# Bard Limited Crawley Pension Scheme Implementation Statement

This document sets out the actions undertaken by the Trustee, its service providers and investment managers, to implement the policies set out in the SIP. The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the Implementation Statement the Trustee has prepared and covers the year ending 30 September 2021. The SIP and Implementation Statement are hosted on the following site: www.theapexgroup.com/statement-of-investment-principles/bard-ltd-crawley-pension-scheme/

## Summary

The SIP in force over the Scheme year is dated 30 September 2020. This Implementation Statement sets out how the polices in the SIP have been implemented over the year. For the purpose of assessing how the Scheme's SIP has been followed over the Scheme year, the remainder of the Implementation Statement specifically focuses on the 30 September 2020 version of the SIP.

On 18 January 2022 a new SIP was signed and can be found on the above site, which reflects the appointment of the Goldman Sachs Asset Management ("GSAM") as the Fiduciary Manager, with assets transitioning to the new investment strategy managed by GSAM from July to September 2021.

## Meeting objectives and policies outlined in the SIP

The following section addresses the extent to which the Trustee has followed policies throughout the year. Overall, the Trustee believes the policies outlined in the SIP have been adhered to during the Scheme year and the justification for this is set out in the remainder of this section. This SIP in force over the year follows the headings outlined below.

**Investment objective**

The Trustee aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.

- The Trustee believes it has invested the assets prudently given the funding approach, covenant and liabilities.

**Strategy**

In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy, while maintaining a prudent approach to meeting the Scheme's liabilities.

The overall strategy has been agreed with the Sponsoring Employer.

- The Trustee has considered the nature, disposition, marketability, security and valuation of the Scheme's investments and believe them to be appropriate relative to the reasons for holding each class of investments.
- The DB assets of the Scheme were all held with BlackRock; 60% of the assets were invested in return seeking growth assets and 40% in fixed income assets and index linked bonds. Automatic rebalancing was suspended and disinvestments were sourced from UK equities.

- The Trustee undertook a competitive tender exercise for provision of fiduciary management services and decided to appoint GSAM ("the Fiduciary Manager").
- The Fiduciary Manager transitioned the Scheme's assets from the previous portfolio to a new portfolio agreed with the Trustee over the period from July to September 2021.
- It is the Trustee's policy to consider a full range of asset classes including, but not limited to, equities, bonds, property and absolute return and their suitability to the overall asset allocation given their associated risks and rewards.
- As a result of the appointment of the Fiduciary Manager, the Trustee revisited the strategic asset allocation and made a number of changes. These changes were enacted with the aim of maintaining the expected level of future returns but with a lower degree of risk relative to movements in the value of the Scheme's liabilities. Changes include adjusting the weights within the growth portfolio, introducing new diversifying asset classes into the growth portfolio and implementing a bespoke liability hedging structure with an increased degree of interest rate and inflation hedging.
- The new strategy is to invest between 60% and 70% of the assets in growth with the remainder in matching assets.
- The matching assets aim to 'hedge' against c.75% of the expected movement in the Scheme's liability value as a result of changes to interest rates and market-implied inflation as measured on the Technical Provisions liabilities measure.

Although it is not intended that cash will form part of the long-term strategic benchmark of the Scheme, it will hold cash balances both to meet short term cash outflows and on a tactical basis pending investment into other asset classes. The Scheme's cash holdings are mainly invested in the Trustee bank account and the BlackRock Sterling Liquidity Fund is also available. In the normal course of events, cash balances up to a maximum of 5% of total Scheme assets may be held. If circumstances arise in which holding a higher percentage of the Scheme's assets in cash is deemed appropriate, the Trustee will obtain written advice from their investment adviser and consult with the sponsoring employer before breaching the 5% limit.

- The Trustee did not take actions to hold a tactical overweight to cash in the year.

When choosing the Scheme's planned asset allocation strategy, the Trustee considered advice from their investment adviser, GSAM, and, in doing so, addressed the following:

  - The need to consider a full range of asset classes.
  - The risks and rewards of a range of alternative asset allocation strategies.
  - The suitability of each asset class.
  - The need for appropriate diversification.

- In considering these issues, the Trustee took into account the fact that the size of the Scheme's assets meant that it would not be practicable to invest in some asset categories. In addition, the Trustee consulted with the Sponsoring Employer, Bard Limited, when setting this strategy.

**Risk**

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial calculation.

- The Trustee reviews the Statement of Funding Principles in line with statutory actuarial valuation exercises (with the next valuation due as at 30 September 2022) and regularly monitors the Scheme's funding position in between valuations so as to take steps to stay on track to meet the funding objective as required.

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

  - The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk").
- The Trustee reduced this risk by increasing the target interest rate and inflation hedge ratios.
  - The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The Trustee disinvested from UK equities over the year. Going forwards the GSAM portfolio is liquid and will provide cash when requested by the administrators.
  - The failure by the fund manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter. The bond and equity assets of the Scheme are managed on an index-tracking basis which reduces the risk of substantial underperformance relative to the benchmark indices.
- The Trustee monitors the managers quarterly over the year through Aon's quarterly investment reports and going forwards via GSAM's reporting.
- The bond and equity assets of the Scheme are no longer managed on an index tracking basis.
  - The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.
- The Scheme remains invested in a well diversified strategy.
  - The possibility of failure of the Scheme's Sponsoring Employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the Sponsoring Employer as to the suitability of the proposed strategy.
- The Trustee regularly considers the covenant.
  - The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The Trustee signed a Fiduciary Management Agreement with GSAM in July 2021.
  - The risk of the extent to which ESG factors are not appropriately reflected in asset prices and/or not considered in investment decision making processes, leading to underperformance relative to targets.
  - The risk of the extent to which climate change causes a material deterioration in asset values as a consequence of factors, including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

- The Trustee considered GSAM's approach to ESG (including climate change) as part of the Fiduciary Manager selection.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner. Some of these risks may also be modelled explicitly during the course of an investment review.

The Trustee's policy is to monitor, where possible, these risks and to receive reports from time to time showing:

  - Performance versus the Scheme's investment objective.
  - Performance of individual asset classes versus their respective targets.

    - Any significant issues with the fund manager that may impact its ability to meet the performance targets set by the Trustee.

- The Trustee monitors the managers quarterly over the year through Aon's quarterly investment reports and going forwards via GSAM's reporting.

**Implementation**

Aon Solutions UK Limited ("Aon") has been selected as investment adviser to the Trustee. It operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. Aon is paid a fixed fee for regular work carried out for the Scheme and on a time cost basis for any other work they undertake for the Scheme although separate fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

- Aon has been replaced as the investment adviser to the Trustee by GSAM.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

    - Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
    - Voting and corporate governance in relation to the Scheme's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.

- GSAM has replaced BlackRock managing the assets and is now the Fiduciary Manager.
- See the sections on "Environmental, Social and Governance", "Stewardship - Voting and Engagement" and "Voting and Engagement activity" covered later in the Implementation Statement ("IS").

**Governance**

The Trustee is responsible for the investment of the Scheme's assets. It takes some decisions itself and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

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| **Trustee**<br>• Monitor actual returns versus Scheme investment objective.<br>• Set structures and processes for carrying out their role.<br>• Select and monitor planned asset allocation strategy.<br>• Select direct investments (see below). |
| **Investment Adviser**<br>• Advise on all aspects of the investment of the Scheme assets, including implementation.<br>• Advise on this statement.<br>• Provide required training. |
| **Fund Manager**<br>• Operate within the terms of this statement and their written contract.<br>• Select individual investments with regard to their suitability and diversification.<br>• Comment on the suitability of the indices in its benchmark. |

- The stakeholders above acted within this structure over the year. Going forwards GSAM provide both investment adviser and fund manager functions under their fiduciary management services.

**Environmental, Social and Governance**

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

- This was considered as part of GSAM's Fiduciary Manager selection and appointment.

**Stewardship – Voting and Engagement**

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme's investment managers and takes advice from the investment adviser regarding any changes. Where applicable, 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 Trustee expects, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. In line with the required actions from the Pensions Regulator, on an annual basis the Trustee will produce an Implementation Statement which will be included in the annual reports and accounts.

The Trustee will review the alignment of the Trustee's policies to those of the scheme's investment managers and ensure the managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

- The above was considered when preparing the Implementation Statement in 2021 and as part of GSAM's Fiduciary Manager selection and appointment.
- The mandates put in place by the Fiduciary Manager on behalf of the Trustee specify how rights attached to the Scheme's investments are acted upon. The Trustee has less influence over the underlying investments within pooled investment vehicles held by the Scheme, but has delegated oversight of these investments to the Fiduciary Manager who review the managers' policies and statements of compliance in respect of these matters as agreed.

The Trustee 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. Where such a concern is identified, the Trustee will engage with the investment adviser to consider the methods by which, and the circumstances under which, they would monitor and engage an investment manager and other stakeholders.

- The Trustee did not engage with any issuers of debt or equity over the year.

**Members' Views and Non-Financial Factors**

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

- Member views were not canvassed over the year.

**AVCs**

The direct investments that the Scheme has are as those used for members' additional voluntary contributions and are managed by the following managers

  - Utmost Life and Pensions
  - Standard Life

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund manager) against the following criteria:

  - The best interests of the members and beneficiaries
  - Security
  - Quality
  - Liquidity
  - Profitability
  - Nature and duration of liabilities
  - Tradability on regulated markets
  - Diversification
  - Use of derivatives

- There were no changes to the AVCs over the Scheme year.

**Arrangements with Investment Managers**

The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes the extent to which investment managers:

  - make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
  - engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by their investment adviser.

The Trustee receives regular reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assess the investment managers over the long-term.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies.

- The Trustee reviewed GSAM's appointment documents.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the investment managers (where possible), and regular monitoring of investment managers' performance and investment strategy, is sufficient to incentivise the investment managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial performance.

- GSAM selects investment managers and negotiates their fees on behalf of the Trustee. The Trustee expects GSAM to ensure (where possible) that investment managers' investment guidelines and restrictions align to the SIP and focus on medium to long-term performance in order to align manager actions to the Trustee's investment time horizons where appropriate. The Trustee also expects, and where possible requires, investment managers to use any rights associated with the investment to drive better long-term financial and non-financial outcomes (including on ESG and stewardship matters).

Where investment managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager, but could ultimately replace the investment manager where this is deemed necessary.

- The Trustee considers neither BlackRock nor GSAM acted against the Trustee's policies.

There is typically no set duration for arrangements with investment managers, although the continued appointment for all investment managers will be reviewed periodically, and at least every five years. Where the Scheme holds closed ended vehicles, the duration may be defined by the nature of the underlying investments.

- The Trustee and GSAM appoint investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. Given this, the Trustee's arrangements with its investment managers have no set duration, but have appropriate termination rights included in their terms.

**Cost Monitoring**

BlackRock is remunerated on an ad valorem basis in which the fees are calculated according to the amount of assets under management. For equities and bonds, the Annual Management Charge ("AMC") is 0.16% p.a. The AMC for the BlackRock Dynamic Diversified Growth Fund is 0.55% p.a. The AMC for the LDI funds (leveraged gilts) is 0.15% p.a. The AMC for the Sterling Liquidity Fund is 0.125% p.a.

In addition, BlackRock pays commissions to third parties on many trades it undertakes in the management of the assets and also incurs other ad hoc costs. The Trustee receives statements from BlackRock setting out these costs and reviews them from time to time to ensure that the costs incurred are commensurate with the goods and services received.

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the investment managers that can increase the overall cost incurred by their investments.

- The Trustee monitored the costs.

**Evaluation of Investment Managers performance and remuneration**

The Trustee evaluates the performance of their investment managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the investment managers. The Trustee also reviews the remuneration of the Scheme's investment managers on at least an annual basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

- BlackRock performance and costs were monitored.
- The Trustee received statements from BlackRock setting out these costs and reviews them from time to time to ensure that the costs incurred are commensurate with the goods and services received.
- BlackRock's costs were reviewed over the Scheme year and undercharging identified. These were accrued for in the prior year financial statements and were paid in the current year.
- GSAM's costs were considered as part of the Fiduciary Manager selection process.
- GSAM's performance is regularly reviewed and monitored by GSAM and reported to the Trustee monthly with a process in place to identify underlying investment managers that either have underperformed or are at risk of future underperformance with appropriate action taken by GSAM.

- GSAM's investment managers are typically paid an ad valorem fee which is normal market practice, with some investment managers paid a performance fee with appropriate hurdle rates and high water marks. As part of the selection process, GSAM considers the fee structures of investment managers and seeks to ensure fee structures are aligned to an appropriate degree with the Trustee's interests. Additionally, GSAM reports regularly to the Trustee setting out portfolio costs and charges at a total portfolio level but also for each individual strategy within the portfolio. GSAM also provides regular reporting which includes turnover costs based on calculation assumptions in line with MiFID costs and charges reporting in relation to allocation changes at the overall portfolio level.
- Investment manager fees are also reviewed by GSAM periodically to confirm that they are in line with market practices and remain in line with the Trustee's policies and investment strategy.

**Portfolio turnover costs**

- The Trustee expects GSAM to be cognisant of the turnover of the portfolio and costs associated with turnover but the Trustee has no target turnover or turnover ranges. GSAM considers turnover and associated costs at several levels: 1) at the total portfolio level turnover costs are taken into account as part of regular rebalancing decisions; 2) turnover at the level of investment managers is periodically reviewed as part of the wider ongoing investment manager review processes; 3) investment manager performance is reviewed net of turnover costs; and 4) total portfolio turnover costs are incorporated into portfolio costs reporting.

## Voting and Engagement – Equity funds and multi-asset investments

Over the reporting period, the material equity and multi-asset investments held by the Scheme were as follows:

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| **BlackRock (replaced over the Scheme year)** | Aquila Life European Equity |
| | Aquila Life Japanese Equity Index |
| | Aquila Life US Equity Index |
| | Aquila Life Pacific Rim Equity |
| | Aquila Emerging Markets |
| | Aquila Life UK Equity |
| | Dynamic Diversified Growth |
| **GSAM (appointed in the Scheme year)** | SSGA All World Developed ESG Screened Index Fund |
| **Utmost Life and Pensions (AVCs managed by JPMAM)** | Utmost Managed Fund |
| | Utmost UK Equity |
| | Utmost Multi-Asset Moderate |
| | Utmost Multi-Asset Cautious |
| **Standard Life (AVCs managed by Aberdeen Standard Investments, rebranded as Abrdn)** | Managed |
| | UK equity |
| | Overseas equity |

Approximately 1/3rd of GSAM exposure is cash, bonds and derivatives, of the remainder c50% are invested in 20 pooled funds and c20% is invested in the SSGA fund described above. As the GSAM exposure was present for less than two months and due to the diffuse number of funds, we have taken a material and proportionate approach to reporting on voting and engagement for GSAM and described the most material holding only (the SSGA fund referenced above).

All managers use the services of proxy voting organisations for various purposes; these may include research, vote recommendations, administration and vote execution. Please see the appendix for more information on the manager's use of proxy voting organisations.

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 their 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 Trustee considers inappropriate or based on inappropriate rationale;
- a vote that has significant relevance to members of the Scheme.

**BlackRock**

Voting policy
Blackrock uses the ISS electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. Blackrock's voting decisions are informed by internally developed proxy voting guidelines, as well as its pre-vote engagements, research and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over the period, BlackRock has increased its level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These specific significant votes are chosen by BlackRock based on a number of criteria, such as level of public attention and impact of financial outcome.

Significant Voting Example – Aquila Life European Equity, Dynamic Diversified Growth Fund

In April 2021, BlackRock voted for the proposal item of an advisory opinion on the Company's environmental transition plan for VINCI SA, a French Construction & Engineering company. The purpose of the vote was to encourage VINCI's shareholders to buy into the company's ambition and strategy. BlackRock voted in favour since the proposed plan provides a clear roadmap towards the company's stated climate ambitions and targets.
Further information on the vote can be found here: https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-vinci-apr-2021.pdf

Engagement policy
Within BlackRock's 2021 Investment Stewardship ("BIS") report, it flagged that its priorities build on themes that it has been focusing on for several years. BlackRock hopes that by explaining these areas of focus, company boards and management will be able to better assess gaps in its own practices and whether they might need to engage with BIS. The BIS team's stated key engagement priorities include:

1. Board quality.
2. Climate and natural capital.
3. Strategy purpose and financial resilience.
4. Incentives aligned with value creation.
5. Company impacts on people.

Since 2020, BIS has updated all priorities apart from Board quality. BlackRock believes other issues have risen in importance recently, driven by its observations of unexpected risks and opportunities faced by companies, changing market conditions, and evolving client and societal expectations. Throughout 2021, the BIS team continued to focus on board effectiveness, alongside the impact of sustainability-related factors on a company's ability to generate long-term financial returns. More information can be found here:
https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

**Utmost Life and Pensions ("Utmost")**

Utmost is one of the platform providers for the Scheme's additional voluntary contributions ("AVC") arrangements. The information below relates to J.P. Morgan Asset Management (JPMAM), the main asset manager for funds on the platform.

Voting policy
JPMAM actively votes at approximately 8,000 company meetings each year, in 80 markets around the world. It maintains detailed voting policies in each region, based on a mixture of international standards of corporate governance and local market best practice. JPMAM's investment teams and investment stewardship specialists in the relevant region are responsible for implementing those policies, taking into consideration individual circumstances as well as investor insights, based on its deep knowledge and experience of the country, sector and company.

Engagement policy
JPMAM believes that regular engagement with invested companies is vital. In their engagement with the companies they invest in, JPMAM have five main investment stewardship priorities that they believe are most applicable. These are: Governance, Strategy alignment with the long-term, Human capital management, Stakeholder engagement and climate risk. Please see the link here for more information on Investment Stewardship at JPMAM.
https://am.jpmorgan.com/us/en/asset-management/adv/about-us/investment-stewardship/

**Standard Life managed by Abrdn**

This section relates to Aberdeen Standard Investments, the other provider of the Scheme's AVC arrangements during the Scheme year. In 2021 Aberdeen Standard Investments changed its name to Abrdn.

Voting policy
Abrdn uses the services of third-party provider, Institutional Shareholder Services ("ISS"), for its proxy voting research and voting recommendations function. It also conducts its own analysis of resolutions being considered at annual general meetings ("AGMs") and other shareholder meetings. For UK equities, Abrdn also uses Institutional Voting Information Service for further analysis of resolutions voted on at UK premium-listed company AGMs. When Abrdn votes against a resolution at a general meeting, it typically provides rationale to the company for doing so.

In exceptional circumstances, Abrdn attends and speaks at shareholder meetings to reinforce its views to the company's Board.

From time to time, Abrdn has disagreements with companies it invests in on a range on matters, including stewardship and ESG factors. Issues are discussed by its Stewardship & ESG Investment and portfolio management teams. The strategy for resolving an issue is determined on a case-by-case basis. If Abrdn decide to intervene, it generally does so through private engagement with the company and, if appropriate, its advisers. However, if circumstances dictate, Abrdn will make its views known publicly. More information on the voting policies can be found here:
https://www.abrdn.com/en/uk/adviser/responsible-investing/governance-and-active-ownership/voting

Engagement policy
Abrdn states that it seeks to integrate and appraise ESG factors in its investment processes. Its aim is to generate the best long-term outcomes for clients, and it would actively take steps as stewards and owners to protect and enhance the value of its clients' assets through good governance and risk management. It seeks to understand each company's specific approach to governance, how value is created through business success and how investors' interests are protected through the management of risks that materially impact business success. To do this it aims to be an active steward of companies, dynamically involved in dialogue with management and non-executive directors, fully understanding the material risks and opportunities. These include issues relating to environmental and social factors and helping to shape the future success of the business.

Engagement Example
Abrdn engaged with Tesco plc in the second quarter of 2021, on the matters of diversity and inclusion, and in particular the gender pay gap. This follows the Supreme Court's ruling in March 2021 that employees working in Asda stores can use employees working in depots as a comparator for the purposes of an equal pay claim. Typically, the shop floor has more female representation whereas employees working in depots are predominantly men. It was common for pay to be less favourable in retail than in distribution. The ruling is potentially material to Tesco plc as it

sets a precedent for the sector and opens up the possibility of litigations for back-payments. A report suggests it may be liable to pay a claimant's filling for up to a £2.5 billion bill, equivalent to 41% of the Tesco's net profit for financial year 2021.

By engaging with Tesco plc, they learnt that the company has not made provisions to pay any potential claims for back-payment. They note that Tesco plc intends to argue its case for the ongoing legal proceedings on the issue. They intend to continue to monitor Tesco plc and the financial impact of the proceedings on the wider gender pay gap issue. They plan to engage with Tesco plc and other labour-intensive businesses further to encourage companies to be more proactive in providing extended disclosure on workforce issues, such as pay transparency, pay parity and whether collective bargaining agreements have been put in place.

**Goldman Sachs Asset Management ("GSAM")**

When selecting and reviewing the performance of investment managers, GSAM take into account the managers' stewardship polices relative to GSAM's policies. The managers are allowed to follow their own policies in this regard.

At the audit date GSAM's portfolio held UK government bonds, pooled funds, derivatives and cash. Within the pooled funds SSGA was the single largest managing an all world developed screened index fund. SSGA's approach to voting and engagement is outlined below.

**State Street Global Advisors ("SSGA")**

Voting policy
In order to facilitate SSGA's proxy voting process, SSGA relies on Institutional Shareholder Services Inc. ("ISS"). SSGA uses ISS's services in three ways:

- As a proxy voting agent.
- To apply SSGA's Proxy Voting Guidelines where appropriate.
- To provide research and analysis related to general corporate governance issues and specific proxy items.

SSGA's Stewardship team reviews its Proxy Voting Guidelines with ISS on an annual basis or on a case- by-case basis as needed. Voting matters that are nuanced or that require additional analyses are referred to and reviewed by members of the Stewardship team. Members of the Stewardship team evaluate the proxy solicitation to determine how to vote based on facts and circumstances consistent with SSGA's Proxy Voting Guidelines, which seek to maximize the value of its client accounts.

SSGA votes at over 17,000 meetings on an annual basis and prioritises companies for review based on a number of factors including the size of the holdings, past engagement, corporate performance, and voting items identified as areas of potential concern. This assessment is used to allocate appropriate time and resources to shareholder meetings and assign specific ballot items of interest.

Engagement policy
SSGA's Stewardship Team has developed an Issuer Engagement Protocol and a framework to increase the transparency of its engagement philosophy, approach and processes. This protocol is designed to communicate the objectives of SSGA's engagement activities and to facilitate a better understanding of preferred terms of engagement with investee companies.

SSGA monitor the percentage of engagements with companies previously identified as requiring proactive discussions. SSGA also monitor the percentage of unique engagements to ensure that their activity is aligned with the long-term, risk-based approach to stewardship, that is fundamental to SSGA's program.

## Summary

Overall, the Trustee is of the opinion the stewardship carried out on behalf of the Scheme is adequate. The Trustee notes examples of the willingness and ability of BlackRock, Utmost and Standard Life (Abrdn) to take proactive votes against management where appropriate.

Having said that, the Trustee recognises that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. Accordingly, the Trustee continues to expect improvements over time (for example, summary voting information as well as fund level examples of significant votes from GSAM) in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.