewardship priorities.</p>	<ul style="list-style-type: none"> - Create a formal training programme on ESG issues and risks. - Introduce stewardship objectives and milestones for portfolio companies; provide fund-level engagement data and examples. - Consider implementing a climate policy at the firm level.
Ares - Secured Income Fund	<p>The Ares Secured Income Fund is undergoing liquidation, therefore making it difficult for Ares to make substantial ESG advancements. Most of the residual asset exposure within the Fund is to the Ares Real Estate Debt Fund. As a result, the ESG process and objectives are managed to a different fund.</p> <p>The decline in scores across several of the assessment criteria compared to last year is partially due to Isio raising the standards on how investment managers should approach and consider sustainable investment.</p> <p>Furthermore, the Fund's focus on Collateralised Loan Obligations ("CLOs"), Private ABS and Real Estate Debt somewhat restricts Ares' ability to integrate ESG across the mandate. However, Ares level of integration is lower than peers and we would expect a higher level of ESG integration than is currently displayed.</p>	<ul style="list-style-type: none"> - As the Fund is in the process of winding down, we are not recommending any proposed actions to Ares.
IFM - Global Infrastructure Fund ("GIF")	<p>IFM comprehensively integrate the firm's Responsible Investment Charter throughout the Fund's investment process and have a clear process for ESG integration through the investment process.</p>	<ul style="list-style-type: none"> - Develop an ESG scorecard approach to quantify ESG risks. -To make climate and social factors a stewardship priority.

LGIM – Absolute Return Bonds	<p>IFM have specifically included climate concerns throughout their assessment approach, with quantifiable metrics and targets at Fund level. GIF should complete its emission reduction plans at the asset level at the earliest opportunity to assess alignment with its net zero targets.</p>	<ul style="list-style-type: none"> - Improve climate scenario testing and impact on Fund value. - Continue to improve overall Fund level reporting on ESG metrics, particularly social metrics.
	<p>Reporting is now Task Force on Climate-related Financial Disclosures (“TCFD”) and Sustainable Finance Disclosure Regulation (“SFDR”) aligned but there is potential for more detail in fund-level ESG metrics scoring and reporting, especially for social scoring.</p>	
	<p>LGIM provides ESG scores for all assets within the portfolio and can provide the required TCFD Scope 1 and 2 metrics.</p> <p>LGIM also encourages investee companies to align sustainability reporting with best-practice frameworks. LGIM collaborates with a range of industry participants to monitor and influence a broad range of ESG topics.</p>	<ul style="list-style-type: none"> - Develop a process for independently assessing the effectiveness of green/sustainability-linked/use-of-proceeds bonds. -Work on reporting nature or bio-diversity related metrics in line with Taskforce on Nature-related Financial Disclosures (“TNFD”).
LGIM - LDI	<p>LGIM is actively committed to integrating ESG considerations into LDI funds. Their dedicated ESG team plays a crucial role in stewardship and responsible investment, ensuring premium risk management through their proprietary tools.</p>	<ul style="list-style-type: none"> -Introduce a formal ESG training program with defined training priorities. -Provide better incentives and more choice / encouragement to investors to maximise engagement.
	<p>At a firm level, LGIM is strong in their approach to ESG and Stewardship.</p>	<ul style="list-style-type: none"> -Increase greenhouse gases (“GHGs”) data coverage for holdings within the Fund.
LGIM – Sterling Liquidity Fund	<p>For cash funds, there are no fund-specific ESG objectives within the investment approach. However, LGIM have a strong stewardship process and provide quarterly ESG reporting for its cash funds.</p>	<ul style="list-style-type: none"> -Consider introducing ESG objectives -Increase level of engagement as a % of the fund’s value where possible. -Increase data coverage of GHG emissions.
	<p>Oaktree do not have a formal ESG implementation plan and due to the Fund’s vintage, there are no plans to introduce one. For the same reason, Oaktree do not systematically or regularly collect voting or engagement information related to ESG.</p>	<ul style="list-style-type: none"> - Oaktree could develop their reporting to provide quarterly engagement and voting data.

ESG summaries and actions with the investment managers (DC)

Manager and fund	ESG Summary	Actions identified
Legal and General - Passive Global Equity (L&G 30/70 Index Fund 75% GBP Currency Hedged)	<p>LGIM are market leaders in incorporating ESG and climate factors into their investment fund range.</p>	<ul style="list-style-type: none"> - To set explicit fund level ESG, climate and social objectives.
	<p>LGIM has a dedicated and well-resourced team focused on key ESG issues. However, there is limited scope to adapt the investment approach to ESG in their passive equity range.</p>	<ul style="list-style-type: none"> - To make an ESG training program compulsory for all members of the team.
	<p>Despite the passive nature of the fund range, the fund does actively engage with underlying companies in line with the firmwide Stewardship priorities whilst also taking advantage of LGIM's ESG reporting framework, namely the ESG scoring system.</p>	<ul style="list-style-type: none"> - To begin reporting on nature or biodiversity-related metrics.
BlackRock - Market Advantage Fund	<p>BlackRock have well-developed firm-level ESG and Stewardship policies in place, with well-resourced responsible investment teams.</p>	<ul style="list-style-type: none"> - To introduce an ESG scorecard as part of the due diligence process and ongoing monitoring.
	<p>BlackRock aggregate information centrally by issuer, allowing them to maximise the impact of their engagements.</p>	<ul style="list-style-type: none"> - To create Fund level stewardship priorities and demonstrate how engagement aligns with priorities of the fund.
	<p>The Fund continues to align itself with the Paris Agreement and has set targets such as the 1.5°C temperature target and an annual average of a 7% reduction in carbon emissions intensity score.</p> <p>The Fund lacks its own specific priorities, and the manager does not use an ESG scorecard as part of their due diligence. BlackRock have a publicly available Global Stewardship Policy and a central stewardship team.</p>	<ul style="list-style-type: none"> - To report ESG metrics and wider metrics quarterly. To increase fund specific GHG emissions data coverage. - To implement steps to increase UNPRI score to 5.
Schroders - Flexible Retirement Fund	<p>Schroders have a strong framework where ESG factors are embedded within the investment process. The Sustainable Investment Team is well resourced, provides oversight and is responsible for ESG integration in the firm.</p>	<ul style="list-style-type: none"> - To create quantifiable ESG objectives at a fund level. - Utilisation of models to show the impact of physical risks on their portfolio.
	<p>The Firm's engagement with the wider industry to leverage a larger influence on their ESG priorities, alongside depth of ESG analysis, are key strengths.</p>	<ul style="list-style-type: none"> - Reported ESG metrics and data should be independently verified and aim to report GHG data coverage above 70%.

<p>BlackRock - ICS Sterling Liquidity</p>		<ul style="list-style-type: none"> - To provide fund level voting activity breakdowns to support stewardship priorities. - Report on, where available, engagements made to enhance climate risk mitigation, and set formal Net Zero targets / decarbonisation objectives at fund level.
	<p>BlackRock have well-developed firm-level ESG and Stewardship policies in place, with well-resourced responsible investment teams.</p>	<ul style="list-style-type: none"> - To develop stewardship priorities and record engagements.
	<p>BlackRock aggregate information centrally by issuer, allowing them to maximise the impact of their engagements.</p>	<ul style="list-style-type: none"> - To develop the range of TCFD metrics that are reported and reporting on social factors.
	<p>Cash strategies have integrated ESG into the credit selection process, looking at E, S and G factors separately. Issuers have to meet a range of criteria to be eligible for inclusion in portfolios.</p> <p>TCFD reporting has developed in the last year, though demonstrating reporting of engagements in line with stewardship priorities is limited.</p>	

Engagement (DB)

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 December 2023.

Please note, the Scheme is in the process of disinvesting from Corbin Fund of Hedge Funds and has disinvested from Morgan Stanley Global Property. These mandates have not been included.

Please note that not all categories sum to the number of total engagements, as some engagements covered more than one ESG area.

Manager and Fund	Engagement summary	Commentary
Alcentra – European Direct Lending (EDL)	<p>Total engagements (covering all EDL funds): 91</p> <p>Environmental: 32</p> <p>Social: 22</p> <p>Governance: 6</p> <p>Other: 31</p>	<p>Alcentra, as a signatory to the Financial Reporting Council's UK Stewardship Code, follows stewardship standards for asset owners and asset managers. While specific fund-level stewardship priorities are not in place, Alcentra's stewardship activities intend to deliver strong, long-term investment returns for clients. The investment team, supported by the Monitoring and Responsible Investment teams, engages with portfolio companies on ESG-related topics, which are reported in the CRM system. Alcentra also engage with borrowers on ESG topics through an annual ESG questionnaire, to assess their approach to managing the ESG risks and initiatives in place. Monitoring of ESG issues and risks are ongoing, and Alcentra's ESG engagement efforts are aimed at improving disclosures, understanding risks, and encouraging sustainable practices among issuers in its portfolio companies.</p> <p>Examples of engagements include:</p> <p>Company A – Alcentra holds a board observer position with the business and engaged with the firm's CEO and CFO on the firm's ESG strategy. Following the engagement, the Company has set-up an ESG Committee.</p>

		<p>Company B – Alcentra is engaging with the Company about implementing an ESG margin ratchet.</p>
<p>Ares – Secured Income Fund</p>	<p>Ares do not systematically track firmwide engagements, instead, approach to engagement varies by asset class. Engagements are done on a case-by-case basis on various relevant topics, if and when deemed appropriate.</p> <p>Investment professionals within the team, as part of the ordinary course of business, will speak to certain counterparties as the need arises, especially for directly originated investments where the team has more control and/or influence.</p>	<p>Generally, Ares do not have a specific engagement policy post-investment due to the fixed income nature of investments. Ares act as a lender rather than an operator of the underlying portfolio company.</p> <p>Since the fund is winding down, examples of engagement have not been provided, which is disappointing.</p>
<p>IFM – Global Infrastructure Fund (“GIF”)</p>	<p>IFM does not disclose information about the number of engagements relating to GIF.</p> <p>However, IFM is actively engaged with all of its portfolio assets, working closely with management to establish specific Environmental, Social, and Governance (ESG) action plans. IFM also puts in place governance structures that have responsible investment controls to ensure responsible investment practices are followed. We do not have concerns with IFM from an ESG perspective.</p>	<p>IFM's Infrastructure Team actively engages with assets held in GIF, focusing on various ESG matters.</p> <p>Examples of engagement include:</p> <p>Naturgy – IFM continue to engage with Naturgy which is seeking to increase the installed capacity of renewable generation. Naturgy supports the development of biomethane and green hydrogen as new products, develops storage systems and improves value chain energy efficiency.</p> <p>Buckeye Partners - IFM's engagement resulted in Buckeye Partners creating an alternative energy operating segment. This segment focuses on the development of energy transition opportunities through investment in and development of renewables, cleaner fuels, alternative energy, and other sustainable innovations. Some of the transition investments underway at Buckeye Partners include a minority investment in OneH2; a hydrogen production and logistic company, and a majority investment in Swift Current Energy; a utility-scale renewable energy developer focused on solar wind and battery storage projects.</p>

LGIM – LDI Fund	Total Engagements: 36	<p>LGIM consider ESG as essential for all funds, including LDI. Specifically, ESG is integrated into their LDI approach on a top-down and bottom-up basis. LGIM engage with regulators, governments, and other industry participants to address long-term structural issues. This is done alongside LGIM’s analysis of ESG-related criteria, in the assessment of counterparties through LGIM’s proprietary ESG tools.</p>
LGIM – Absolute return Bond Fund	Total Engagements: 143	<p>Examples of significant engagements include the following (please note, these engagements are relevant to all the funds):</p> <p>Mizuho Financial Group Inc - LGIM engaged with Mizuho both independently and as part of an investor group. Following this engagement, there has been significant improvement in the banks’ ESG disclosures. LGIM continue to engage with the company to monitor actions and to provide support in their approach to climate issues. This is because LGIM believe the banking sector is crucial to funding the transition to net zero.</p>
LGIM – Sterling Liquidity Fund	Total engagements: 25	<p>Toyota Motor Group – LGIM engaged with Toyota over climate and environmental issues with regards to the alignment of its climate lobbying practices with the Paris Agreement, its climate ambitions, and on governance.</p>
Oaktree – Opportunities Fund	Currently, the Global Opportunities strategy does not actively track number of entities engaged.	<p>Oaktree focuses on engagement with the corporate management teams of companies they control or have significant control over. Positive engagements are focused at an individual company level where more influence can be exercised.</p> <p>An example of an engagement includes:</p> <p>Neo - One recent example of the Fund’s engagement on diversity and inclusion was with a materials and mining company named Neo Performance Materials. Various Oaktree Opportunities funds, including Opps IX, took control of Neo in 2016 through a restructuring. Since then, Oaktree have used their control position to transform Neo’s board into one that is more diverse.</p>

Engagement (DC)

As the Scheme invests via fund managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12 month period to 31 December 2023. We have included the funds used in the default as the vast majority of members and assets will be invested in these underlying funds.

Manager and Fund	Engagement summary	Commentary
<p>Legal and General - Passive Global Equity</p> <p>(L&G 30/70 Index Fund 75% GBP Currency Hedged)</p>	<p>Total engagements: 1,135</p> <p>Number of entities engaged: 560</p> <p>Environmental: 659 Social: 266 Governance: 353 Other: 90</p>	<p>LGIM have provided firmwide engagement policy reports that sets out their engagement priorities. Their stewardship priorities are built on pillars covering ESG, these pillars are E (Climate, Nature), S (Diversity, Health, Human Capital management, human rights and modern slavery) and G (Remuneration and Digitisation).</p> <p>Engagement Example (Social/People): Volkswagen (VW) is one of the largest automotive manufacturers globally, with a large presence in China. In 2013, VW opened a plant in Xinjiang and over recent years, multinational corporations have faced allegations of using forced labour in their operations in this region. MSCI assigned a red controversy flag to VW amidst the allegations. As part of LGIM's engagement, they held and maintained dialogue with VW to understand their presence in Xinjiang, how they enforce their governance practices, assisting VW in creating a solution to remove the red flag status and determining long-term solution to prevent future governance controversies relating to human rights and labour practices. LGIM's engagement was well received with VW attempting to resolve the issue in a proactive and pragmatic manner. In December 2023, VW obtained independent audit of its plant which addressed the concerns around the plant's operations. Subsequently, MSCI removed the red controversy flag status. LGIM continue to engage with VW on the subject of human rights and other governance topics.</p> <p>The Scheme has adopted LGIM's stewardship priorities and is aligned with the people and governance stewardship engagement example above.</p>

<p>BlackRock - Market Advantage Fund</p>	<p>Total engagements: 995 Number of entities engaged: 644</p> <p>Environmental: 362 Social: 413 Governance: 942 Other: 0</p>	<p>BlackRock provided a firmwide policy document which sets out their engagement priorities. These are Board quality and effectiveness, Strategy, purpose and financial resilience, Incentives aligned with financial value creation, Climate and natural capital and Company impacts on people.</p> <p>Engagement example (Environmental): BlackRock engaged with ASM International NV (ASMI), a major supplier of water processing equipment to semiconductor manufacturers in Netherlands. They face material water-related risks given that its water withdrawal operations are in regions exposed to high water stress. BlackRock discussed with ASMI their approach to managing natural capital-related risks and their efforts to re-use water. The company's growing demand for its products has led to increased water use, making this more significant. When analysing the physical risks within the TCFD framework, the company recognised water risk as one of the five most "relevant hazards". BlackRock acknowledges the company's disclosure efforts and welcomes continuous engagement to better understand its water management method for maintaining operational efficiency in high-water stress areas.</p> <p>The Scheme is comfortable that the manager is aligned with the Scheme's climate stewardship focus, as the engagement example above relates to this focus area. The manager also notes climate as an engagement priority.</p>
<p>Schroders - Flexible Retirement Fund (Wealth Preservation)</p> <p>BlackRock - ICS Sterling Liquidity</p>	<p>Due to the nature of these funds, no engagement or voting data is available.</p>	

Voting (for equity/multi asset funds only) (DC)

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 31 December 2023. The Trustee has not set their own stewardship priorities but monitor the activities of managers in line with their ESG policy. The Trustee has adopted the managers definition of significant votes, examples of which are included below.

Only funds used within the Default have been included as this is where the majority of members will be invested.

Manager and Fund	Voting summary	Examples of most significant votes	Commentary
Legal and General - Passive Global Equity (L&G 30/70 Index Fund 75% GBP Currency Hedged)	<i>Votable Proposals</i> : 72,933	Shell Plc. - <i>Date of vote</i> : 23 May 2023	LGIM provides details to votes on that's that they abstained from or withheld from, LGIM Vote Disclosures (issgovernance.com) Manager's voting policy : UK Corporate Governance and Responsible Investment Principles policy document (issgovernance.com) For further information on LGIM's voting and engagement policies, please refer to the following webpage which can be found here For further information on how LGIM use proxy providers services, please refer to the following document available on their website here .
	<i>Proposals Voted</i> : 72,845	- <i>Reasoning for significant vote</i> : Climate - LGIM is publicly supportive of "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario.	
	<i>For 'management' votes</i> : 59,086	- <i>Approx. holding size</i> : 2.1%	
	<i>Against 'management' votes</i> : 13,522	- <i>AUM</i> : £7,740m	
	<i>Abstain votes</i> : 335	- <i>Summary of resolution</i> : Resolution 25 - Approve the Shell Energy Transition Progress	
	<i>Withhold votes</i> : n/a	- <i>Manager vote</i> : Against (against management recommendation)	
	<i>Non-proxy agent votes</i> : n/a	- <i>Vote against management, was intent communicated ahead of the vote</i> : LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	
<i>Proxy agent votes</i> : n/a	- <i>Voting rationale</i> : A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to		
<i>Use of proxy voter</i> : Yes (ISS's ProxyExchange)			

		<p>demonstrate alignment with the 1.5C trajectory.</p> <ul style="list-style-type: none"> - <i>Outcome of vote</i> : Pass (80%) - <i>Next steps</i> : LGIM continues to undertake extensive engagement with Shell on its climate transition plans 	
BlackRock - Market Advantage Fund	<p><i>Votable Proposals</i> : 26,360</p> <p><i>Proposals Voted</i> : 24,669</p> <p><i>For 'management' votes</i> : 23,132</p> <p><i>Against 'management' votes</i> : 1,537</p> <p><i>Abstain votes</i> : 273</p> <p><i>Withhold votes</i> : n/a</p> <p><i>Non-proxy agent votes</i> : n/a</p> <p><i>Proxy agent votes</i> : n/a</p> <p><i>Use of proxy voter</i> : Yes (ISS's ProxyExchange)</p>	<p>Broadcom Inc.</p> <ul style="list-style-type: none"> - <i>Date of vote</i> : 03 Apr 2023 - <i>Reasoning for significant vote</i> : BlackRock seeks to determine whether the board's approach to executive compensation is rigorous, yet reasonable, in light of the company's stated long-term corporate strategy and specific circumstances, as well as local market and policy developments. Where BlackRock finds apparent misalignments between executive pay and company performance, or has other concerns about a company's compensation policies, BlackRock may engage to better understand the company's approach. - <i>Approx. holding size</i> : n/a - <i>AUM</i> : n/a - <i>Summary of resolution</i> : Advisory vote to ratify named executive officers' compensation - <i>Manager vote</i> : Against management - <i>Vote against management, was intent communicated ahead of the vote</i> : BlackRock do not disclose vote intentions in advance of shareholder meetings as they do not want the vote to influence other investors. - <i>Voting rationale</i> : Blackrock did not support Broadcom's say-on-pay proposal which sought approval of pay policies that BlackRock did not consider to be aligned with the interests of long-term shareholders. Following other engagement activity, they remained concerned about the disproportionate focus on short term goals and insufficient transparency re compensation. - <i>Outcome of vote</i> : Fail - <i>Next steps</i> : BlackRock continues to undertake extensive engagement and request clear compensation breakdowns from Broadcom on their executive compensation. 	<p>BlackRock enacted over 170,000 proxy votes over 2023. Through their internal policies, they ensure their vote aligns with their stewardship policy. BlackRock provides details on votes that they abstained from or withheld from, Investment Stewardship BlackRock</p> <p>Manager's voting policy : BIS Global Principles (blackrock.com) For further information on</p> <p>BlackRock's voting and engagement policies, please refer to the following webpage which can be found here</p> <p>For more information on BlackRock's use on proxy services, please refer to the following documents available on their website here.</p>

Due to the nature of this fund, no engagement or voting data is available.

Proxy voting:

LGIM:

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

To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

BlackRock:

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS). Voting decisions are made by members of the BIS team with input from investment colleagues as required, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms, ISS and Glass Lewis, who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision. However, BlackRock do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

