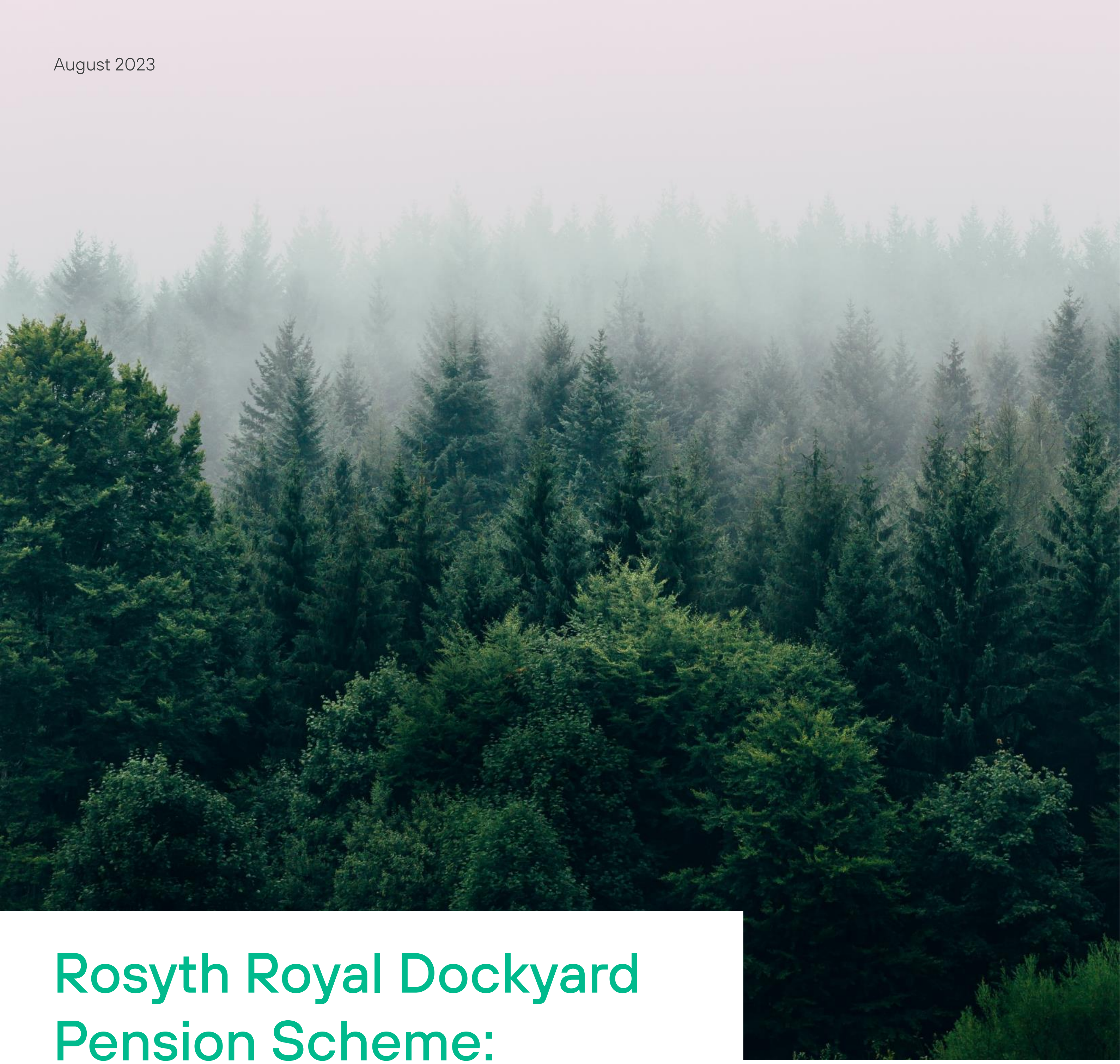
August 2023



# Rosyth Royal Dockyard Pension Scheme:

# Implementation Report

August 2023

# Background and Implementation Statement

### Background

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

### Statement of Investment Principles (SIP)

The Scheme updated its SIP in response to the DWP regulation to cover:

- policies for managing financially material considerations including ESG factors and climate change
- policies on the stewardship of the investments

The SIP can be found online at the web address rrdps_sip.pdf (babcockinternational.com).

### Implementation Report

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

- actions the Trustee has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Trustee has followed policies on engagement, covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2023 for and on behalf of the Scheme, including the most significant votes cast by the Scheme or on its behalf

## Summary of key actions undertaken over the Scheme reporting year

The Trustee agreed a number of strategic and manager changes over the year to align the strategy with the Scheme's agreed long-term objective and in response to changing market conditions. These changes are summarised below.

### *Implementation of Strategy*

- Following a manager selection exercise in March 2022, the Trustee invested in the Apollo Total Return Fund (c.5% of Scheme assets) and the Ares Secured Income Fund (c.2% of Scheme assets) in May and July 2022.
- In Q2 2022, the Trustee committed £48m to the JP Morgan Infrastructure Income Fund. The commitment was due to be drawn in Q1 2023 but JP Morgan agreed to delay the Scheme's commitment to allow the Scheme to manage liquidity following the impact of the UK "mini-budget" (discussed in further detail below). The full investment was completed after the reporting period ending 31 March 2023.
- The Scheme fully disinvested from the Colchester Emerging Market Debt mandate in May. A portion of the proceeds were invested in the CQS multi-asset credit mandate (c.£7m) in July 2022.
- The Scheme fully disinvested from the Janus Henderson Buy and Maintain Fund in June. The proceeds were used to increase the Scheme's collateral with Insight.
- The Trustee instructed full redemptions from the Scheme's hedge fund investments (GMO Systematic Global Macro Fund, Man Group Risk Premia, and the King Street Flagship Fund). The trades for Man Group and GMO completed in Q3 2022, whereas King Street is being sold down on a phased basis over four quarters due to its illiquid terms.
- The Scheme fully disinvested assets from the Oakhill Diversified Credit Strategies Fund, receiving 95% of proceeds in July, with the residual 5% settling post-reporting period.
- The Scheme increased the level of liability hedging to 96% of liabilities (measured on a Technical Provisions "TPs" basis) as part of a phased transition that planned to increase the hedge to 100%. This change was implemented in Q3 2022.
- The Trustee instructed the sale of the BlackRock property mandate ahead of 30 June quarterly instruction date. The mandate was due to be redeemed on the 30 September quarterly dealing date with proceeds to settle in early October. However, BlackRock gated the fund in response to the UK gilt market crisis. Proceeds are being returned in a phased manner, with the initial payment received post-reporting period.

### *Reaction to UK Gilt Market Crisis*

- In late September, UK gilt yields surged following the 'mini-budget' statement by the UK Chancellor on 23 September. Following these unprecedented movements, and further volatility in early October, the Trustee agreed to reduce the Scheme's liability hedge with Insight to 60% (on a TPs basis). This was considered necessary to avoid the forced removal of the hedge, and to ensure an appropriate level of collateral should yields continue to increase.
- To raise additional collateral to support the LDI mandate, the Trustee fully redeemed from the following mandates: Insight Global and Liquid ABS, M&G Multi-Asset Credit, CQS Multi-Asset Credit and Insight and LGIM Buy & Maintain Corporate Bonds. The Insight synthetic equity exposure was also removed to support the Scheme's collateral base.

- To manage the Scheme's overall liquidity, the Trustee placed the Cambridge and M&G ICOF VI mandates into formal run-off in Q1 2023.

***Revised Investment Strategy***

- Following the events of H2 2022, the Trustee reviewed the Scheme's investment strategy and agreed to a revised strategy at the January Trustee meeting. The revised strategy aligns the expected return with the previous target, whilst increasing the liability hedge to 75% of liabilities (on a TPs basis) and reintroducing synthetic equity exposure (7.5% of Scheme assets) and collateral waterfall framework (8% allocation to ABS).
- The implementation of the first phase of the revised strategy was completed in February 2023. This involved increasing the hedge to 70% of liabilities (on a TPs basis), investing c.4% of Scheme assets in Insight ABS funds, and re-introducing the Scheme's synthetic equity exposure (c.2.5% of Scheme assets).
- In March 2023, the Company accelerated its existing contribution schedule to allow the Scheme to bring forward phase 2 of the strategy implementation. This resulted in the Scheme receiving £47m of cash funding (with £35m received during the reporting period). The implementation of phase 2 was completed after the reporting period.

**Implementation Statement**

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

Signed:

Position:

Date:

# Managing risks and policy actions

| Risk / Policy | Definition | Policy | Actions and details on changes to policy |
|---|---|---|---|
| Interest rates and inflation | The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations. | To hedge at least 80% of movements in interest rates and inflation measured on the Technical Provisions basis. | The Trustee reduced the LDI hedge to 60% on a TPs basis during mid-October following unprecedented market volatility.<br><br>As part of the review of the Scheme's strategy at the January Trustee meeting, the Trustee agreed to increase the liability hedge to 75% (on a TPs basis) in a phased manner. Phase 1 was completed in February 2023, which involved increasing the liability hedge to 70% on a TPs basis.<br><br>Following receipt of the accelerated Company contributions, the Trustee agreed to increase the liability hedge further to 80% (on a TPs basis).<br><br>**This change will be reflected in the next SIP update.** |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI/synthetic equity manager. | The Trustee regularly monitors the collateral and liquidity position to reduce the impact of this risk via specific weekly, monthly and quarterly reports provided by the investment consultant.<br><br>Following significant volatility in gilt markets over September and October 2022, the Trustee took action to increase the Scheme's liquidity and manage overall liquidity pressures. This included redemptions from some of the Scheme's mandates (as |

| | | | |
|---|---|---|---|
| | | | specified in the previous section).<br><br>In Q1 2023, the Trustee agreed to rebuild the Scheme's collateral waterfall, which had been severely depleted through the gilts crisis, by allocating 8% of Scheme assets to Insight ABS funds. The Trustee completed phase 1 during the reporting period with an allocation of 4% across Insight Global and Liquid ABS mandates. |
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To remain appropriately diversified and hedge away any unrewarded risks, where practicable. | Following a stabilisation of market conditions in Q4 2022, the Trustee reviewed the investment strategy at the January Trustee meeting and agreed to a revised investment strategy. |
| Credit | Default on payments due as part of a financial security contract. | To diversify this risk by investing in a range of credit markets across different geographies and sectors.<br><br>To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default. | As noted in the previous section, the Trustee took various actions over the previous period to restructure the Scheme's credit portfolio.<br><br>Given the extent of change within the Scheme's credit portfolio, the Trustee has agreed to review the structure of the Scheme's credit holdings to ensure they remain suitably diverse. |
| Environmental, Social and Governance | Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments. | To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria:<br><br>1. Responsible Investment ('RI') Policy / Framework<br><br>2. Implemented via Investment Process<br><br>3. A track record of using engagement and any voting rights to manage ESG factors<br><br>4. ESG specific reporting<br><br>5. UN PRI Signatory<br><br>The Trustee monitor the mangers on an ongoing basis. | ESG actions undertaken:<br><br>- The Trustee undertook an ESG impact assessment of the Scheme's mandates in March 2023.<br><br>The Trustee was scheduled to formalise an ESG policy for the Scheme over the reporting period. However, this work was paused due to the market volatility and the need to manage investment risk. The Trustee will recommence this work as within the next reporting period. |

| | | | |
|---|---|---|---|
| Currency | The potential for adverse currency movements to have an impact on the Scheme's investments. | Allow the Scheme's active managers who invest in overseas securities the flexibility to hedge overseas currency exposure to manage risk.<br><br>Hedge 0% of currency risk on synthetic equities.<br><br>Hedge 100% of currency on contractual assets where cost effective and practical to do so. | The Trustee implemented a phased reduction to the currency hedge on the Scheme's synthetic equity holdings prior to terminating the mandate in Q3 2022. The synthetic equity exposure was re-introduced in February 2023 and the currency hedge has not been re-instated. |
| Non-financial | Any factor that is not expected to have a financial impact on the Scheme's investments. | Non-financial matters are not taken into account in the selection, retention or realisation of investments. | |

# Changes to the SIP

The Trustee made updates to existing policies within the SIP in September 2022. These changes included updating the Scheme's target liability hedge ratio to 100% of the Scheme's liabilities (on the Technical Provisions basis), formally referencing liquidity risk within "Other price risk", reflecting the Scheme's revised return objective (Gilts + 1.9% p.a.) and formally referencing the Trustee's existing stewardship policy.

The SIP was updated post-reporting period in September 2023 to reflect the recent regulatory requirements and strategy changes.

| Policies added to the SIP | |
|---|---|
| Date updated: September 2023 | |
| **Voting policy – How the Trustee expect investment** | • The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf. |
| **Engagement policy – How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'** | • The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.<br>• The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.<br>• Example stewardship activities that the Trustee has considered are listed below:<br>o Selecting and appointing asset managers – the Trustee will consider potential managers' stewardship policies and activities.<br>o Asset manager engagement and monitoring – on a regular basis, the Trustee assess the voting and engagement activity of their asset managers. The result of this analysis is fed into the Trustee's investment decision making.<br>o Collaborative investor initiatives – the Trustee will consider joining/supporting collaborative investor initiatives. |

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Scheme's policy with regarding to ESG as a financially material risk. This page details how the Scheme's ESG policy is implemented. The rest of this statement details the Scheme's investment consultant's views of the managers, actions for engagement and an evaluation of the stewardship activity.

The below table outlines the areas which the Scheme's investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee intends to review the Scheme's ESG policies and engagements periodically to ensure they remain fit for purpose.

Implementing the Current ESG Policy

| Areas for engagement | Method for monitoring and engagement | Circumstances for additional monitoring and engagement |
|---|---|---|
| Environmental, Social, Corporate Governance factors and the exercising of rights | • As part of ongoing monitoring, the Trustee will use any ESG ratings information provided by its investment consultant to assess how the Scheme's investment managers take accounts of ESG issues and how it aligns with the Trustee's responsible investment policy.<br>• Through its investment consultant, the Trustee will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an ongoing basis.<br>• Through the manager selection process, ESG considerations will form part of the evaluation criteria. | • The manager has not acted in accordance with their policies and frameworks.<br>• The manager has received an overall 'red' ESG rating from the investment consultant, signifying that its ESG approach is below satisfactory. |

# ESG summary and engagement with the investment managers

Alongside the work carried out by the Scheme's investment consultant to engage directly with the Scheme's managers on the Trustee's behalf (outlined out in the table below), the Trustee also undertakes regular direct engagement with the investment managers. This is carried out through meetings with the investment managers and provides the Trustee with an opportunity to raise questions directly.

Over the reporting period the Trustee engaged with Apollo, Ares and JP Morgan on their approach to ESG as part of the manager selection exercises. The Trustee also liaised with Insight regarding the availability of alternative ESG indices for the Scheme's synthetic equity exposure.

| Manager, fund | ESG Summary | Actions identified | Engagement with manager commentary |
|---|---|---|---|
| Apollo Semi-Liquid Credit Fund | Apollo have expanded their ESG team, who work in partnership with credit investment professionals. ESG considerations are integrated into the Fund's risk management framework and due diligence process. Their internal ESG ratings system has been improved to incorporate sector-specific scoring.<br><br>The Fund doesn't currently have a clear stewardship policy or priorities. However, Apollo added a sleeve for 'impact' investments to the Fund in July 2022. | Apollo should undertake scenario analysis to understand the Fund's portfolio alignment with explicit climate scenario outcomes.<br><br>Apollo should also establish a stewardship policy and priorities to improve engagement coverage. | The investment consultant engaged with Apollo on the Trustee's behalf to review their ESG policies and set actions and priorities. The investment consultant regularly reports back to the Scheme's Investment Committee ("ISC") with updates on Apollo engagements. |
| Ares Secured Income Fund | The Ares Secured Income Fund has improved within risk management over the year, mainly due to Ares increasing their ESG team's size and capabilities. | Ares should implement net zero carbon commitments at a firm and fund level. In addition, a fund-level ESG policy and formal ESG targets should | The investment consultant engaged with Ares on the Trustee's behalf to review their ESG policies and set actions and priorities. The |

| | | | |
|---|---|---|---|
| | However, we recognise that the Fund does not have specific ESG or stewardship policies, and that there is a clear lack of engagement with the underlying investments in the portfolio. | be established for the Fund.<br><br>Ares should also include evidence of engagement in line with stewardship priorities, and could centralise engagement activities.<br><br>From this, Ares could introduce climate and engagement activity reporting. | investment consultant regularly reports back to the ISC with updates on Ares engagements. |
| Longbow Real Estate Debt Fund | ICG Longbow ("ICG") have a well-defined ESG policy, which is managed and integrated throughout the firm by an ESG Committee. However, there are no explicit fund-specific ESG policies or objectives, and there is no central team to collate and align ESG engagements. | ICG should establish a fund-specific ESG policy with specific objectives identified. A standard ESG scorecard in the initial due diligence process and further development of reporting to consider a temperature pathway and ESG metrics would be beneficial. ICG should consider assigning a dedicated team/person to coordinate ESG engagements across the business. | The investment consultant engaged with ICG on the Trustee's behalf to review their ESG policies, set actions and priorities. The investment consultant regularly reports back to the ISC with updates on the ICG engagements. |
| BlackRock Property | BlackRock have a robust firm-wide ESG process that is well integrated within their Real Assets platform. Each asset within the portfolio is reviewed from an ESG standpoint to ensure ESG is monitored throughout the lifecycle of an investment. BlackRock have committed to improving their ESG framework on an ongoing basis to identify the ESG risk and rewards associated with each underlying asset. | BlackRock should consider updating their ESG scorecard more frequently. Reporting and monitoring of engagement effectiveness should be introduced. | The investment consultant engaged with BlackRock on the Trustee's behalf to review their ESG policies and set actions and priorities. The investment consultant regularly reports back to the ISC with updates on the BlackRock engagements. |

| | | | |
|---|---|---|---|
| | BlackRock currently report on some ESG metrics for the fund. However, they are actively looking to improve their reporting once data quality is improved. | | |
| CBRE Property | The Scheme has a small allocation to the historic CBRE UK Osiris Property Fund, which is in the process of winding down. No engagement has taken place with this manager on ESG issues. | | |
| M&G Secured Finance | M&G have a strong firm-wide ESG approach and have integrated ESG considerations into their investment and risk management processes. M&G can evidence engagements on various ESG issues.<br><br>There is a difficulty in sourcing ESG data from certain asset classes given the nature of these investments, which leads to reporting challenges. M&G is actively working to improve their data quality, engagements and reporting. | M&G should develop ESG objectives for the Fund which are quantifiable to drive ESG outcomes.<br><br>Quarterly reporting could be enhanced by detailing ESG engagement activities and including ESG metrics at both an asset and portfolio level e.g., carbon intensity, ESG risk decomposition and other quantifiable metrics (water usage, gender diversity etc.) M&G should develop scenario analysis tools, including climate modelling. | The investment consultant engaged with M&G on the Trustee's behalf to review their ESG policies, set actions and priorities. The investment consultant regularly reports back to the ISC with updates on the M&G engagements. |
| H2O Absolute Return Bonds | The Scheme has a small allocation to historic H2O Adagio and Allegro Funds. No engagement has taken place with these managers on ESG issues as these historic funds are in wind down. | | |
| Aviva Lime Property | Aviva Investors Real Assets (AIRA) has a strong ESG team that has set quantifiable KPIs for the Real Assets portfolio, which includes the Lime Property Fund. Aviva place considerable importance on ESG and are continuously looking for ways in which they can | As it stands, the Fund is currently aligned to a stabilising global temperature of 3.7°C. This value is currently based on estimated industry statistics and Aviva has advised that they are working on using actual portfolio values. Aviva should measure at a Fund specific level and | The investment consultant engaged with Aviva on the Trustee's behalf to review their ESG policies, set actions and priorities. The investment consultant regularly reports back to the ISC with updates on the Aviva engagements. |

| | | | |
|---|---|---|---|
| | improve on ESG, particularly reporting.<br><br>Aviva have a net-zero by 2040 plan in place. They report on emissions for the Fund, but the pathway is set to towards a 3.7°C alignment, which far exceeds the Paris recommendation of 2°C. | detail steps necessary to achieve 2°C alignment.<br><br>Aviva do not currently provide fund-specific engagement reporting in line with Implementation Statement requirements – this should be addressed in the short-term.<br><br>Aviva also adapt Fund reporting to provide evidence of engagement activities, as well as providing ESG scores broken down by E, S and G, for assets within the portfolio. | |
| Cambridge Associates ("CA") Private Debt Fund | Cambridge Associates ('CA') have shown a high level of collaboration with other investment consultants and industry working groups.<br><br>The nature of the investment strategy (fund of funds approach), poses additional challenges for CA's implementation of ESG related objectives, some of which remain outside of CA's control. However, CA should do more relating to ESG integration and risk management, engagement and reporting. | CA could introduce quantifiable ESG objectives for the Fund and an ESG scorecard to ensure a consistent approach to identifying ESG risks.<br><br>Cambridge could engage with underlying investment managers on ESG issues, and on the quality and consistency of data which they are able to provide. Where they engage with investment managers, they should seek to record details of the engagements and outcomes.<br><br>Reporting is an area of improvement and CA should seek to introduce ESG metrics as standard in reporting, aligning reporting with TCFD requirements. | The investment consultant engaged with CA on the Trustee's behalf to review their ESG policies, set actions and priorities. The investment consultant regularly reports back to the ISC with updates on the CA engagements. |

| | | | |
|---|---|---|---|
| Insight Synthetic Equity & LDI | Insight have a robust ESG scoring system for the counterparties they deal with.<br>Insight have made improvements to their counterparty engagement process with the aim of achieving a greater level of impact in their engagements with counterparties. | Insight should consider the inclusion of an engagement summary in regular reporting. In addition, consider key KPIs and milestones for engagement. | The investment consultant engaged with Insight on the Trustee's behalf to review their ESG policies, set actions and priorities. The investment consultant regularly reports back to the ISC with updates on the Insight engagements. |
| Insight ABS | Insight has shown a good level of engagement and data collection from the originators. However, there is still a clear lack of data collection quality, which is common in the ABS market.<br><br>Insight has improved their risk management with the introduction of the 'ESG Academy' that provides firm-wide compulsory training on ESG matters on an ongoing basis. | Insight should continue to engage with originators to improve the quality of ESG data collection. In addition, develop a quantitative scorecard for originators. Insight should also publish the Stewardship policy. They should include engagement metrics in their ESG reporting as well. | The investment consultant engaged with Insight on the Trustee's behalf to review their ESG policies and set actions and priorities. The investment consultant regularly reports back to the ISC with updates on Insight engagements. |
| King Street Multi-Strategy Hedge Fund | The Trustee has instructed to fully disinvest from this fund with final proceeds due to be paid out after the reporting period. | | |

# Engagement

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

| Fund name | Engagement summary (at strategy level unless stated otherwise) | Commentary |
|---|---|---|
| Apollo Semi-Liquid Credit | Total Engagements: 36<br>Environmental: 10<br>Social: 3<br>Broad-based ESG: 23 | Apollo has a firm wide stewardship policy. However, the policy doesn't specify any priority areas or ESG themes. The link between the policy and Apollo's engagement could also be clearer.<br><br>ESG engagements are managed by the portfolio management team, with "Green teams" in each asset class responsible for escalating ESG issues to the ESG Steering Committee.<br><br>An example of engagement includes:<br>**Garda World Security Corporation:** Apollo met with the company on the underlying theme of "Social" in December 2022. During the engagement, Garda's views on the current safety measurements in the Middle East were discussed and Apollo questioned how they planned to mitigate risks facing their employees. The company confirmed that they have increased their compliance training. |
| Ares Secured Income Fund | The investment manager has been unable to provide engagement data on request. | The Fund's ESG related engagement is primarily led by the individual investment teams, who monitor ESG credentials over time and lead on engagements given they have the most issuer level knowledge |

| | | |
|---|---|---|
| | | where engagement is deemed necessary.<br><br>Ares is working to establish ESG Key Performance Indicators for the Fund to measure engagement effectiveness. Ares engages with multiple parties including partners and clients to share pioneering ESG practices and encourage the adoption of ESG considerations.<br><br>Examples of high-level engagements include:<br><br>**Ares Charitable Foundation:** The Ares Charitable Foundation has launched Climate-Resilient Employees for a Sustainable Tomorrow ("CREST"). The foundation actively engages in climate resilience by reducing climate impacts and mitigating worker displacement. |
| King Street Multi-Strategy Hedge Fund | The investment manager has been unable to provide engagement data on request. | King Street does not have an engagement policy in place or specific engagement priorities. However, they state that they will engage with company matters on ESG issues if deemed appropriate.<br><br>The Trustee has instructed the full disinvestment from this Fund with final proceeds due to be paid out over the next reporting period. |
| Longbow Real Estate Debt Fund | The investment manager has been unable to provide engagement data on request. | Longbow recognises that as a debt investor, they have less influence relative to a shareholder, and therefore their level of engagement is limited.<br><br>The investment consultant contacted Longbow regarding data on engagements. However, the investment manager has been unable to provide this for the specific fund in which the Scheme is invested. |
| BlackRock Property | BlackRock currently do not provide details of their engagement activities for this investment due to the nature of the Fund. | BlackRock's ESG related engagement is led by the BIS team. BlackRock lease on full repairing and insuring ("FRI") terms, which means that whilst a tenant is in a property BlackRock |

| | | |
|---|---|---|
| | | has limited control over that property.<br><br>BlackRock does recognise the importance of engaging with tenants and other stakeholders to gain insight into their ESG practices and key performance indicators. Engagement activity varies from asset to asset, but often includes a combination of campaigns, activities and events to address sustainable best practice, particularly in relation to energy and resource efficiency, which is a key priority area for BlackRock and the wider industry.<br><br>The Trustee has instructed the full disinvestment from this Fund with final proceeds due to be paid out over the next reporting period. |
| CBRE Property | Total engagements (Environmental): 9 | CBRE engages with underlying fund managers within the portfolio and operating partners. They seek to encourage positive change via their engagements to align with general ESG and climate best practices.<br><br>CBRE has been able to demonstrate examples of where they have engaged with underlying fund managers on ESG matters which are linked to the UN Sustainable Development Goals. |
| M&G Secured Finance | Total engagements (at firm level): 13<br>Environmental: 4<br>Social: 7<br>Strategy, Financial and Reporting: 2 | M&G have firm-wide stewardship priorities when engaging with portfolio firms, which are: Climate Change; Diversity & Inclusion; and Biodiversity. M&G can provide evidence of engagements on ESG issues at the underlying strategy and firm level. However they do not actively track strategy level engagements over time. |
| H2O Absolute Return Bonds | The investment manager has been unable to provide engagement data or details on their engagements due to the nature of the funds, which are being wound down. | |
| Aviva Lime Property | Total engagements (at firm level): 3,328<br><br>(Data as at 31 December 2022) | Aviva has fund-level stewardship priorities in place focused mainly on long leases where they work |

| | | |
|---|---|---|
| | | with the tenants to improve ESG factors.<br><br>The investment manager has been unable to provide specific engagement data for the strategy on request. However, Aviva has been able to demonstrate examples of where they have engaged with the Fund's portfolio companies. |
| Cambridge Associates Private Debt Fund | The investment manager has been unable to provide engagement data or specific examples of engagements given its Fund of Funds approach. | Due to the Fund's fund of fund structure, Cambridge Associates believe that stewardship and engagement activities are the responsibility of the underlying managers.<br><br>Cambridge Associates have no Fund specific stewardship priorities. |
| Insight Synthetic Equity & LDI | Total engagements: 46 | Insight has engaged with a number of industry participants on long term strategic issues in relation to LDI, including:<br>- Green gilt issuance<br>- Liaising with the FCA and TCFD in relation to climate change reporting disclosures<br>- Working with derivative counterparty banks on the integration of ESG factors into the assessment of credit risk<br><br>The team regularly engages with regulators, governments and other industry participants to address long-term structural issues, aiming to stay ahead of regulatory changes and adopt best practice. |
| Insight Liquid ABS | Total engagements: c.50 | Insight engages with their underlying portfolio projects on a range of ESG issues, mainly related to corporate governance within portfolio companies and share issuance.<br><br>An example of engagement includes:<br>**European Data Warehouse (EDW)** – Insight met with EDW to discuss data provision and the reporting of market level ESG data. Insight made suggestions to the company of how they could improve upon their |
| Insight Global ABS | Total engagements: c.50 | |

| | | |
|---|---|---|
| | | availability and comparability of data across the wider market, including the implementation of a data aggregation tool. The company were receptive of Insight's suggestions but acknowledged this will take time to achieve. Insight will continue to engage with the company on this and monitor their progress. |
| Insight Liquidity Fund | Total engagements: 17 | The Fund follows Insight's firm-wide engagement strategy when engaging with counterparties.<br><br>An example of engagement includes:<br>**UBS –** Insight held a discussion with UBS to address their weak governance scores within their ESG ratings and understand how they are working to improve performance. Insight discussed recent governance-related controversies and the controls in place to prevent these in future. Insight also challenged UBS on their diversity performance given only 25% of management are female. Following this, UBS released a diversity target of 30%. |

# Voting (for equity/multi asset funds only)

As the Scheme invests via fund managers the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2023.

| Fund name | Voting summary | Commentary |
|---|---|---|
| King Street Multi-Strategy Hedge Fund | The investment manager has been unable to provide voting data on request.<br><br>The Trustee has instructed a full disinvestment from this fund with final proceeds being paid out post reporting period. | King Street's general policy is to vote in a manner that serves the best interests of clients, as determined by King Street in its sole and absolute discretion, and taking into account relevant factors, including (but not limited to):<br>1) the impact on the value of the securities or other instruments,<br>2) the anticipated costs and benefits associated with the proposal, the effect on liquidity, and<br>3) customary industry and business practices. |