Engagement Policy Implementation Statement

The WR Swann & Co Ltd Retirement Benefits Scheme (the "Scheme")

This Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustees and covers the Scheme year 1 July 2021 to 30 June 2022.

Introduction

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

- Explain how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles ("SIP"); and
- Describe the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustees, their fiduciary manager and their underlying investment managers, the Trustees believe that the stewardship policy has been implemented effectively. The Trustees note that their fiduciary manager and most of their underlying investment managers were able to disclose good evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time, in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. The Trustees, with the support of their investment adviser Aon Investments Limited ("AIL"), will engage with the managers to encourage improvements in their disclosures.

Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year ending 30 June 2022.

The full SIP can be found here: https://www.swann-morton.com/company.php

- The Trustees recognise the importance of their role as stewards of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.
- As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to:
  - where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
  - exercise the Trustees' voting rights in relation to the Scheme's assets.
- The Trustees regularly review the continuing suitability of the appointed managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in this policy, the Trustees undertake to engage with the manager and seeks a more sustainable position but may look to replace the manager.

- The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Scheme's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner.

- The Trustees expect transparency from their investment managers with respect to their voting activities where this is relevant. This includes their voting actions and rationale, in particular where votes were cast against management, votes against management generally were significant, votes were abstained or where voting differed from the voting policy of the investment manager.

- From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Scheme stewardship activity over the year

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Engagement activity – Fiduciary manager

The Trustees have delegated the management of the Scheme's assets to its fiduciary manager, Aon Investments Limited ("AIL"). AIL manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager, and specialist third-party liability matching funds. AIL selects the underlying investment managers on behalf of the Trustees.

The Trustees have reviewed AIL's latest Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

AIL has carried out a considerable amount of engagement activity over the year. AIL held a number of Environmental, Social and Governance ("ESG") focussed meetings with the underlying managers across its strategies. At these meetings, AIL discussed ESG integration, and voting and engagement activities undertaken by the investment managers. This allowed AIL to form an opinion on each manager's strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of improving the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

AIL's Engagement Programme is a cross-asset class initiative that brings together AIL's manager research team and Responsible Investment specialists to promote manager engagement with the needs of AIL's clients in mind.

In Q3 2021, AIL was confirmed as a signatory to the UK Stewardship Code (the "Code"). With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by AIL on behalf of the Trustees.

Engagement example – Fixed income manager

In September 2021, AIL engaged with an underlying manager to understand why its submission to become a signatory of the Code in 2020 was not accepted. The Code is a set of high stewardship standards for asset owners and asset managers maintained and assessed by the Financial Reporting Council ("FRC"). The manager was previously a signatory to the 2012 UK Stewardship Code.

At a meeting, AIL and the manager discussed the feedback from the FRC on why the manager was not accepted as a signatory to the Code. The rejection was thought to be due to the format rather than the substance of the submission. The manager resubmitted in October 2021 and was accepted.

Voting and engagement activity – Underlying investment managers

Over the period, the Scheme was invested in a number of equity, fixed income and alternative funds through its investment with AIL. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material underlying managers.

Voting and engagement activity – Equity

Over the year, the Scheme invested in the following funds, in a material capacity, for which voting and engagement was completed by the investment managers on behalf of the Scheme:

AIL Global Multi-Factor Equity Fund	Legal and General Investment Management Limited ("LGIM") – Multi-Factor Equity Fund

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has its own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g., more than 15%) went against the management's proposal;
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting;
- a vote that is connected to wider engagement with the company involved;
- a vote that demonstrates clear and considered rationale;
- a vote that the Trustees consider inappropriate or based on inappropriate rationale; or
- a vote that has significant relevance to members of the Scheme.

The Trustees consider a significant vote as one which the voting manager deems to be significant or a vote where more than 15% of votes were cast against management.

LGIM – Multi-Factor Equity Fund

Voting policy summary

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. LGIM also receives research from Institutional Voting Information Service ("IVIS"). This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics for LGIM's Multi-Factor Equity Fund for the year to 30 June 2022.

Number of resolutions eligible to vote on over the period	11,814
% of resolutions voted on for which the fund was eligible	99.7%
Of the resolutions on which the fund voted, % that were voted against management	20.3%
Of the resolutions on which the fund voted, % that were abstained from	0.2%

Source: Manager

Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 30 June 2022.

Voting example: Accenture

In January 2022, LGIM voted against the management of Accenture, a professional services company, on a resolution to elect Arun Sarin as a Director. In addition to the proposed role, Arun is CEO of Vodafone. LGIM voted against the proposal because it expects board members not to hold too many external positions to ensure they can undertake their duties effectively. The vote passed with 86% votes in favour of the resolution. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Engagement policy summary

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

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

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

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

At the time of writing, LGIM had not provided engagement examples for the fund. The Trustees' fiduciary manager, AIL, has engaged at length with LGIM regarding its lack of fund level engagement reporting. LGIM has confirmed it is working towards producing this in future. The example provided below is at a firm level, i.e., it is not specific to the fund the Scheme is invested in.

Engagement example (firm level): Antimicrobial resistance

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi, and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. The overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM wrote to 20 water utility companies to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of the issue was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

Engagement activity – Fixed Income

Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so debt issuers have a vested interest to make sure that investors are happy with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, downside risk mitigation and credit quality are critical parts of the investment decision-making process.

Over the year, the material fixed income investments held by the Scheme were:

AIL Active Fixed Income Strategy	Aegon Asset Management (“Aegon”) – European Asset Backed Securities (“ABS”) Fund
	Schroders plc (“Schroders”) – International Selection Fund (“ISF”) Securitised Credit Fund
AIL Multi-Asset Credit Strategy	Robeco – Global Credit Short Maturity Fund
AIL Low Risk Bonds Strategy	Aegon Asset Management (“Aegon”) – European Asset Backed Securities (“ABS”) Fund
	Schroders plc (“Schroders”) – International Selection Fund (“ISF”) Securitised Credit Fund

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

Aegon – European ABS Fund

Engagement policy summary

Aegon believes that actively engaging with companies to improve their ESG performance and corporate behaviour is generally more effective than excluding companies from investment. Engagements are conducted by its investment managers, research analysts and its Responsible Investment team.

When engaging with portfolio companies, Aegon considers the UK and Dutch Stewardship Codes and the Principles for Responsible Investment (“PRI”). Aegon also participates in collaborative engagement initiatives such as the UK Investor Forum and the Institutional Investors Group on Climate Change.

Aegon engages with ABS issuers regularly through ESG questionnaires that are specifically for consumer loan ABS. It has meetings to discuss the questionnaire responses, the companies’ ESG goals and any areas for improvement.

Engagement Example: Brignole

In 2021 Aegon engaged with Brignole, an ABS issuer, to better understand the consumer loans issued by the company, so it could assess if the loans had any positive environmental impact. Further, Aegon suggested that the company increase borrowing for environmental purposes by offering a discount to borrowers with these intentions. To start the engagement, Aegon sent Brignole its ESG questionnaire. Aegon discussed the questionnaire responses with Brignole’s management.

From the engagement, Aegon gained a better understanding of the loans, which helped Aegon make a thorough ESG analysis of the issuer. Brignole agreed to implement Aegon’s suggestion to offer loans with environmental purposes at a discount. Aegon stated it will pursue similar engagements with other consumer loan issuers.

Schroders – ISF Securitised Credit Fund

Engagement policy summary

Schroders believes that engagement provides it with an opportunity to influence company interactions with their stakeholders; ensuring that the companies it invests in are treating their employees, customers and communities in a responsible way. Schroders engages on a broad range of topics including climate risk.

In Schroders's ISF Securitised Credit Fund, cashflows from various loans, such as mortgages, car loans and credit card payments, are grouped together into ABS. In its engagements, Schroders engages with the managers of the underlying loan products. Schroders has developed questionnaires specifically for collateralised loan obligations managers and commercial mortgage-backed securities managers, which it issues as part of its engagements. The information received is incorporated into its manager due diligence.

Engagement Example: OneMain Financial

In 2021, Schroders engaged with financial services company, OneMain Financial, about how it facilitates financing for its consumers that are more 'credit insecure'. OneMain Financial shared with Schroders its criteria for defining 'credit insecure' customers and how it achieves better credit results with this borrower base by offering borrowers financial education and services. Schroders also discussed differences between OneMain Financial and its peers, specifically disruption potential to its operations and consumer servicing from storms.

Robeco – Global Credit Short Maturity Fund

Engagement policy summary

Robeco actively uses its ownership rights to engage with companies on behalf of its clients. Robeco believes improvements in sustainable corporate behaviour can result in an improved risk-return profile of its investments. Robeco engages with companies worldwide, in both their equity and credit portfolios.

Robeco aims to improve a company's behaviour on ESG issues to improve the long-term performance of the company and ultimately the quality of investments for its clients.

Engagement example: Barclays

Robeco engaged with British bank, Barclays, regarding its culture and risk governance over several years. The purpose was to gain a better understanding of the risks banks face by analysing the most material governance issues of the banking system. The culture and behaviour at Barclays were key areas of focus for improvement. Barclays did a lot of work to change its culture and the bank now regularly reports on the importance of behaviour, reinforcing an open culture. In Robeco's view, Barclays approach to combatting money laundering and financial crimes is largely in line with other European banks. Robeco closed this engagement with Barclays in Q4 2021.

Engagement activity – Alternative investments

The Trustees recognise that the investment processes and the nature of alternative investments may mean that stewardship is less practicable or may be less relevant for certain types of strategy. For example, hedge fund strategies are often implemented using derivatives and can involve short-term trading of securities. This limits the manager's ability to engage with the underlying holdings.

The Trustees appreciate that it may be difficult for these types of managers to carry out traditional engagement activities. Nevertheless, the Trustees expect that, where possible, all underlying managers engage with issuers or companies they invest in, should they identify concerns that may be financially material.

The Scheme invested in the following material alternative investments over the year:

AIL Active Diversifiers Strategy	Marshall Wace – Market Neutral ESG Tops Fund
	Boussard and Gavaudan ("BG") – BG Fund

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

Marshall Wace – Market Neutral ESG Tops Fund

Voting policy summary

As discussed above, in most cases the funds Marshall Wace manages do not own shares, and consequently do not have voting rights. But where it believes it to be in the best interest of its clients, Marshall Wace may arrange to hold shares physically so that it can exercise the voting rights. This is most likely to occur where the result of a vote is likely to have a significant impact on the valuation of that company's shares.

Where applicable, Marshall Wace aims to exercise the proxy voting rights of the funds it manages at all shareholder meetings. It considers a range of factors that affect the value of its investments and endeavours to act solely in the interest of the funds. When making voting decisions, Marshall Wace considers the facts and circumstances of each case and will act in accordance with its Conflicts of Interest policy.

Marshall Wace's policy is to follow the advice provided by its proxy voting adviser, Glass Lewis. However, it may decide not to vote in accordance with this advice if it believes such action will better achieve the desired outcomes for its clients.

The table below shows the voting statistics for Marshall Wace's Market Neutral ESG Tops Fund for the year to 30 June 2022.

Number of resolutions eligible to vote on over the period	3,994
% of resolutions voted on for which the fund was eligible	73.0%
Of the resolutions on which the fund voted, % that were voted against management	9.0%
Of the resolutions on which the fund voted, % that were abstained from	27.0%

Source: Manager
Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 30 June 2022.

Voting example

Marshall Wace was able to provide voting examples, however, the level of detail of the information provided was insufficient for disclosure within this report. AIL plans to engage with the manager to encourage improvements in product level voting reporting, in future.

Engagement policy summary

Marshall Wace views engagement as a long-term process and believes that it is an effective tool to achieve meaningful change. Marshall Wace engages with investee companies on a wide range of topics. Marshall Wace aims to foster a constructive and collaborative relationship with the companies in which the funds it manages have positions.

Marshall Wace focuses its engagements activities on the governance and stewardship issues that it considers are the most significant to generating shareholder value. Typically, these include corporate strategy, board issues (such as its leadership, composition and incentivisation), financing, corporate actions such as major acquisitions or disposals, management of risks, and overall performance.

Engagement example (firm level): Repligen

In 2022, Marshall Wace engaged with Repligen, a manufacturer of biological drugs, on a number of ESG topics. In the engagement discussions, Repligen stated it was looking at making disclosures aligned with the Taskforce for Climate-related Financial Disclosures and sought guidance and feedback from Marshall Wace. Marshall Wace noted that Repligen's packaging strategy was innovative and ahead of its peers. Marshall Wace also asked about the company's greenhouse gas emissions targets, but the company confirmed that it had not yet set any. From the engagement, Marshall Wace noted that the company performs well on governance, supply chain practices, increasing ESG disclosure and board diversity. Marshall Wace will continue to engage with the company.

BG – BG Fund

Voting policy summary

In the pursuit of diversified returns, BG implements multiple strategies. Some of these involve short-term trading of lots of securities which makes voting impractical. As a result, BG generally votes when it has a material interest to do so for the benefit of its investors. This could be when its holding in the company represents a material proportion of BG's assets under management or BG holds a significant proportion of the company's voting rights.

BG votes in accordance with its guidelines. It will generally support a management initiative if its view of the company's management is favourable. BG will generally vote to change the management structure of an issuer if it would lead to an increase in shareholder value. It will generally vote against management, if there is a clear conflict between the issuer's management and shareholder interest.

BG evaluates all votes on a case-by-case basis. There may be a situation where BG decides, in the best interests of its client, to deviate from its voting policy or abstain from voting. In this event, it will document in writing the reason for this.

The table below shows the voting statistics for Marshall Wace's Market Neutral ESG Tops Fund for the year to 30 June 2022.

Number of resolutions eligible to vote on over the period	2,862
% Of resolutions voted on for which the fund was eligible	29.9%
Of the resolutions on which the fund voted, % that were voted against management	0.8%
Of the resolutions on which the fund voted, % that were abstained from	0.7%

Source: Manager
Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 30 June 2022.

Voting example: SPIE

In May 2022, BG voted against the management of SPIE, a technical engineering solutions provider, on a proposal which would give the Board authority to decide a share capital increase and thus preferential subscription rights. BG voted against the resolution because it does not believe that a company should be able to increase share capital without consulting with its shareholders nor should shareholders be penalised by giving preferential terms to management. The vote passed but BG continues to vote against management for these types of resolutions.

Engagement policy summary

BG engages with investee companies to improve its understanding of a company's business, culture, and governance process, and to discuss any specific concerns or opportunities. Its engagements typically include the following topics:

- Corporate capital and financing structure;
- Divergence by the company from its stated strategic objectives; and
- Controversies that arise with potential to impact shareholder value, including environmental, social and governance matters.

BG has an engagement policy that sets out how it engages with investee companies. The implementation of this policy is reported publicly on an annual basis. More information can be found here:https://www.boussardgavaudan.com/files/upload/Regulatorydisclosure/Engagement_Policy_2020_FINAL.pdf

Engagement example (firm level): Anima

In Q2 2021, BG engaged with an asset management company, Anima, that it considered was lagging on ESG issues. BG were keen to see improvements from the company, including in its ESG score from a third-party ESG rating agency. Later in the year, the company started to improve its ESG reporting and disclosures which resulted in a significant improvement to its ESG rating.