Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 31 May 2021. This statement has been produced in accordance with The Pension Protection Scheme (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees’ primary investment objective is to achieve an appropriate rate of return by investing the scheme’s assets in a diversified portfolio designed to meet liability cashflows as they fall due, whilst also improving the hedging characteristics of the strategy. Additionally, the assets are to be invested in a way that will be consistent with the Trustees' objective to deliver sufficient growth to reduce the Scheme's deficit and keep the Scheme open to future accrual.

The objectives set out above provide a framework for the Trustees when making investment decisions.

Review of the SIP

The Trustees last reviewed the SIP in September 2020 in order to comply with the requirement to provide additional disclosures on their stewardship policy and investment manager arrangements, specifically:

(i) How the arrangement with the investment manager incentivises the investment manager to align its investment strategy and decisions with the Trustees’ policies.

(ii) How that arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

(iii) How the method (and time horizon) of the evaluation of the investment manager’s performance and the remuneration for asset management services are in line with the Trustees’ policies.
(iv) How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range.

(v) The duration of the arrangements with the investment manager.

**Policy on ESG, Stewardship and Climate Change**

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and climate change. The policies in question were last approved on 2 September 2020.

In order to establish these policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies at the Trustee meeting of 22 June 2020. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

**Scheme’s Investment Structure**

The Scheme’s only investment is a Trustee Investment Policy (‘TIP’) with Mobius Life Limited (‘Mobius’). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustees have no direct relationship with the Scheme’s underlying investment managers.

**Trustee Engagement**

In the relevant year, the Trustees have not engaged with Mobius, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change.

The Trustees are working with their investment consultant, Mercer, to consider actions that can be taken to engage with their underlying fund managers going forward. This includes the potential inclusion of ESG specific ratings within performance reporting (with ratings derived by the investment consultant) in the coming year and this will help to determine whether further action should be taken in respect of specific funds.

**Voting Activity**

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme’s investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme’s investments are ultimately invested in.
The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all underlying pooled funds that invest in equities). Please note that the equity exposure within the BMO Overseas Equity-Linked UK Gilt Fund and the BMO Overseas Equity-Linked UK Inflation Fund is obtained synthetically through futures contracts and, as a result, there are no voting rights attached to these funds.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year’s statement.
<table>
<thead>
<tr>
<th>Fund</th>
<th>Proxy voter used?</th>
<th>Votes cast</th>
<th>Abstentions</th>
<th>Most significant votes (description)</th>
<th>Significant vote examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nordea Diversified Return Fund</td>
<td>ISS – for the technical expertise and voting platform, as well as their global reach and analysis</td>
<td>2,088</td>
<td>267</td>
<td>Significant votes are those that are severely against Nordea’s principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmarks the proposals against their policy.</td>
<td>Alphabet – a vote ‘for’ was cast to support a number of Shareholder Proposals, including proposal to establish a risk oversight committee, to report on takedown requests and to report on whistleblower policies and practices.</td>
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<td></td>
<td>NIS – small niche player which provides input that is very valuable in the evolution of Nordea’s own Corporate Governance principles. Mainly used for analysis.</td>
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<td></td>
<td></td>
<td>McDonald’s – a vote ‘for’ a report on sugar and public health was cast as Nordea thinks additional disclosure would benefit shareholders by increasing transparency regarding the company’s efforts to address the risks related to the use of sugar. It would also serve to provide greater assurance to shareholders in that the firm’s initiatives and practices sufficiently guard against potential financial, litigation and operational risks to the company.</td>
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<td></td>
<td>Nordea makes all its own voting decisions and the two providers are used to get a second and third opinion on the issues Nordea vote on, both from a global best practice and from a Nordic perspective.</td>
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<td>NB: Please note that the data for this fund covers the one year period to 30 June 2021.</td>
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| LGIM World Emerging Markets Equity | ISS – for their electronic voting platform. A custom voting policy with specific voting instructions has been put in place to ensure their proxy provider votes in accordance with LGIM’s position on ESG. | 35,597 | 5,019 | 655 | In determining significant votes, LGIM’s takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:  
• High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;  
• Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;  
• Sanction vote as a result of a direct or collaborative engagement;  
• Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes. | 3SBio, Inc. - a vote “against” was cast to oppose the election of Lou Jing as Director. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they are voting against all combined board chair/CEO roles. | Unisplendour Co., Ltd – a vote “against” was cast to oppose the election of Yu Yingtao as Director. LGIM views gender diversity as a financially material issue for its clients, with implications for the assets they manage on their behalf. For 10 years, LGIM has been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, LGIM expects all companies in which they invest globally to have at least one female on their board. |

Notes:  
ISS = Institutional Shareholder Services Inc.  
NIS = Nordic Investor Services