Smiths Industries Pension Scheme – Statement of Investment Principles ("SIP") Implementation Statement

Introduction

This SIP Implementation Statement (the "Statement") has been prepared by the Trustee of Smiths Industries Pension Scheme (the "Trustee") and relates to the Smiths Industries Pension Scheme (the "Scheme"). This Statement covers the reporting period 1 April 2022 to 31 March 2023 (the "reporting period").

This Statement:

- Sets out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the reporting period;
- Describes any review of the SIP undertaken during the reporting period in accordance with regulation 2(1) of The Occupational Pension Schemes (Investment) 2005 ("Investment Regulations") and any other review of how the SIP has been met;
- Explains any changes made to the SIP during the reporting period and the reasons for the changes;
- Where no such review was undertaken during the reporting period in accordance with regulation 2(1) of the Investment Regulations, gives the date of the last review; and
- Where relevant, describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the reporting period and states any use of the services of a proxy voter during that reporting period.

From 1 October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This updated guidance follows the publication of the Shareholder Rights II and how this guidance has been followed is detailed in this report.

The Statement is split into four sections:

1. An overview of the actions of the Trustee and highlights in the Defined Benefit ("DB") and Defined Contribution ("DC") Sections during the reporting period;
2. The policies set out in the Scheme's SIP for the DB and DC Sections and the extent to which they have been followed in the reporting period;
3. Commentary on any voting behaviour and engagement activities undertaken by the fund managers of the DB and DC Sections on behalf of the Trustee during the reporting period; and
4. Commentary on any voting behaviour and significant votes undertaken by the fund managers of the DB and DC Sections on behalf of the Scheme during the reporting period.

Overview of Trustee's actions – DB Section and DC Section

SIP Updates

The SIP was updated during the reporting period, becoming effective as of October 2022. From 1 October 2022, further DWP guidance on the reporting of stewardship activities through Implementation Statements came into effect. A section was added to the SIP regarding the Scheme's beliefs and actions related to these topics. It is due to be reviewed again in September 2023 to include the Trustee's chosen stewardship theme and agreed stewardship actions. For the purposes of assessing how the policies in the Scheme's SIP have been followed, this Statement addresses both the March 2021 and October 2022 versions of the SIP, as it was updated half way through the reporting period.

The Scheme's Statement of Investment Principles can be found at the following web address:
https://pensions.smiths.com/smiths-industries-pension-scheme/statement-of-investment-principles

Trustee’s policies for investment managers – DB Section

The Trustee relies on investment managers for the day-to-day management of the Scheme’s assets but retains control over the Scheme’s investment strategy.

Around thirty percent of the Scheme’s assets are invested in pooled investment vehicles, which are managed according to standardised fund terms. The Scheme transitioned into a different pooled investment vehicle held with M&G, reallocating from the M&G Alpha Opportunities Fund (“AOF”) to the M&G Sustainable Total Return Credit Index fund (“STRCI”). Whilst the terms of the STRCI are different to those in the AOF, there are no significant changes to the standardised terms other than an improved liquidity profile in STRCI.

The Scheme holds segregated mandates for Liability Driven Investment (“LDI”), Buy and Maintain Corporate Bonds and Property. The Investment Manager Agreement (“IMA”) for the Scheme’s BlackRock LDI mandate was updated three times over the reporting period. Firstly, to update the external cashflows which provide some interest rate sensitivity and which BlackRock take account of to ensure the correct target level of interest rate hedging takes place. The second and third updates acted to reduce the target hedge ratios from 100% to 96% following market movements in H2 2022, and subsequently to increase the target hedge ratios from 96% to 99% after markets settled and the Scheme’s funding level improved.

The IMA for the Scheme’s Insight Buy and Maintain Corporate Bond mandate was also updated in January 2023 to incorporate the transitions out of the fund over Q4 2022 (detailed under the “Investment objectives and strategy – DB Section” of this Statement), and to adjust the monthly distributions to the Scheme accordingly. In addition, this update ensured that the IMA was up to date by removing reference to Bond mandates that the Scheme no longer holds.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme’s assets, and expects its investment managers to invest with a medium to long-term time horizon, and use any rights associated with the investment to drive better long-term outcomes where relevant. The Scheme’s multi-strategy credit mandate with M&G was terminated over the reporting period. As noted above, this was replaced with another multi-strategy mandate, also with M&G.

Trustee’s policies for investment managers – DC Section

The Scheme’s DC arrangements provide supplementary benefits to certain members i.e. members who made Additional Voluntary Contributions (“AVCs”), funds held for members who have transferred benefits from schemes relating to previous employments and additional contributions made by the employer in respect of senior employees (“MPS Section”). During this reporting period, the DC arrangements were held with Phoenix Life, Prudential, Santander and Legal & General (“L&G”).

It is the Trustee's policy to review these arrangements regularly to ensure they continue to be appropriate, and to obtain written advice from its investment adviser.

The Trustee uses the criteria set out in the Occupational Pension Scheme (Investment) Regulations 2005 when selecting direct investments.

The Trustee asked its investment advisers to formally review the MPS Section and AVC arrangements during the reporting period and the review was discussed at the Investment Committee meeting on 19 May 2022. The review considered the financial strength of the providers, standards of administration by the providers, quality and suitability of the available investment options (including liquidity) and the costs and charges paid by members.

No new concerns were raised over the arrangements or the overall suitability of the providers as a result of the review.

The Trustee offered members with with-profits and cash investments the option to transfer to L&G unit-linked funds during the period. Existing legacy unit-linked funds held with Prudential were bulk transferred to L&G in Q4 2022.

The review of the MPS and AVC arrangements and the actions taken by the Trustee as a result show that the Trustee adhered to the policies set out in the SIP over this reporting period.

Final remarks – DB Section and DC Section

The Trustee confirms that it has acted in accordance with the policies outlined in the Scheme’s SIP over the reporting period of this Statement.

While acknowledging the Trustee is ultimately responsible for stewardship activities taken on behalf of the Scheme, the Trustee delegates the exercise of day-to-day stewardship activities to the Scheme’s investment managers. The Trustee expects the managers to exercise their voting powers with the objective of preserving and enhancing long-term shareholder value.

The Trustee recognises that stewardship encompasses engagement with the companies in which the Scheme invests, as this can improve the longer-term risk-adjusted returns from the Scheme’s investments. The Trustee therefore encourages the Scheme’s investment managers to actively engage with portfolio companies in order to improve the risk-adjusted returns from the Scheme’s investments. Specific engagement examples by the Scheme’s investment managers are provided in the appendix.

Review of SIP policies – DB Section and DC Section

Policy	Has the policy been followed?	Evidence
Policy review		
The SIP will be reviewed at least every 3 years or following a change in investment policy.	Yes, the Trustee is satisfied that this policy has been followed.	The SIP was updated and finalised in October 2022. The main element to the change was the addition of the Scheme's Climate-related Investment Beliefs Statement. This action was part of the Scheme's journey to Taskforce for Climate Related Disclosures (TCFD) compliance and formalised the Trustee's beliefs towards climate-related risks and opportunities.

Investment objectives and strategy – DB Section

The key strategic changes made to the investment strategy of the DB assets over the period were in response to the gilt market crisis across H2 2022. In line with other pension schemes with similar investment strategies, the Trustee carried out a review of its LDI strategy in conjunction with its advisers. Following advice, the Trustee has increased the collateral "buffer" it holds to ensure there is sufficient collateral within the LDI portfolio to withstand at least a 400 basis point rise in gilt yields, should markets react similarly in the future. This involved the following sales and investments:

- Transfer of £120m from the TwentyFour AM Strategic Investment Fund ('SIF') to the BlackRock LDI portfolio on 5 October 2022.
- Transfer of £150m from the Insight Buy & Maintain Global Credit mandate, c.£108m of which was transferred to the BlackRock LDI portfolio on 22 November 2022, with the remaining c.£42m transferred back to TwentyFour AM SIF on 16 November 2022.
- Transfer of c.£26m from the M&G AOF to the TwentyFour AM SIF on 16 November 2022.

The second strategic decision was to increase the liquidity of the portfolio elsewhere. This involved the Scheme's DB investment adviser identifying, where appropriate, similar funds to those already invested but with better liquidity, allowing the Scheme to increase its collateral availability should any future gilt yield volatility occur. The results of this were as follows:

- The Trustee agreed to transfer the entire M&G holdings from the AOF into the M&G STRCI fund, with greater liquidity, to enable the Trustee to obtain funds swiftly if required to meet obligations.
- The Trustee is also performing the same exercise for the CQS mandate, expected to complete in Q2 2023.

The IMA held with BlackRock was updated three times over the reporting period. The first, to update the external cashflows which provide some interest rate sensitivity and which BlackRock take account of to ensure the correct target level of hedging takes places. The second, and third, IMA updates were due to the adverse market movements noted above, the Scheme funding level reduced, and the target hedge ratios at BlackRock were subsequently reduced from 100% liabilities on a gilts flat basis to 96%. Following market stabilisation over 2023, the Scheme's funding level improved and the target hedge ratios were increased to 99% on a gilts flat basis.

The IMA for the Scheme's Insight Buy and Maintain Corporate Bond mandate was also updated to incorporate transitions out of the fund detailed above, and to adjust the monthly distributions to the Scheme accordingly and to ensure that the IMA was up to date by removing reference to Bond mandates that the Scheme no longer holds.

Colliers have continued to sell down the remaining properties, as planned, and are now in the final stages of this. Three properties sold during the reporting period, totalling c.£60m. The expectation is for the remaining properties to be sold by 31 March 2024.

Policy	Has the policy been followed?	Evidence
Investment objective and strategy		
The Trustee's objective is to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee uses a risk management framework (known as the "Pension Risk Management Framework" or "PRMF") to monitor the Scheme's progress towards its funding objective. This framework includes a risk budget, which helps the Trustee to ensure that portfolio risk remains at acceptable levels. The Trustee has set tolerances around this budget and other metrics in the PRMF. If these tolerances were breached, appropriate action is taken. The Trustee monitors the Scheme's position against the objective using the risk budget, other metrics and tolerances. The investment adviser formally reports on this on a quarterly basis. At each quarterly meeting there is a discussion around whether corrective action is required. Following the gilt yield crisis, the collateral monitoring metric was updated to recommend and ensure that sufficient collateral was held in the Scheme's LDI portfolio to withstand a 400 basis point increase in gilt yields.
The PRMF exists to ensure that both the level of risk and outperformance target are monitored by the Trustee on a regular basis and calls to action for funding, risk, hedging and liquidity are easily identified.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee monitors this on a quarterly basis using reports issued by its investment adviser with more frequent updates provided during periods of market volatility. The investment adviser notifies the Trustee of any calls to action, which are then discussed by the Investment Committee ("IC"). If a tolerance range around one of the metrics in the PRMF is breached but no action is required, this is still raised with the Trustee and a decision is taken. The main call to action over the period was to ensure there was sufficient levels of collateral in the LDI mandate and to improve the liquidity of the Scheme's remaining assets, where appropriate.
The Trustee monitors the bulk annuity market in order that it can take advantage of future opportunities if appropriate.	Yes, the Trustee is satisfied that this policy has been followed.	The February 2022 recommendation from the Scheme's strategic adviser not to secure a further tranche of buy-in at that stage has been kept under review during the reporting period and it still remains appropriate that no further buy-in is undertaken.
The Trustee and Smiths Group have agreed to reduce investment risk over time in a phased manner and in the event that the funding level improves ahead of expectation.	Yes, the Trustee is satisfied that this policy has been followed.	The majority of the proceeds from the Colliers Property Fund over the reporting period have been invested into the Scheme's credit and LDI mandates. This has helped to reduce the Scheme's investment risk and improve the Scheme's total collateral position.
The investment strategy agreed between the Trustee and Smiths Group targets an expected return over the liabilities with the intention of achieving a fully funded position within agreed timescales.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee's primary investment objective is for the Scheme to be fully funded, on a Solvency (buyout) basis, by 2030. As of 31 March 2023, the expected return of the Scheme's assets remains above the return required to meet its objective.

Policy	Has the policy been followed?	Evidence
Risk		
The Trustee continues to monitor the risks detailed in the SIP using the PRMF, and receives formal quarterly reports on funding, cashflows, investment managers (including performance) and diversification.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee receives quarterly reports from their service providers covering these points, which are then discussed quarterly when relevant. With respect to the Scheme's investment managers, the Trustee's investment adviser proactively monitors each manager against ten key factors and actively engages on the Trustee's behalf on any issues highlighted with respect to these factors. A decision is then taken regarding whether action is required. The Trustee is satisfied that the Scheme's risks have been well managed throughout the reporting period of this Statement. The calls to action over the period related exclusively to the collateral headroom within the LDI portfolio, which was increased to a minimum of 400 basis points following the gilt crisis in H2 2022.
Counterparty risk is reduced by limiting the exposure to any one counterparty together with the use of a collateral mechanism for derivative positions that is calculated daily.	Yes, the Trustee is satisfied that this policy has been followed.	The Scheme's LDI manager reports on the Scheme's counterparties every quarter and this is monitored by the Trustee's investment adviser. The Trustee is satisfied that the Scheme's counterparty risk has been well managed and diversified over the reporting period. The LDI manager also monitors the Scheme's collateral position daily and notifies the Trustee if the Scheme's collateral needs replenishing.
Operational risk is reduced as far as possible by due diligence on the appointment and review of investment managers, annuity providers and advisers, and by contracts of engagement.	Yes, the Trustee is satisfied that this policy has been followed.	Reviews of the Scheme's providers' and mandate/contract terms are carried out by the Scheme's legal advisers prior to investment. The Trustee's investment adviser reviews operational controls as part of their manager selection and monitoring process and any significant issues are discussed with the Trustee. Whilst the Scheme transitioned its holdings from the M&G AOF to the M&G STRCI fund, no new managers were selected during the reporting period. In terms of ongoing monitoring, the Scheme's investment adviser brings to the Trustee's attention any concerns that they are aware of – no such concerns were raised during the reporting period. Investment adviser performance is measured on a regular basis against an agreed set of objectives. If an adviser review was required, investment advisers would be selected using a documented tender process. Contract terms would be reviewed by the Scheme's legal advisers prior to appointment. During the reporting period, the IC reviewed their DB investment advisers' performance at their September 2022 meeting. The results of the reviews were positive, marginally improving over the previous year's review, consistently tending towards the upper end of the scoring range, with only minor areas identified for comment or improvement.
General governance		
The Trustee, and investment managers (where delegated), will use the criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005, when selecting direct investments on behalf of the Scheme.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee and its managers have met the Criteria set out in the Occupational Pension Schemes (Investment) Regulations 2005 when selecting investments on behalf of the Scheme.

Policy	Has the policy been followed?	Evidence
Assets directly held by the Trustee, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate, and written advice will be obtained from the investment adviser.	Yes, the Trustee is satisfied that this policy has been followed.	An annual review of the suitability of the Scheme's DC providers is carried out by the DC investment adviser and presented to the Investment Committee. Annual due diligence is carried out by the Trustee's risk adviser in respect of the bulk annuity providers with whom buy-ins have been transacted, and this is presented to the IC who will discuss any concerns raised. No such concerns were raised during the reporting period.
Responsible investment (RI): environmental, social and governance (ESG) factors		
ESG issues may be financially material to the investment portfolio over the Scheme's time horizon. The Trustee considers the long-term financial interests of the Scheme to be paramount and, where appropriate: • Expects investment managers to consider financially material environmental (including climate change risks), social and governance issues in investment decision-making. • Expects investment managers to practise good stewardship, which includes engaging with issuers of debt or equity on financially material ESG issues.	Yes, the Trustee is satisfied that this policy has been followed.	The investment adviser considers ESG risks when making recommendations to the Trustee, and the Trustee considers ESG risks when making investment decisions. No new managers were selected during the reporting period. However, the Scheme transitioned from the M&G AOF into a more sustainable focused multi-strategy credit fund also with M&G, the STRCI fund. Alongside the liquidity improvements noted above, the fund also offers better alignment with ESG related issues within its asset allocation and has an "ESG and Stewardship" advantage as assessed by the investment adviser. In terms of ongoing monitoring, ESG issues are a key consideration within the investment adviser's manager research process. The investment adviser monitored the approach of the Scheme's managers throughout the reporting period and raised no concerns about the managers' consideration of ESG risks. In addition to ongoing monitoring, the investment adviser also provides an annual RI update on the approach of the Scheme's managers to RI. The report was presented and discussed at the IC meeting in May 2022. Of the Scheme's managers, only Insight exercised voting rights on behalf of the Scheme over the reporting period. As detailed in the "Voting and Engagement – DB Section", there were four votes during the reporting period, which took place at two meetings on 27 May 2022 and 11 November 2022. Insight voted "For" on all of the votes. As the votes pertain to the Scheme's non-equity managers, the Trustee deems all votes to be significant. To help in its monitoring, from Q2 2023 the Trustee will also receive annual ESG analysis on its managers, such as carbon emission reporting. Through this reporting, the Trustee is able to track the carbon emission changes of each mandate and assess whether this is in-line with the Trustee's expectations. Where it is not, the Trustee may consider engaging with the relevant manager directly, or via the Scheme's investment adviser.
Stewardship policy		
When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision-making process to the appropriate level for the	Yes, the Trustee is satisfied that this policy has been followed.	When selecting and monitoring the Scheme's investment managers, the Trustee considers a manager's ESG and Stewardship capabilities. Managers' approaches to ESG are one of several key factors that are assessed by the Scheme's investment adviser when making any manager recommendations to the Trustee, and these are monitored on an ongoing basis after appointment.

Policy	Has the policy been followed?	Evidence
specific asset class in question. The Trustee's policy is to delegate responsibility for direct engagement with underlying companies (as well as other relevant persons) in respect of shares and debt to investment managers. Investment managers are, in the Trustee's opinion, best placed to make judgments and to engage with the underlying issuers. Where relevant, the Trustee expects its managers to use voting rights to achieve the best possible sustainable long-term outcomes. The Trustee requires its investment adviser to report annually on how the managers have acted in accordance with the Trustee's policy on stewardship and engagement.		The Trustee expects all its investment managers to practise good stewardship. When selecting new managers, the Trustee's investment adviser assesses the ability of each investment manager to engage with underlying companies to promote the long-term success of the investments and reports any significant findings to the Trustee. With the exception of Colliers (who manage the Scheme's property portfolio, which is being sold down), all of the Scheme's asset managers are signatories to the UN Principles of Responsible Investment (UN PRI). No new managers were selected over the reporting period. The Scheme's investment adviser provides updates if there are any concerns regarding the approaches taken by the Scheme's managers. Moreover, in the previously mentioned annual Responsible Investment Update, the investment adviser provided an update on their views on the approach of the Scheme's managers to responsible investment. The Trustee was satisfied with the approach taken by the Scheme's managers and that no action was required. To help in its monitoring, the Trustee also receives annual ESG analysis on its managers from its investment adviser, such as carbon emission reporting. Through this reporting, the Trustee is able to track the carbon emission changes of each manager mandate and assess whether this is in-line with the Trustee's expectations. Where it is not, the Trustee may consider engaging with the relevant manager directly, or via the Scheme's investment adviser. The Trustee also requires its managers to practise good stewardship on its behalf in order to promote the long-term value of the Scheme's investments. Being cognisant of the DWP's updated guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, the Trustee has agreed to place greater emphasis on its stewardship actions through the following: • In all future meetings with investment managers, the IC (on behalf of the Trustee) will ensure specific examples of engagement are discussed and questions raised to the managers specifically on their stewardship progress. • An annual stewardship update by the Scheme's DB investment adviser will summarise the investment managers' stewardship actions over the reporting period, including notable actions performed and engagement activity. • The Trustee has also selected a key theme for its stewardship activity. The theme selected is "climate change", and this will be communicated to the Scheme's investment managers to ensure alignment across all stewardship and engagement actions. This will be included in the next update to the SIP, expected in September 2023.

Policy	Has the policy been followed?	Evidence
The Trustee meets directly with each of its investment managers at least annually and – where relevant and appropriate – questions the manager on their activities with respect to stewardship and engagement.	Yes, the Trustee is satisfied that this policy was followed.	The Trustee met with at least one of its investment managers in each of its quarterly Investment Committee meetings and questioned them on stewardship/engagement activities where relevant. The Trustee is satisfied with the approaches of the Scheme's managers. Over the reporting period, the Trustee was able to adhere to the business plan and meet with all six of the Scheme's investment managers.
Whilst the Trustee chooses managers that align with its beliefs on stewardship, there are instances where the Trustee has less direct influence over the managers' policies on the exercise of investment rights (for example, where assets are held in pooled funds). In these cases, the Trustee monitors and discloses any voting behaviour carried out on its behalf. If the Trustee deems this behaviour inadequate, it will engage with the relevant manager and seek to better align the behaviour of the manager with the Trustee's policy.	Yes, the Trustee is satisfied that this policy has been followed.	As mentioned previously, of all the Scheme's managers, only Insight exercised voting rights on behalf of the Scheme over the reporting period. Details of these votes can be found in the "Voting and Engagement – DB Section" part of this report. Examples of engagement from the Scheme's investment managers are also provided in the "Voting and Engagement – DB Section".
The Trustee has a preference for "engagement" rather than "exclusion" as a method of incorporating environmental, social and governance risks into an effective risk management framework. However, this preference is kept under review and may be updated in the future should circumstances change. The Trustee expects its investment managers to independently consider whether exclusion or engagement is more appropriate within their investment process.	Yes, the Trustee is satisfied that this policy has been followed.	In terms of ongoing monitoring, the Scheme's investment adviser monitored the approach of the Scheme's managers throughout the reporting period and raised no concerns about the managers' engagement practices. The investment adviser also provided an update on the managers' engagement capabilities as part of the annual RI review in May 2022.
Asset manager policy		
For pooled arrangements, the Scheme's investments are managed according to standardised fund terms, which are reviewed by the	Yes, the Trustee is satisfied that this policy has been followed.	The Scheme transitioned into a different pooled investment vehicle held with M&G. An in-specie transfer was made from the M&G AOF to the STRCI. The terms of the STRCI received a legal review from the

Policy	Has the policy been followed?	Evidence
Scheme's legal and investment advisers at the point of investment to ensure that they are aligned with the Scheme's long-term investment strategy and market best practice. These terms are reviewed at the point of investment and following any material changes notified by the manager.		Trustee's legal adviser prior to the final investment agreement being signed. As far as the Trustee is aware, all pooled investment mandates in which the Scheme invests have been managed in line with the standardised fund terms during the reporting period.
For segregated arrangements, the terms of the long-term relationship between the Trustee and its managers are set out in separate IMAs. These document the Trustee's expectations of their managers, alongside the investment guidelines they are required to operate under. The investment guidelines are consistent with the policies set out in the SIP.	Yes, the Trustee is satisfied that this policy has been followed.	The Scheme has segregated mandates with BlackRock, Insight, and Colliers. These IMAs have been kept up to date throughout the reporting period, with changes having been made to the IMA with BlackRock only, as mentioned previously in this Statement.
The Trustee reviews the portfolio transaction costs and managers' portfolio turnover ranges where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations.	Yes, the Trustee is satisfied that this policy has been followed.	Where feasible, the Trustee's investment adviser monitors transaction costs and portfolio turnover on a regular basis and notifies the Trustee of any points of concern. There were no such issues during the reporting period of this Statement.
The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee has maintained its partnerships with its appointed managers. Investment managers are selected based on their strategic fit for the Scheme over the long-term. No new investment managers were appointed during the reporting period.
Managers are paid an ad valorem fee for a defined set of services. The Trustee reviews the fees annually to confirm they are in line with market practices.	Yes, the Trustee is satisfied that this policy has been followed.	The Trustee reviews investment manager fees annually. The last review was presented to the Investment Committee at their February 2023 meeting and the Committee was satisfied with the outcome.

Investment objectives and strategy – DC Section

Policy	Has the policy been followed?	Evidence
General Governance		
Assets directly held by the Trustee, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate, and written advice will be obtained from the investment adviser.	Yes, the Trustee is satisfied that this policy has been followed.	An annual review of the suitability of the Scheme's DC providers is carried out by the DC investment adviser and presented to the IC. This was carried out during the reporting period in May 2022.

Voting and engagement – DB Section

Where the Scheme holds equity investments in companies, the Trustee (or managers acting on its behalf) has the right to vote at the shareholder meetings of these companies. The DB Section of the Scheme does not hold an equity portfolio; however, its managers can invest in credit assets that can be converted into equity in certain circumstances. Once these assets have been converted, they have voting rights attached to them – this is typically how the Scheme may have voting rights in relation to the assets it holds. Assets of this sort comprise a small portion of the Scheme's overall investments.

Of the Scheme's managers, only Insight exercised voting rights on behalf of the Scheme over the reporting period. There were four votes during the reporting period, which took place at two meetings on 27 May 2022 and 11 November 2022. Insight voted "For" on all of the votes. As the votes pertain to the Scheme's non-equity managers, the Trustee deems all votes to be significant. The four votes have therefore, been detailed below.

Key Voting Statistics (April 2022 – March 2023)	
Total size of the fund at period end	£214.7m
Number of meetings eligible to vote during the period	2
Number of resolutions eligible to vote during the period	4
% of resolutions voted	100.00%
% of resolutions voted with management	100.00%
% of resolutions voted against management	0.00%
% of resolutions where the manager did not vote	0.00%
% of meetings with at least one vote against management	0.00%
% of resolutions where manager voted contrary to recommendation of proxy adviser	0.00%
Any use of proxy voting services during the period	Insight utilise Minerva Analytics ("Minerva") to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable.

Insight Investments	Vote #1	Vote #2	Vote #3	Vote #4
Company name	Insight Liquidity Funds plc	Insight Liquidity Funds plc	Insight Liquidity Funds plc	Channel Link Enterprises Finance plc
Date of vote	27/05/2022	27/05/2022	27/05/2022	11/11/2022
Summary of resolution	To approve the annual report and accounts for the year ended 31 October 2020	To ratify the appointment of KPMG LLP as auditors	To authorise the directors to determine the auditor's remuneration	In relation to the amendment of the conditions of a tranche of A5 notes, whereby the Libor-based interest rate was voted to be replaced with a Sonia-based interest rate and the subsequent amendment of the trust deed in line with this change.
Resolution category	Report & Accounts	Auditor - Election	Auditor - Remuneration	Transactions - Significant
Voting recommendation	For	For	For	For
Actual vote	For	For	For	For

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments, and is not restricted to equity investments. With this in mind, below are three examples of engagement within the credit mandates.

CQS – Direct Engagement
Company: Lufthansa
Focus of the engagement: Encourage decarbonisation targets to be verified and to understand carbon reporting.
Details of the engagement: CQS identified issues firstly, that it was unclear whether the company's net zero commitment and decarbonisation targets cover scope 1, 2, and 3 emissions or just 1 and 2. Additionally, CQS noted that the decarbonisation target had not been verified by the Science-Based Targets initiative ("SBTi").
Outcome of the engagement: Lufthansa confirmed that their targets cover scope 1 and 2 emissions only and provided clarity on their three targets. In addition, Lufthansa successfully had their decarbonisation targets validated by the SBTi.

CQS – Direct Engagement
Company: EG Group
Focus of the engagement: Seek to improve company disclosures and targets, in particular social, to aid third-party analysis.
Details of the engagement: CQS identified issues with the company's ESG disclosures and third party analysis. Specifically noting that the company did not publish an ESG report.
Outcome of the engagement: In October 2022, the EG Group published its first ESG report. They are implementing a Diversity and Inclusion Plan in each market by 2024, are seeking at least 40% women in senior leadership positions by 2025 (from 23% in 2021) and have invested in training, as well as employee engagement.

Insight Investments – Direct Engagement
Company: DP World
Focus of the engagement: Staff redundancies without consultation.
Details of the engagement: Insight wished to understand the reasoning behind the proposed forced redundancies of 800 staff members without consultation. The company confirmed they decided not to follow recommended process but are of the view there was nothing illegal about their actions. The Insolvency Service has launched criminal and civil investigations into the circumstances around the redundancies.
Outcome of the engagement: Insight were unconvinced the company understood the extent of its actions and therefore changed their rating to "Buy & Maintain unsuitable".

Insight Investments – Direct Engagement
Company: Housing and Care 21
Focus of the engagement: Downgrade by regulatory body.
Details of the engagement: UK housing association regulator downgraded Housing & Care 21's governance rating to G2 as they failed to reduce the variable service charge component within affordable rents following a regulatory change.

Outcome of the engagement: Insight met the issuer to review the progress made to addressing shortcomings that led to the downgrade. The issuer appointed three sets of external consultants to investigate the failings and changes are also being made to the board.

M&G – Joint Engagement
Company: BASF
Focus of the engagement: For the company to agree to a net-zero carbon target by 2050, and a reduction in emissions by 2030.
Details of the engagement: M&G, and other CA100+ members targeted collaborative dialogue with the company, discussing the bottlenecks to further scope 1 & 2 emission reductions, and pushed for the company to disclose new reduction targets and a net-zero ambition by 2050.
Outcome of the engagement: The company was reluctant to set a 'net-zero' target, as it believed the technical feasibility and economic viability remained to be proven. M&G continued to engage, and arranged a subsequent call with the Chairman of Board. Following this, BASF have now set a 'net zero' target and interim (2030) 25% absolute carbon reduction goal.

Voting activity - DC Section

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 practise 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.

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

Voting statistics

The table below shows the voting statistics for the Scheme's material DC funds. The voting information provided is for the year to 31 March 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM Multi-Asset Fund[1]	98,831	99.80	21.79	0.74

Source: Fund Managers

At the time of writing this Statement, Phoenix Life and Prudential had not responded to our request for voting information.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers 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 managers use proxy voting advisers:

Why use a proxy voting adviser?
Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

[1] This is the underlying fund for the Legal & General (PMC) Multi Asset Fund

	Description of use of proxy voting adviser(s)
LGIM	"LGIM's Investment Stewardship team uses the Institutional Shareholder Services (ISS) w'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions."
Phoenix Life	**Phoenix Life delegates fund management to a number of fund managers, including abrdn, Janus Henderson, BlackRock and Invesco. The voting is carried out by those fund managers.** **abrdn** "To supplement our own analysis, we make use of the benchmark research and recommendations provided by ISS, a provider of proxy voting services. In the UK we also make use of the Investment Association's (IA) Institutional Voting Information Service. We have implemented regional voting policy guidelines with ISS which ISS applies to all meetings in order to produce customised vote recommendations. Within our custom policies, however, we do specify numerous resolutions which should be referred to us for active review." **BlackRock** "We use ISS electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision. While we subscribe to research from the proxy advisory firms ISS and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research." **Invesco** "Invesco may supplement its internal research with information from independent third-parties, such as proxy advisory firms, to assist us in assessing the corporate governance of investee companies. Globally, Invesco leverages research from ISS and Glass Lewis. Invesco generally retains full and independent discretion with respect to proxy voting decisions." **Janus Henderson** "To assist us in assessing the corporate governance of investee companies we subscribe to ISS. ISS provides voting recommendations based upon Janus Henderson's corporate governance policies and highlights key voting issues requiring review by investment teams. Our in-house Governance and Stewardship Team works with our investment teams and provides input into voting decisions. Fund managers have ultimate voting authority."
Prudential	**Management of the With Profits Fund has been delegated to a number of fund managers, including M&G Investment Management and BlackRock. The voting is carried out by those fund managers.** **M&G Investment Managers** "Voting decisions are taken in the best interests of clients and decision-making takes into account a wide range of factors. Whilst we do not solicit clients' views we would take them into account should they be known to us." **BlackRock** See above.

Source: Fund Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they 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 fund managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) 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.

The table below shows some of the engagement activity carried out by the Scheme's material DC managers. 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 fund invested in by the Scheme

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm Level	
LGIM Multi-Asset Fund	960	Not Provided	Environment - Climate change Social - Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Diversity, Leadership - Chair/CEO, Remuneration, Shareholder rights Strategy, Financial and Reporting - Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting)

At the time of writing this Statement, Phoenix Life and Prudential had not responded to our request for engagement information.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Phoenix Life and Prudential did not respond to our requests, thus no voting or engagement data has been provided by these managers.
- LGIM did not provide firm-level engagement information.

We will engage with the managers to encourage improvements in reporting.

Although it is material in terms of the proportion of assets invested, this report does not include commentary on the Cash DC fund, because of the limited materiality of stewardship to this asset class.

Appendix – Significant Voting Examples (DC)

In the table below are some significant vote examples provided by the Scheme's DC managers. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM Multi-Asset Fund	**Company name**	Rio Tinto Plc
	Date of vote	08-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.22%
	Summary of the resolution	Approve Climate Action Plan
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	"LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics."
	Rationale for the voting decision	"Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner."
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	None provided
	On which criteria have you assessed this vote to be "most significant"?	"LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote."

Source: Fund Managers

At the time of writing this Statement, Phoenix Life and Prudential had not responded to our request for voting information.