

# Implementation Statement (“IS”)

## Pearl Group Staff Pension Scheme (the “Scheme”)

### Scheme Year End – 30 June 2024

The purpose of the Implementation Statement is for us, the Trustee of the Pearl Group Staff Pension Scheme, to explain what we have done during the year ending 30 June 2024 to achieve our objectives and implement our policies as set out in the Statement of Investment Principles (“SIP”).

It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

## Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Scheme, and with other third parties that the Trustee relies on such as its investment advisers.

### Defined Benefit (“DB”) Section

In November 2022, the Scheme went through its fourth and final buy in, securing members benefits with a bulk purchase annuity agreement with Phoenix Life Limited (“PLL”). The buy-in policies now with PLL cover all the Scheme’s defined benefit liabilities. In endeavouring to invest in the best financial interests of the beneficiaries and purchasing the bulk annuities, we recognise that we cannot directly influence the ESG integration or stewardship policies and practices of PLL. We believe that PLL should use its influence and purchasing power where possible to ensure that ESG factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

The majority of the Scheme’s residual assets are invested in money markets with Legal & General Investment Management (“LGIM”) with a residual amount of assets held with two alternative asset managers, Silver Creek and Treo. This statement does not disclose any stewardship information in relation to these due to the limited applicability of voting and engagement to these asset classes.

### Defined Contribution (“DC”) Section

Based on the information we have been provided with, we are comfortable with the management and monitoring of ESG integration and stewardship of the underlying managers that has been carried out on our behalf, and that this aligns with our policies and priorities. We also believe that the investment managers appointed by Aon Investments Limited (“AIL”) were able to disclose adequate evidence of voting and engagement activity that are in line with our overall expectations and policies.

## Changes to the SIP during the year

The SIP was not updated during the Scheme year. However, it has been updated since the end of the year, in September 2024. The update made was to account for the Trustee's policy on illiquid investments with regards to the default arrangement of the DC section of the Scheme.

The Scheme's latest SIP can be found here: [Pearl Group Staff Pension Scheme \(pearlstaffpensionscheme.co.uk\)](https://pearlstaffpensionscheme.co.uk)

## How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

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*"For both sections it is the Trustee's policy to consider:*

- *A full range of asset classes, including alternative asset classes such as infrastructure equity;*
- *The risks and rewards of a range of alternative asset allocation strategies;*
- *The suitability of each asset class;*
- *The suitability of the possible styles of investment management and manager diversification; and*
- *The need for appropriate diversification both across asset classes and within asset classes."*

The Scheme's DC assets are managed by ALL within fiduciary arrangements. For the DC section, there are a range of options available to members covering the main asset classes and different levels of risk. The Trustee is comfortable that it has met its objective of providing a range of investments suitable for members.

A formal review of the DC default arrangement and self-select funds by the Trustee took place on 16 February 2023. The Trustee remains satisfied that the default strategy is appropriate and that the range of alternative strategies and self-select funds also continues to meet members' needs.

For the DB section, the majority of the assets are now invested in buy in policies underwritten by PLL. The residual assets are held within an LGIM Liquidity Fund, together with some alternatives held with Treo and Silver Creek which are in the process of being sold down, with the Trustee seeking exit strategies from both.

The DB investment strategy was constructed in a manner consistent with the above policy. For the DC section, these factors were considered as part of the DC investment strategy review,

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### General investment policy

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which are discussed in more detail below alongside the respective policies.

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### ***Environmental, Social and Governance Factors***

The relevant extract of the SIP, covering the Scheme's voting and engagement policies over the reporting period, is as follows:

*"When choosing investments, the Trustee and the fund manager (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 fund manager's duties include:*

- *Realisation of investments;*
- *Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments;*

*For direct investments in pooled funds and buy-in policies, the Trustee expects the fund manager of the underlying pooled fund or buy-in policies to carry out the above duties. Where the assets are held in segregated rather than pooled format, the Trustee expects each sub fund manager of the underlying assets to carry out the powers of investment delegated to them. In all cases the fund manager should give effect to the principles in this statement so far as is reasonably practicable."*

ALL, as part of its ongoing investment management of the arrangement, made a number of changes to asset allocations and weightings between existing underlying funds over the year.

### **Scheme stewardship and policy**

Of particular relevance in the consideration of environmental factors, the Aon Managed Global Equity Fund's allocation to BlackRock Emerging Market Index Fund (10%) was replaced with the new UBS Global Emerging Markets Climate Transition Fund in August 2023. The UBS Fund looks to benefit from the transition to a low carbon economy by increasing weightings to stocks with lower carbon intensity, stocks which target 'green opportunities', and those which are aligned with one or more of the United Nations' Sustainable Development Goals. Additionally, the Fund excludes stocks such as Controversial Weapons, Depleted Uranium, Thermal Coal and Oil Sands, Tobacco and UN Global Compact violators.

### ***Voting and Engagement***

*"The Trustee regularly reviews the continuing suitability of the appointed investment managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed investment managers.*

*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 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*

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*interest. When a concern is identified, the Trustee will engage with the investment consultant to consider the methods by which, and the circumstances under which, they would monitor and engage with the investment manager and other stakeholders.”*

For the DB section, there is limited voting on the assets within the portfolio as it is not applicable for the type of assets held. The majority of assets are held in buy-in policies or the residual assets are in the process of being sold down. Engagement is relevant, and the Trustee does still expect managers to engage as required to protect and enhance the value of the assets.

For the DC section, the Trustee, through receipt of voting data from AIL, can see that the investment managers are actively voting on the Trustee's behalf and engaging with investee companies on behalf of the Trustee. The Trustee will continue to monitor and expand its engagement in this area.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the 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.

AIL, as part of their ongoing investment management of the arrangement, made a number of changes to asset allocation weightings between existing underlying funds. Changes were made in response to market movements and expected changes in market conditions.

During the Scheme year, the Trustee reviewed the changes made by the investment manager to the underlying asset allocation and managers used within the default arrangement and wider fund options available. This information was supplied on a quarterly basis in investment reports provided by the investment advisers and discussed at each bi-annual Trustee meeting.

### **Management of ESG risk**

**Asset allocation decisions:** Issues of sustainability such as population dynamics, resource depletion and climate change will have an impact on economic growth and asset values over the long-term. AIL take account of these and other similar issues when forming views of how markets are likely to evolve in future, which they in turn use to determine the asset allocation strategies used.

**Stress testing:** AIL use climate change scenarios to assess how robust the default strategy is to the potential impact of climate change and evaluate the extent to which changes can help to improve this area of risk exposure.

**Manager level:** The extent to which asset managers integrate ESG considerations into their investment decisions is one of many factors that AIL take account of in their rating process. AIL actively engage with all underlying investment managers on their ESG policies. Each fund receives a formal ESG rating using the categories of 'Limited', 'Integrated' and 'Advanced'<sup>1</sup>. Any manager

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<sup>1</sup> There is an additional rating of 'Not Applicable', where ESG risks and considerations are not applicable to the strategy, for example on the grounds of materiality or asset class relevance.

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that scores the lowest rating is removed from portfolios until they improve their approach to integrating ESG considerations. Importantly this is about improving behaviours, not exclusion; ALL work with managers to explain how they can better engage on ESG.

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*"The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals (normally annually). These include some of the pooled funds used in the defined benefit section, the buy-in policies and the vehicles available for members' contributions in the defined contribution section and members' AVCs in both sections. 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(s)."*

## **Governance**

The Trustee reviews its investments on a regular basis and receives quarterly monitoring reports from its investment adviser on the DB and DC sections. The quarterly reports outline the valuation of all investments held, monitor the performance of these investments and record any strategy changes during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. The buy-in policies now cover all the Scheme's defined benefit liabilities and hence any residual assets are now not compared to a strategic asset allocation. The Trustee aims to wind up the remaining residual assets.

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*"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. In particular, the Trustee seeks to ensure that the investment manager is incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries. For the DC section where the Trustee is referenced in this section this is carried out on behalf of the Trustee by ALL. For the defined benefit section buy-in policies, the insurer has full discretion over the underlying investments.*

## **Arrangements with investment managers**

*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 is supported by Aon in monitoring the activity of its investments. As noted, the Trustee receives reporting from Aon, which includes Aon's ratings of the Scheme's investments.

Aon is responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects of the managers' alignment with Trustee's policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues.

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Aon meets with each “buy” rated manager on a quarterly basis to receive an update on the portfolio, performance and any major developments in the portfolio or the manager’s business or personnel. Following discussions with the manager, Aon reviews each sub-component rating and the overall rating. In addition to regular monitoring, triennially Aon performs a deep dive review of every “buy” rated manager. Aon also meets with managers on an ad-hoc basis if there are significant changes to any monitoring points which raise concern (changes to investment team, poor performance, etc.).

For the DB and DC investments, the Trustee received annual stewardship reports on the monitoring and engagement activities carried out by their investment managers. On the DB section, PLL has full discretion to complete engagement activities.

More information can be found within the “Our managers’ voting” and “Our managers’ engagement activity” section of this report.

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*“The Trustee collects annual cost transparency reports covering all of the Scheme investments (apart from the buy-in policies). The Trustee asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative (“CTI”) template for each asset class. This allows the Trustee to understand exactly what it is paying the investment managers. The Trustee expects the investment managers to offer full cost transparency via industry standard templates. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.”*

#### **Cost transparency**

The Trustee is aware of the importance of monitoring the investment managers’ total costs and the impact these costs can have on the overall value of the Scheme’s assets. The Trustee gathers cost information on their DB investments annually, to provide a consolidated summary of all the investment costs incurred. The cost report includes a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers.

For the DC Section, the Trustee reviews and looks to challenge the cost and charge data on an annual basis.

The Trustee, with assistance from Aon, collates all of the member borne cost and charges annually. These are published in the Annual Chair’s Statement. Having reviewed the member borne costs for the most recent year, Aon has confirmed that they appear appropriate for each fund. The Trustee is satisfied that there are no specific concerns.

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#### **DC Section alone**

#### **Investment Objective**

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The Trustee outlines in its SIP several key objectives and policies. These are noted below, together with an explanation of how the objectives and policies have been met and adhered to over the course of the year:

*“In investing the assets of the Scheme in a prudent manner, the Trustee’s key aim is to provide a range of investments that are suitable for meeting members’ long and short-term investment*

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*objectives. The Trustee has taken into account members' circumstances, in particular members' attitudes to risk and term to retirement."*

1. Over the course of the year, the Trustee has provided members with a wide range of investment options covering the main asset classes, ranging from low to high risk options.
2. Members who do not wish to take an active role in managing their investment choices are able to invest in the low-involvement option, Retirement Pathway to Drawdown, which is also the default investment option for the Scheme. Retirement Pathway to Drawdown provides an asset allocation strategy which automatically changes the funds members are invested in depending on the length of time until their selected retirement date. As members get closer to retirement, their savings are gradually moved away from higher risk, growth-seeking assets towards lower risk, capital preservation assets to seek to preserve their capital for retirement at their nominated retirement date.
3. In addition to the default, the Trustee also makes available two additional lifestyle strategies which target different benefits at retirement; namely annuity purchase and cash. In addition to this the Trustee also provides ten self-select funds for members to choose from depending on their risk appetite. The range of self-select funds includes four equity funds, three bond funds, one multi-asset fund, one property and infrastructure fund and one cash fund.
4. At a member's selected retirement date, the default invests the member's assets across a range of asset classes with the aim of providing a real income during the post-retirement phase whilst protecting the value of the investments.

As part of any proposed changes made to the investment strategy - both in terms of default strategies and range of self-select funds - the Trustee challenges AIL on appropriateness and on this occasion the Trustee was comfortable with the changes made by AIL.

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*"Each asset allocation strategy aims to provide members with the potential for good levels of growth during the accumulation of their retirement savings through exposure to equities, and then to gradually diversify their investments in the years approaching retirement, to reduce volatility and provide a broad base of assets from which members can choose the type of benefits they wish to take.*

*The Trustee regularly reviews the appropriateness of the three asset allocation strategies and may make changes from time to time. Members are advised accordingly of any changes."*

Under fiduciary mandates managed by AIL, AIL monitors and reviews the strategy and performance of the Retirement Pathway options on a regular basis. During the course of the year, the Trustee received quarterly investment monitoring reports from AIL which provided information on the short and long-term performance of all funds offered to members. During the period of

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## **Asset Allocation Strategy**

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review, the Retirement Pathway options performed below their return objectives due to heightened inflation over recent periods.

Long term inflation linked return targets for the Aon Managed Retirement Pathway Funds (the default) were introduced at the start of 2021. The long-term return targets are to provide a return in excess of price inflation, as measured by the Consumer Price Index (CPI), to help members achieve an adequate level of income in retirement. These long-term return targets will be reviewed regularly by the investment manager and the Trustee, both in the context of their ongoing suitability to support members in achieving an adequate standard of living at and through retirement, and with regards to the investments strategies' ability to achieve these targets on a forward looking basis. Changes can be made to the asset classes held, but an appropriate level of diversification and liquidity must always be maintained, and consideration must always be given to the projected impact any changes may have on member outcomes.

The quarterly monitoring reports contain any updates on the changes to the funds made by AIL over the quarter and the rationale.

Using the reporting information received over the course of the year and using wider experience, the Trustee challenged AIL where it deemed appropriate on existing Plan investments.

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*"The Trustee takes professional advice when formally reviewing the investment manager or fund options offered to members."*

*"The Trustee's policy is to review the range of funds offered and the suitability of the Retirement Pathway options at least triennially."*

**Choosing Investments and Risk Measurement and Management**

The Trustee assessed its DC investment strategy on 16 February 2023. The investment strategy review contained an analysis of the Scheme membership, a review of the Retirement Pathway funds, a review of the self-select funds and an update on responsible investment.

After taking professional advice, the Trustee deemed the current investment strategy and offering as suitable for members and no changes were made.

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**DB Section alone**

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*"Invest assets prudently, ensuring members benefits are provided."*

Following the Scheme's fourth buy-in during November 2022, the buy-in policies now cover all the Scheme's defined benefit liabilities.

**Investment Objective**

As part of this arrangement, the insurer pays the Scheme an amount equal to the pension payment in respect of the members underlying the policy. These policies are an asset of the Scheme, and the pension liability remains within the Scheme. The Trustee expects the buy-in policy assets to give a return equal to the change in value of the underlying liabilities. The Trustee's strategy for achieving its objective is based upon having purchased these policies with the balance of any remaining Scheme assets held to

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	allow for any future expenses or other liabilities that the Scheme may need to pay. The remaining assets are cash held with LGIM and hedge funds with Treo and Silver Creek.
	<i>"The Trustee's policy is to monitor [insurer default/credit risk, cashflow risk, operational risk] on a regular basis."</i>
<b>Risk measurement and management</b>	The buy in policies held with PLL remove most of the risks to which the Scheme may otherwise be exposed. These include interest rate, inflation, and longevity risk. The Trustee monitors the residual risks.

## Our Engagement Action Plan

Regarding the DC section, continue to engage with AIL as our investment manager. This will focus on:

- **Transparency and Reporting:** providing detailed reporting on AIL's engagement activities.
- **Integration of ESG Factors:** consideration of how ESG factors are integrated into AIL's stewardship activities.
- **Active Engagement:** we look for a continual increase in active engagement with companies. This includes proactively reaching out to company management, discussing concerns, suggesting improvements and holding companies accountable.
- **Active collaboration:** by joining forces, investors can collectively address systemic issues and encourage positive change across industries.

## Our fiduciary manager's engagement activity and wider activity on financially material ESG issues

*Relevant to the DC Section only*

Engagement is when an investor communicates with current (or potential) investee companies or asset managers (as owners of companies) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

Over the year, AIL held several engagement meetings with many of the underlying asset managers in its strategies. AIL discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the asset managers. AIL provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, AIL engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, AIL committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019). AIL also successfully renewed its signatory status to the 2020 UK Stewardship Code. This is a voluntary code established by the Financial Reporting Council

### What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

that sets high standards on stewardship for asset owners, investment managers and service providers.

In August 2023, AIL seeded and launched a new passive Global Emerging Market Equity Climate Transition Equity Fund with UBS Asset Management. This is a new fund that AIL designed, working closely with UBS, and combines low carbon (aligned with achieving net zero by 2050), positive impact and an improvement in ESG scores within a single passive equity fund. AIL introduced a c10% allocation to this new fund within the growth phase of the default strategy, the Aon Managed Retirement Pathway Funds, replacing the previous BlackRock Emerging Market Equity Index Fund. AIL also added this new fund to several of the wider fund options on 1 August 2023.

AIL also launched an Impact Research platform in 2022, focusing on integrating ESG risk factors into the manager research process. The Impact research platform aims to help evolve AIL's view of "impact" to encompass both ethics/values-driven investing and ESG integration.

Furthermore, AIL is developing internal capabilities to integrate ESG data from multiple vendors and platforms through a "Quantamental" dashboard that provides in-depth ESG analytics for over 8,000 liquid strategies. AIL intends to expand this analysis in future to include advanced metrics for implied temperature rise, Sustainable Financial Disclosure Regulation's (SFDR's) Principal Adverse Indicators (PAIs) and Diversity Equity and Inclusion factors.

## Implementation of our stewardship policy and the exercise of our voting rights

### DB Section

As stated at the beginning of this statement, the majority of the Scheme's DB assets were transferred to PLL to purchase a fourth and final bulk purchase annuity agreement in November 2022. Over the Scheme year, the Scheme held some residual assets (managed by LGIM, Treo and Silver Creek). Voting rights tend to not apply to these investments and there is a wider lack of applicability of stewardship to these assets. As such, there is no relevant information to disclose regarding the exercise of voting rights or wider stewardship activity for the DB Section's residual assets.

We recognise our responsibilities as a steward of investment capital; however, we have limited ability to directly influence PLL's ESG integration, stewardship policies or practices. We expect PLL to use its influence and purchasing power where possible to ensure that Environmental, Social, and corporate Governance factors, including climate change, are appropriately considered by its underlying investment managers. The responsibility for managing the arrangements (with the exception of the residual assets) with its underlying investment managers lies with PLL.

Should we be provided with any opportunity which we deem appropriate to influence PLL in these areas, we will consider it and take reasonable steps. We were unaware of any such opportunity during the Scheme year.

### DC Section

The DC Section of the Scheme is invested in pooled funds, and so the responsibility for relevant voting and engagement is delegated to the Scheme's appointed investment managers, including managers appointed by AIL, our appointed fiduciary manager for the DC Section. This is in line with the policies set out in the SIP.

The day-to-day management of the Scheme's DC assets is delegated to AIL. AIL invests the Scheme's DC assets in a range of investment options, including the default option - the Retirement Pathway - and the wider range of self-select options. AIL, on behalf of the Trustee, selects the underlying strategies and asset managers to achieve the objective of each investment option available to members.

We have reviewed the stewardship activity carried out over the year by the material investment managers selected by AIL and, in our view, all were able to disclose adequate evidence of voting and/or engagement activity. Based on the information provided, we are comfortable that our stewardship policy (including voting and engagement activity) has been implemented effectively in practice. We are satisfied that the information provided shows that the managers are using stewardship as a means of managing exposure to financially material risks (including ESG risks) and to create long-term value, which is in the best interests of the Scheme's members.

The rest of this section sets out the stewardship activities, including the exercise of our voting rights, carried out on our behalf over the year to 30 June 2024 by both AIL and the appointed underlying investment managers.

### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## DC Section - Underlying managers' voting activity

### *Relevant to the DC Section only*

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Over the year, the material equity, real asset and multi-asset investments held by the Scheme within the default strategy and wider self-select fund range were:

### **Aon Managed Retirement Pathway Funds (default strategy)**

Aon Managed Fund	Underlying managers (equity-owning only)
Aon Managed Global Impact Fund	Baillie Gifford, Mirova, Nordea
Aon Managed Initial Growth Phase Fund	Equities: BlackRock <sup>1</sup> , LGIM, UBS Listed real assets: BlackRock, LGIM
Aon Managed Diversified Asset Fund	BlackRock, LGIM, UBS

Source: Aon Investments Limited

<sup>1</sup>BlackRock Emerging Market Equity Index Fund removed on 1 August 2023

### **Self-select fund range**

Aon Managed Fund	Underlying managers (equity-owning only)
Aon Managed Global Equity Fund	BlackRock <sup>1</sup> , LGIM, UBS
Aon Managed Active Global Equity Fund	Baillie Gifford, BNY Mellon, BlackRock, Harris
Aon Managed Global Impact Fund	Baillie Gifford, Mirova, Nordea
Aon Managed Property and Infrastructure	BlackRock, LGIM (listed real assets)
Aon Managed Diversified Asset Fund	BlackRock, LGIM, UBS
BlackRock UK Equity Index Fund	BlackRock

Source: Aon Investments Limited

<sup>1</sup>BlackRock Emerging Market Equity Index Fund removed on 1 August 2023

## Voting statistics: Aon Managed Retirement Pathway Funds

The table below shows the voting statistics for each of the material funds held within the default strategy, the Aon Managed Retirement Pathway Funds, for the year to 30 June 2024. We also provide a combined view for a member 30

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

years from retirement and at retirement, which are invested in the Aon Managed Retirement Pathway Funds.

### Aon Managed Retirement Pathway Funds

Aon Managed Funds	% Proposals Voted	% votes cast against management	% votes abstained
Aon Managed Initial Growth Phase Fund <sup>1,2</sup>	95.1%	15.1%	0.3%
Aon Managed Global Impact Fund	97.0%	21.5%	0.7%
Aon Managed Diversified Asset Fund <sup>1</sup>	95.7%	15.6%	0.3%
<b>Aon Managed Retirement Pathway Funds</b>			
<i>Member 30 years from retirement<sup>1</sup></i>	95.3%	15.7%	0.3%
<i>Member at retirement<sup>1</sup></i>	95.5%	15.6%	0.3%

Source: Aon Investments Limited, Underlying investment managers: BlackRock, LGIM, UBS, Baillie Gifford, Mirova, Nordea.

<sup>1</sup>Please note figures shown only reflect the proportion of the portfolio with equity-voting rights.

<sup>2</sup>Invests 90% in the Aon Managed Global Equity Fund and 10% in property and infrastructure.

### Voting statistics: self-select funds

The table below shows the voting statistics for each of the material funds offered within the wider self-select fund range available for the year to 30 June 2024.

#### Self-select fund range

Aon managed funds	% Proposals Voted	% votes cast against management	% votes abstained
Aon Managed Global Equity Fund	95.8%	16.0%	0.3%
Aon Managed Active Global Equity Fund	99.0%	3.8%	0.2%
Aon Managed Global Impact Fund	97.0%	21.5%	0.7%
Aon Managed Property and Infrastructure Fund <sup>1</sup>	88.8%	6.7%	0.4%
Aon Managed Diversified Asset Fund <sup>1</sup>	95.7%	15.6%	0.3%
BlackRock UK Equity Index Fund	96.6%	2.1%	1.3%

Source: Aon Investments Limited, underlying investment managers (BlackRock, LGIM, UBS, Nordea, Mirova, Baillie Gifford, BNY Mellon, Harris, HSBC).

<sup>1</sup>Please note figures shown only reflect the proportion of the portfolio with equity-voting rights.

## Use of proxy voting advisors

Many investment managers use proxy voting advisors to help them fulfil their stewardship duties. Proxy voting advisors provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations. The table below describes how the Scheme's underlying investment managers use proxy voting advisors.

Manager	Description of use of proxy voting
Baillie Gifford	Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (Institutional Shareholder Services (ISS) and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon ISS's recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.
BlackRock	BlackRock uses ISS's electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform its voting decision.
BNY Mellon	Walter Scott receives third party research from Institutional Shareholder Services, Inc. (ISS) for information purposes. However, the recommendations from any intermediary have no bearing on how Walter Scott votes.
Harris	Harris utilises the services of ISS's proxy voting services. ISS implements a bespoke proxy voting policy for Harris and ISS's services are otherwise used for information only. Harris state that it will follow its own Proxy Voting Policy, except where the analyst covering a stock recommends voting otherwise. In these cases, the final decision rests with Harris' Proxy Voting Committee.
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 it does not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.
Mirova	Mirova uses ISS as a voting platform for related services such as ballot collecting, vote processing and record keeping. Mirova subscribes to the ISS research, however its recommendation is not prescriptive or determinative to Mirova's voting decisions. All voting decisions are made by Mirova in accordance with its Voting Policy.
Nordea	In general, every vote Nordea cast is considered individually on the background of its bespoke voting policy, which Nordea have developed in-house based on its own principles.  Nordea's proxy voting is supported by ISS to facilitate voting, execution and to provide analytic input.

UBS

UBS Asset Management retains the services of ISS for the physical exercise of voting rights and for supporting voting research. UBS retain full discretion when determining how to vote at shareholder meetings.

Source: Aon Investments Limited. Underlying managers

## Significant voting activity

To illustrate the voting activity being carried out on our behalf, we asked AIL to provide a selection of what they and the underlying investment managers consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the Appendix.

## DC Section - Underlying managers' engagement activity

We have reviewed information on the engagement carried out by the material underlying managers appointed by AIL for the DC Section of the Scheme. All material managers engaged on all of the themes listed below:

- Environment - Climate Risk Management
- Environment - Biodiversity
- Governance - Remuneration
- Governance - Board Effectiveness
- Governance - Corporate Strategy
- Social - Human Capital
- Social Risks & Opportunities

*Note: The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e., is not necessarily specific to the underlying fund.*

We would expect all managers to have engaged on all themes, as all underlying managers meet AIL's required standards for consideration of ESG factors and risks.

## Data limitations

All managers provided the requested data although at the time of writing, LGIM and BlackRock did provide fund level engagement information but not in line with the best practice industry standard Investment Consultants Sustainability Working Group ("ICSWG") reporting guide. The Trustees' investment advisers and AIL will engage with these managers on the Trustees' behalf regarding the provision of this data in future.

This report does not include commentary on the Scheme's investments in cash or gilt investments because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

This report also does not cover buy-in policies as Phoenix Life Limited now has the obligation to pay the Scheme the value of the members' benefits.

## Appendix – DC Section: Significant Votes

In the table below are some significant vote examples provided by the underlying investment managers appointed by AIL and used within the default strategy, the Aon Managed Retirement Pathway Funds.

We consider a significant vote to be one which the manager deems to be significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

<b>LGIM</b>	<b>Company name</b>	ConocoPhillips
	<b>Date of vote</b>	May 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.4%
	<b>Summary of the resolution</b>	Resolution 5: Revisit Pay Incentives for GHG Emission Reductions
	<b>How the manager voted</b>	Against management
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
	<b>Rationale for the voting decision</b>	Shareholder Resolution - Climate change: A vote against is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome</b>	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
	<b>On which criteria have the vote is considered significant?</b>	Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant due to misleading proposals (shareholder resolutions brought with the aim of undermining positive environmental, social and governance behaviours) are a relatively recent phenomenon. Such proposals often appear to be supportive of, for example, the energy transition but, when considered in depth, are actually designed to promote anti-climate change views.
<b>UBS</b>	<b>Company name</b>	Shell Plc
	<b>Date of vote</b>	May 2024
	<b>Approximate size of fund's/mandate's holding as at</b>	Not disclosed



	<b>the date of the vote (as % of portfolio)</b>	
	<b>Summary of the resolution</b>	Align medium-term emissions reduction targets covering the GHG emissions of the use of its energy products (Scope 3) with the goal of the Paris Climate Agreement
	<b>How the manager voted</b>	Against management
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	No
	<b>Rationale for the voting decision</b>	Shell has made incremental progress in this area since the previous year (when UBS supported the proposal), including introducing an absolute Scope 3 emissions target for their oil products. While the new target is not perfect, it is a sign of momentum in a positive direction, specifically in the area the proponent is focused on in this request. In UBS's view it would be necessary for the company to divest a higher level of assets than is currently in investor interests in order to achieve an expanded Scope 3 target. With a say on climate vote on the ballot, UBS feels the best way to voice its concerns on the overall transition plan in our vote is on this resolution. This allows UBS to evaluate the entire plan and recognise where Shell may fall short of our expectations, rather than in one specific component of the plan, which this proposal focuses on.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome</b>	UBS will continue to engage with the Company as part of its Climate Engagement Programme.
	<b>On which criteria have the vote is considered significant?</b>	Aggregate percentage of votes in support of shareholder resolution exceeded 18% of votes cast.
<b>Nordea</b>	<b>Company name</b>	<b>ANSYS, Inc.</b>
	<b>Date of vote</b>	June 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	1.9%
	<b>Summary of the resolution</b>	Provide right to call a special Meeting
	<b>How the manager voted</b>	Against management
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	No
	<b>Rationale for the voting decision</b>	Nordea thinks that each company should grant holders of a specific proportion of the outstanding shares of a company, no greater than ten per cent (10%), the right to convene a meeting of shareholders for the purpose of transacting the legitimate business of the company. In Nordea's view, this shareholder proposal requesting the company to take the necessary steps to afford

		shareholders the right to call a special meeting, would improve shareholder rights.
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome</b>	The protection of shareholder rights is an essential requirement for minority shareholders in a listed company. Nordea will continue to vote for such proposals in other relevant companies.
	<b>On which criteria have the vote is considered significant?</b>	Significant votes are those that are severely against Nordea's principles, and where Nordea feels it needs to enact change in the company.
<b>Mirova</b>	<b>Company name</b>	<b>Unilever Plc</b>
	<b>Date of vote</b>	May 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	<i>Not provided</i>
	<b>Summary of the resolution</b>	Transition plan to meet climate targets
	<b>How the manager voted</b>	Supported management
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	Yes
	<b>Rationale for the voting decision</b>	The sector dedicated ESG analyst thoroughly reviewed the proposed transition plan. While there is room for improvement noted, on balance, Mirova was satisfied with the current proposal.
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome</b>	While concerns remain regarding governance of sustainability, Mirova will leverage engagement to push the company to further improve the climate transition target setting and provide meaningful progress reports.
	<b>On which criteria have the vote is considered significant?</b>	Relevant to engagement strategy regarding governance of sustainability.
<b>Baillie Gifford</b>	<b>Company name</b>	<b>Markel Group Inc.</b>
	<b>Date of vote</b>	May 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.9%
	<b>Summary of the resolution</b>	Shareholder resolution - climate
	<b>How the manager voted</b>	Supported management
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	No

	<b>Rationale for the voting decision</b>	Baillie Gifford supported the shareholder proposal regarding disclosure of GHG emissions from the company's underwriting, insuring, and investment activities, considering the potential materiality of climate risk to the company's core activities. Baillie Gifford believes there is scope for improvement of carbon reporting and that this data will enable the company and its shareholders to better understand the company's climate risks.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome</b>	Baillie Gifford will continue the engagement with the Company on this issue.
	<b>On which criteria have the vote is considered significant?</b>	This resolution is significant because it was submitted by shareholders and received greater than 20% support.
<b>Harris</b>	<b>Company name</b>	<b>Glencore plc</b>
	<b>Date of vote</b>	May 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	2.1%
	<b>Summary of the resolution</b>	Approve 2024-2026 Climate Action Transition Plan
	<b>How the manager voted</b>	Supported management
	<b>Did the manager communicate its intent to the company ahead of the vote?</b>	Not applicable
	<b>Rationale for the voting decision</b>	After engaging with the company and NGOs, Harris decided to support the company's 2024-2026 Climate Action Transition Plan and will continue to monitor the situation.
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome</b>	Harris will continue to monitor the situation, and to conduct and escalate engagement as needed.
	<b>On which criteria have the vote is considered significant?</b>	Significant exposure to climate risk

Source: Aon Investments Limited, *Underlying Managers* (LGIM, BlackRock, UBS, Baillie Gifford, Mirova, Nordea, Harris).