Implementation Statement

Servier Laboratories Limited Pension Fund

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). The Regulations, amongst other things, require that the Trustees produce an annual implementation statement which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the year to 31 March 2021;
- Evidence on how the Trustees have fulfilled the objectives and policies included in the SIP over the year to 31 March 2021; and
- Information on voting and engagement activity undertaken by the Fund’s investment managers on the Trustees’ behalf.

This Implementation Statement (the “Statement” or “IS”) for the Servier Laboratories Limited Pension Fund (the “Fund") covers the Fund year 1 April 2020 to 31 March 2021.

Changes to the SIP over the period

The SIP was reviewed and updated in September 2020 to account for new regulatory requirements which came into effect from 1 October 2020. The regulations required the Trustees to expand on and include within the SIP its policies on stewardship, cost transparency, arrangements with investment managers and environmental, social and governance (ESG) integration.

The Trustees consulted with the sponsor when making these changes and obtained written advice from their investment adviser.

Meeting objectives and policies outlined in the SIP

The Trustees outline in their SIP a number of key objectives and policies. These are noted in *blue* below, together with an explanation of how these objectives and policies have been met and adhered to over the course of the year. All section numbers follow those set out in the SIP, effective from 30 September 2020.

The policies on stewardship and engagement, together with information on voting behaviour, have been treated separately for clarity.

DC Section

1.1 Objectives and policy for securing objectives

The Trustees’ investment objective is to make available a range of pooled investment funds which serve to meet the varying investment needs and risk tolerance of the Fund’s members. In particular, the Trustees aim to provide investment options that allow members:

- *To maximise the value of their assets at retirement*
- *To maintain the purchasing power of their savings in real (i.e post-inflation) terms; and*
- *To provide protection for accumulated assets in the years approaching retirement against:*
  - *Sudden (downward) volatility in the capital value*
  - *Fluctuations in the cost of securing an income and / or cash in retirement*

The Trustees have provided members over the course of the year with a range of investment choices. For members who do not wish to make an active investment decision, a default lifestyle arrangement is in place which gradually moves members from higher risk, growth seeking assets to lower risk capital preservation assets as they approach retirement. In addition, 11 self-select funds are available which members can choose from depending on their risk appetite and if they are comfortable making their own investment decisions.

The investment strategy of the default investment option is managed by the Trustees' fiduciary manager, Aon Investments Limited. This strategy invests members' assets in higher risk, growth assets up to 15 years before a member's retirement to help maximise the value of assets at retirement. The strategy then moves into inflation linked assets and lower risk assets to help reduce volatility and protect against fluctuations on the cost of securing an income in retirement.

The Trustees receive and review quarterly monitoring reports from their fiduciary manager. The reports provide both short and long-term fund performance on the default strategy and all other self-select funds. These reviews did not raise concern over the adequacy of the investment strategy to meet the Trustees' objectives stated above.

The Trustees are comfortable that they have met this objective over the year.

1.2.1 Strategic management

The Trustees will regularly review the appropriateness of the three asset allocation strategies, taking into account any significant changes in the demographic profile of the relevant members, and may make changes to fund choice from time to time. Members will be advised accordingly of any changes.

The current asset allocation strategies were put into place in December 2017 following a review that started in 2015. A further review was carried out as at 28 February 2020 ("Review of the DC Investment Strategy", Aon) and discussed at the Trustees' meeting held on 9 March 2020. The Trustees met this objective by commissioning the review and deciding that the asset allocation strategies (and the self-select range of funds) remained appropriate and that no changes should be made at that time.

1.2.2 Day-to-day management

The Trustees invest the main assets of the Defined Contribution section of the Fund in pooled funds managed by Aon Investments Limited. The Trustees are satisfied that the spread of assets by type and the investment manager's policies on investing in individual securities within each type provides adequate diversification of investments. The Trustees have regard to the suitability of the investment funds described above through periodic strategy and performance review. The Trustees expect the manager of the funds to have regard to the suitability of the investment contained within each fund in accordance with each fund's investment aims.

The Trustees consider that they have met this objective through the strategy review carried out under objective 1.2.1 and the receipt and review of quarterly monitoring reports from the fiduciary manager. The Trustees also received an update from their fiduciary manager through a presentation at the Trustees' meeting on 13 November 2020 which covered strategic changes with the delegated fund range, inclusion of ESG screening and comment on recent performance.

1.3 The balance between different kinds of investments

The Trustees recognise that the key source of financial risk in relation to meeting its objectives normally arises from the choice of funds offered to members and is mindful of the fact that holding all of the Defined Contribution assets in a traditional balanced fund could involve too high a level of investment risk for members approaching retirement. As a result, the Trustees implement a "lifestyle" default strategy for the Defined Contribution Section. Members are, however, able to choose a different strategy if they so wish.

The Trustees retain responsibility for choosing the funds available and take advice as required from its professional advisers.

The Trustees consider that they have met this objective through the strategy review carried out under objective 1.2.1.

1.4 Investment risk measurement and management

The Trustees recognise that members take the investment risk and the Trustees manage this risk through the selection and monitoring of investment performance and the choice of funds offered to members and monitors the continued appropriateness of the default strategy for the membership.

The Trustees consider that they have met this objective through the strategy review carried out under objective 1.2.1.

1.5 Expected Return on assets

Over the long term, the Trustees' expectations are:

- *for units representing "growth" assets (UK equities and a diversified growth fund), to achieve a return which provides a real return above the increase in price inflation over the same period. The Trustees consider short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long term these assets will outperform the other asset classes;*

- *for the "monetary and index-linked" assets: for units representing index-linked bonds to achieve a rate of return in line with the cost of providing index-linked annuities;*

- *for units representing monetary assets (corporate bonds, cash etc) to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing annuities or a cash sum at retirement.*

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with its advisers and investment managers.

The Trustees consider that they have met this objective through the strategy review carried out under objective 1.2.1.

DB Section

2.1 Investment Objectives

The Trustees recognise that the key objective is to maximise the probability that the Fund is able to provide all of the benefits due to members. They recognise that the investment strategy should take account of the principal employer's interests in respect of the size and incidence of contributions required.

The Trustees work in conjunction with its advisers in relation to the triennial actuarial valuation. This was most recently undertaken as at 31 March 2019, to assess whether the Fund has enough assets to cover the liabilities on an ongoing basis. The Trustees meet this objective by assessing the ability of the Fund to provide all benefits due to members through annual monitoring of the funding position and quarterly monitoring of asset performance. The asset performance is monitored by the Trustees on receipt of the quarterly reports from the investment managers, together with comment from their investment adviser at Trustees' meetings (and in between meetings by the Trustees' request or when the adviser considers it necessary). One example of the ad-hoc monitoring concerns an update in March 2020 from the investment adviser on the Fund's asset performance as the Coronavirus pandemic started to spread around the globe and led to a significant downturn in investment markets.

2.2 Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Fund, its cashflow requirements, the funding level of the Fund and the Trustees' objectives.

It is the Trustees' intention to ensure that the assets of the Fund are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure, as far as is reasonably practicable, the security, quality, *liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.*

Assets held to cover the Fund's technical provisions (the liabilities of the Fund) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Fund.

The assets of the Fund are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made insofar as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Trustees monitor the level of self-investment by the Fund on a periodic basis and are satisfied that at the current time there is negligible self-investment.

The Fund's funding level has improved over the year ending 31 March 2021. Post year end, the Trustees engaged their investment adviser to provide options on de-risking to match the risk tolerance appropriate for the Fund. Additionally, the Trustees reviewed the allocation to the Ninety One Diversified Growth Fund in April 2021 given the concerns around its risk profile and performance since the pandemic started.

The Trustees monitor the level of self-investment annually through the reporting requirements of the Trustees' Report and Accounts.

The Trustees therefore consider that they have met this objective over the year.

2.3 The balance between different kinds of investments

The Trustees recognise that the key source of financial risk in relation to meeting its objectives arises from asset allocation. It therefore retains responsibility for setting the Fund's overall asset allocation and takes advice as required from its professional advisers.

The Trustees review their investment strategy in conjunction with each formal actuarial valuation of the Fund or more frequently should the circumstances of the Fund change in a material way.

In 2021, the Trustees continued monitoring the risk profile of the Fund to ensure it was on target on its recovery plan. The Trustees have been looking at options to reduce the risk associated with the funding level and subsequently looked at increasing the allocation to liability matching assets and reducing the holding in growth-oriented Diversified Growth Funds. The Trustees are still working with their investment advisers ahead of the triennial valuation in March 2022.

2.4 Investment risk measurement and management

The most important risks are recognised as arising from asset allocation. These will be assessed at least annually and following an update of the actuarial valuation. This assessment is forward-looking and may incorporate the use of asset and liability modelling techniques. Checks will be made to assess whether the funding and investment strategy remains on target to achieve the original objectives and within acceptable parameters. If it does not then corrective action will be considered by adjusting investment policy or through amendments to the Schedule of Contributions.

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy. The Trustees also have an agreement with the principal employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employer.

In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Fund's existing investment strategy.

For due diligence and good governance purposes, the Trustees will meet with the investment managers on a regular basis.

There was no formal actuarial valuation completed in the year to 31 March 2021. However, on 13 November 2020 the Trustees decided to carry a review of the two Diversified Growth Funds in light of the volatility created by COVID-19 in order to test the fund managers' active management against peers. Furthermore, the Trustees also arranged a meeting with Ninety One in March 2021. After the Meeting, the Trustees agreed that the rationale for the positioning of the portfolio continued to be reasonable, given the unprecedented nature of 2020. The areas of focus for 2021 and beyond provided reassurance that the Ninety One fund would be able to deliver growth, whilst managing volatility and it was considered that the fund is complementary to the BlackRock DGF. As such, the Trustees agreed that no change was required at the current time.

2.5 Expected returns on assets

Over the long term the Trustees' expectations are:

- *for the "growth" assets (i.e. the diversified growth funds) to achieve a return which provides a real return above the increase in price inflation over the same period. The Trustees are willing to incur short-term volatility in asset price behaviour with the expectation that, over the long term, these assets will outperform asset classes which may be regarded as matching the liabilities;*
- *for the "matching" assets (i.e. the LDI fund) to achieve a rate of return which is broadly in line with changes in the valuation of the Fund's liabilities due to changes in interest rates.*
- *for the assets as a whole to provide projected returns at least in line with the Trustees' funding assumptions as set out in the Statement of Funding Principles.*

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and investment managers.

Over the year ending 31 March 2021, the growth assets of the Fund achieved returns ahead of their benchmarks and a real return above the price inflation over the same period. Matching assets also achieved their target return, which is broadly in line with the liabilities that the Trustees decided to hedge against with respect to interest rates and inflation. In summary, the selected investment vehicles by the Trustees achieved their expected returns.

The Trustees were not notified of any changes in the employer covenant due a change in failure score, Type A event or alteration of creditworthiness of the sponsor over the year to 31 March 2021.

Both Sections

3.1 Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. Units in the funds in which the Fund invests may normally be bought and sold on a daily basis and hence the Trustees are satisfied with the liquidity of the Fund's investments.

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances, it is not the Trustees' intention to hold a significant cash balance and this is monitored by the Fund's administrator.

3.2 Environmental, Social, and Governance considerations

In setting the Fund's DB and DC investment strategies, the Trustees' primary concern is to act in the best financial interests of the Fund's beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly.

The Trustees consider this risk by taking advice from their investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

Over the year, there were changes made within the DC Aon Managed Global Equity fund, including replacing the BlackRock factor fund with an LGIM equity fund using a bespoke Aon designed factor index, . The fund also includes Environmental, Social & Governance (ESG) screens.

Aon, the investment adviser, provides each underlying fund with an ESG rating, from the lowest rating of 1 to the highest rating of 4. All passive funds are currently rated 2, as the passive nature means that the ability to add an ESG tilt is severely limited through stock selection, so it is reliant on the investment managers using tools such as voting rights to influence corporate behaviour.

After the year end in April 2021, the Trustees met with the investment manager of Ninety One Diversified Growth Fund. The manager provided an overview of the positions taken during 2020. The Trustees discussed Ninety One and agreed that the rationale for the positioning of the portfolio was reasonable given the unprecedented nature of 2020.

There were no changes to the asset allocation or investment managers over the year.

The Trustees are comfortable that they have met this policy.

3.3 Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately this creates long-term financial value for the Fund and its beneficiaries.

The Trustees regularly review the suitability of the Fund's appointed investment managers and take advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Fund's investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change. This will include Aon Investments monitoring its underlying investment managers' voting and engagement activities, and engaging with these managers to promote good corporate governance, accountability, and positive change.

The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Fund members on request. The transparency for voting should include voting actions and rationale with relevance to the Fund, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustees or the investment manager.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustees were able to meet this objective. Further detail is explained in the Voting and Engagement section below.

3.4 Members' Views and Non-Financial Factors

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

For DC members, the Trustees have made the Ethical and Islamic funds available to members who would like to invest in funds with these specific considerations. The underlying funds that make up the default fund and other self-select funds should not apply personal ethical or moral judgements as the sole basis for an investment decision

The Trustees are comfortable that this policy has been met over the year.

3.5 Arrangements with Investment Managers

Defined Benefit Section

The Trustees fulfil this policy as they regularly monitor the Fund's investments through the following:

- Regular reports and verbal updates are provided from their investment advisor on various items, including investment strategy, performance, and longer-term positioning of the portfolio.
- The Trustees also receive quarterly reports from their investment managers, which provides commentary on the performance and detail of any changes to the portfolios. The investment managers also provide any additional reporting, such as stewardship reports, on a regular basis.

Defined Contribution Section

The Trustees have appointed Aon Investments Limited ("AIL") as their fiduciary manager. AIL will only appoint underlying asset managers who are "Buy" rated and achieve a minimum standard or rating for Environmental, Social and Governance ("ESG") factors from Aon's manager research team. Aon's ESG ratings are designed to assess whether asset managers integrate responsible investment, and more specifically ESG considerations, into their investment decision making process and ongoing stewardship. The ESG ratings are based on a variety of qualitative factors and are updated to reflect any changes or broader responsible investment developments. The ESG ratings of the underlying managers are reported in the quarterly monitoring reports. Additionally, AIL meets with each of the underlying managers on a six-monthly basis to carry out a session focused on ESG. These ESG focused sessions cover both how each manager incorporates ESG considerations into their investment process and their stewardship activity.

As part of Aon's investment manager research process, the governing documentation of investments is reviewed for appropriateness before a "Buy" rating is given.

AIL considers the suitability of the Fund's underlying investment managers on an ongoing basis, on behalf of the Trustees.

Aon's investment manager research team meets the underlying managers on a regular basis to assess any changes in the investment staff, investment process, risk management and other manager evaluation factors to ascertain whether the overall rating assigned to the fund remains appropriate and the manager remains suitable to manage the assets.

The awareness regarding potential ESG risks in the investment strategy is also considered as part of monitoring and assigning the overall rating to the fund. Specifically, and as noted above, AIL meets with each of the underlying managers on a six-monthly basis to carry out a session focused on ESG.

The Trustees receive quarterly monitoring reports from AIL summarising the investment strategy, performance and longer-term positioning of the portfolio. The investment adviser provides a summary of these reports at Trustees' meetings.

The Trustees also receive annual stewardship reports from AIL. These provide a summary of AIL's engagement activity as well as voting and engagement statistics for the underlying managers.

The Trustees are comfortable that this policy has been met over the year.

3.6 Monitoring of Investment Manager Costs

For the DC Section, the Trustees, with assistance from Aon, collect information on member-borne costs and charges on an annual basis and set these out in the Fund's Annual Chair's Statement

For the DB Section, the Trustees evaluate the performance of their investment managers on a net of fees basis.

3.7 Effective Decision Making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice received.

Over the year, the Trustee board was made up of four Trustees with varying skill sets. With the exception of one Trustee, all Trustees are also members of the Fund. The Trustees have varying backgrounds, including an Investment specialist. The Trustees have particular areas of skills and interest that they will take the lead in relation to, including communication, investments and funding. The Trustees consider the diversity of the Board on an ongoing basis and, overall, the Trustees concluded that the Board has a desirable level of diversity. The Trustees agreed that the credentials for any new future Trustee will be based on any gaps identified in skills in the Trustee Board.

The Trustees have a formal training policy in place dated June 2015. Under this policy all Trustees are required to complete the Pensions Regulator's online training and must attend formal or informal training totalling a minimum of 12 hours each year. During the year the Trustees agreed to increase this to 15 hours in line with the Pensions Regulator's recommended minimum number of hours. Each Trustee is required to maintain a training log detailing attendance of both internal and external training courses. The training log is for the period 1 April to 31 March. Training logs are submitted to the Chair of Trustees who checks that the required level of training has been met. The Chair of Trustees is happy to report that with the exception of one Trustee, all other Trustees had undertaken more than 15 hours of training during the period 1 April 2020 to 31 March 2021.

During 2020, the Chair of Trustees carried out a review of the Trustees' board skills and a review of the effectiveness of the Board. The reviews highlighted a few areas around training that required further attention by the Trustees, and these were addressed at the Trustees' meeting held on 17 June 2020.

The Trustees are comfortable that this policy has been met over the year.

Post year end, a member nominated Trustee's term of office was due to expire. Following a selection panel and interview with a nominee, another member nominated Trustee was formally appointed in June 2021 as a replacement.

3.8 Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Fund. The majority of members AVC assets are invested in the same funds that are utilised for the main Fund. Some assets are also invested with Scottish Widows Fund and Life Assurance Society.

From time-to-time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Given the majority of AVCs are invested in the same funds at the main DC assets, the Trustees consider any review of the main Fund to help fulfil this policy.

The Trustees are comfortable that this policy has been met over the year.

Voting and Engagement – Defined Benefit Section

Voting and Engagement – Multi-Asset Funds

Over the year, the Fund's DB Section invested in the following multi-asset funds:

Fund Type	Fund Name
Multi-Asset Funds	BlackRock Dynamic Diversified Growth Fund
	Ninety One Diversified Growth Fund

BlackRock

Voting

BlackRock votes annually at over 16,000 shareholder meetings, generally taking a case-by-case approach to the items put to a shareholder vote. Their analysis is informed by their internally developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors at a particular company. BlackRock do subscribe to research from several proxy advisory firms, however this research is one among many inputs that BlackRock use in their vote analysis process. BlackRock strongly assert that they do not blindly follow proxy advisors' recommendations on how to vote. Rather they use proxy research firms primarily to gather information and analysis into a concise, easily reviewable format so that their analysts can readily identify and prioritise those companies where their own research and engagement would be beneficial.

Over 2020, BlackRock have increased their level of reporting by publishing more voting bulletins. These bulletins provide explanations of the most significant votes at shareholder meetings and is made public shortly after the meetings. These specific significant votes are chosen by BlackRock based on criteria such as level of public attention and impact of financial outcome.

The table below sets out the voting activity carried out by BlackRock in relation to the Fund's investments over the year to 31 March 2021:

Voting Statistics for BlackRock Fund	For the period from 1 April 2020 – 31 March 2021		
	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
BlackRock – Dynamic Diversified Growth Fund	95.84%	5.86%	0.91%

Voting Example: Chevron

BlackRock voted against the Board's recommendations in May 2020, by voting in support of a shareholder proposal requesting that Chevron report on how the company's lobbying aligns with the goals of the Paris Agreement. The report was intended to address the risks presented by any misaligned lobbying and to understand the company's plans, if any, to mitigate these risks.

BlackRock acknowledged that Chevron has been responsive to investors and transparent in their reporting which is aligned with the requirements of both the Task Force on Climate Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB). BlackRock also consider Chevron to be a leader among its US peers with regard to board oversight of climate risk, strong corporate governance practices, and reporting in line with SASB and the TCFD. However, they felt that increased transparency around political spending and lobbying relating to climate risk and the low carbon transition would strengthen the company's disclosure. They also held the view that the company could provide investors with a more detailed explanation of the alignment between Chevron's political activities and the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius, which the company supports.

Recent engagements with the company leading up to the annual general meeting have given BlackRock the impression that Chevron is aligned with the spirit of this proposal, as it has articulated a desire to provide more clarity for investors on its internal climate considerations and associated political lobbying.

More information on the vote can be found at the respective vote bulletins:
https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history

Engagement

Through their stewardship activities BlackRock seek to promote governance practices that help create long-term shareholder value for their clients, the vast majority of whom are investing for long-term goals such as retirement. They believe they have a responsibility to their clients to make sure companies are adequately managing and disclosing sustainability-related risks, and to hold them accountable if they are not.

This year BlackRock's investment stewardship team intensified its focus and dialogue with companies facing material sustainability-related risks. Their approach on climate issues is to focus efforts on sectors and companies where climate change poses the greatest material risk to their clients' investments. 'Climate risk' may include a company's ability to compete in a world that has transitioned to a low-carbon economy (transition risk), for example, or the way climate change could impact its physical assets or the areas where it operates (physical climate risk).

Over 2020, BlackRock had over 3,500 engagements — an increase of 35% against 2019 – with 2,110unique companies, covering nearly 65% by value of their clients' equity investments.

More information can be found in the BlackRock Investment Stewardship Annual Report 2020.
https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf

Engagement Example: Newmont

BlackRock engaged with Newmont, a U.S. mining company, as part of a materiality assessment conducted by the company to help inform its approach to its annual sustainability report. The company was very receptive to BlackRock's feedback and insights regarding disclosure, and ultimately incorporated it into their 2019 report, published in June. Along with downloadable ESG data tables, the report is aligned with the Sustainability Accounting Standards Board (SASB) Mining & Metals sector standards while also incorporating SASB mapping. The company has also committed to publishing a detailed (TCFD)-aligned report in 2021 on its 2020 activities. BlackRock view this as a best-in-class example for a U.S. mining company.

Ninety One

Voting Policy

Ninety One (previously known as Investec) use ISS to produce custom research reports. These reports include vote recommendations (not instructions) that arise from applying Ninety One's voting guidelines. The vote decision is then reached by the relevant investment teams in accordance with the investment philosophy, supported by the Engagement and Voting team. Through this rigorous voting process, Investec can be certain voting decisions taken are in the best interest of their clients.

Some clients may have their own policy which differs from that of Ninety One – in this situation clients are expected to opt out of Ninety One's stewardship policy so that an alternative system can be put in place that accommodates the clients own guidelines.

Ninety One publicly disclose their voting decisions on a quarterly basis on their website:
www.ninetyone.com/en/investment-expertise/stewardship/proxy-voting-results

Significant votes are defined as those which have significant client, media or political interest, material holdings, those of a thematic nature (e.g. climate change) and significant corporate transactions that have a material impact on the future company performance (e.g. a merger).

Voting information for the Ninety One Diversified Growth Fund:

Voting Statistics for Ninety One Fund	For the period from 1 January 2020 – 31 December 2020		
	% of resolutions voted on for which the fund was eligible	Of the resolution on which the fund voted, % of resolutions voted against management	% of resolutions abstained
Ninety One – Diversified Growth Fund	90.80%	6.51%	2.33%

Voting example: Citigroup

In April 2020, Ninety One voted against a shareholder proposal to Citigroup for a report on lobbying payments and policy. They voted with management on this policy because they believed the company was disclosing adequate information for shareholders to be able to assess the company's engagement in the political process and its management of related risks. The outcome of the vote was that the shareholder policy was passed.

Engagement Policy

Ninety One seeks to ensure company boards focus on creating and preserving sustainable value. Investing client capital in an uncertain future requires each investment team to include governance as part of its fundamental analysis. A low level of governance comfort requires engagement to justify the investment. Engagements take place as an integral part of the investment process, with the investment teams initiating engagement based on their investment processes and priorities.

Ninety One's ESG team provides engagement advice and targets material ESG themes and specific holdings that are significant to Ninety One and their clients. The team is accountable to executive leadership through the Investment Governance Committee for policy implementation and engagement on a quarterly basis.

Ninety One's engagements are broadly categorised into three areas:

- **Strategic** – to bring about change and enhance return.
- **ESG communications** – to improve information, reinforce its voting rights and communicate voting decisions.
- **Theme-based** – to focus on specific themes to reduce risk, improve information and link to advocacy efforts.

Engagement Example: AO Smith

One engagement example in 2020 was with AO Smith regarding Board composition and diversity, as well as the implications of a short seller report published in 2019. Ninety One actively engaged with the company, a manufacturer of residential and commercial water heating and water treatment equipment, through 2019 and 2020. In 2019, a short-seller's report cast doubts on the quality of AO Smith's Chinese business (c.33% of their revenues). More specifically it suggested that partly through using a third-party partner in China, AO Smith had obscured the true health of its business in China, potentially raising serious question marks over governance and oversight at the business.

Ninety One arranged a conference call with AO Smith to specifically discuss the allegations laid out in the report in order to make their own judgement about whether or not there was substance to these allegations. Ninety One believes this was particularly important as although AO Smith had issued a public rebuttal to the report, it did not address many of the allegations directly based on advice it had received. During the call Ninety One explored these areas of ambiguity, such as the nature of the relationship with the third-party partner, as well as some specifics around AO Smith's accounting including the treatment of its Chinese cash balance. Ninety One were able to gain comfort regarding their holding, while also advising the company on how it should increase its transparency on a forward-looking basis.

Ninety One stated that they would continue to review AO Smith for any signals of a deterioration in the Chinese business over and above what they have indicated already. AO Smith agreed to provide more transparent communications following the short seller report in 2019 and in 2020 AO Smith acknowledged Ninety One's views on their Board composition and room for improvement.

The Fund's DC assets are invested through Aon's Delegated DC Services ("DCS"). Under this approach, the Trustees delegate the selection of the platform provider, available fund range and day to day management of the funds – including voting, stewardship and engagement - to Aon as a fiduciary manager, through Aon Investments Limited (AIL). The available fund range consists of a number of white-labelled blended funds. The underlying managers and structure of each blended fund is delegated to the investment manager, namely AIL. A small number of additional funds are also available outside of the Aon Managed Funds.

Voting and Engagement – Defined Contribution Section

Engagement Activity – Fiduciary Manager

The Trustees invest the Fund's assets in Aon's Delegated Consulting Service ("DCS"). Management of the Fund's assets has been delegated to fiduciary manager, Aon Investments Limited ("AIL"). Under DCS, AIL manage the Fund's assets in a range of funds which can include multi-asset and multi-manager funds. AIL appoints underlying asset managers to achieve the objective of the default strategy and each self-select fund on behalf of the Trustees.

The Trustees delegate the monitoring of ESG integration and stewardship quality to AIL and AIL has confirmed that all equity and fixed income managers have been rated 2 or above using its four-tier ESG ratings criteria. This means that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

AIL have undertaken a considerable amount of engagement activity over 2020, some examples of which have been outlined within this statement. AIL held around 21 ESG specific meetings predominantly covering the equity and fixed income managers that are invested in by AIL across all delegated funds in which AIL's clients invest. At these meetings, AIL were able to analyse and discuss the voting and engagement activities undertaken during calendar year 2019 and into 2020, highlighting areas of improvement and discussing manager strategy in the area of RI moving forward.

The Trustees have reviewed the AIL Annual Stewardship Report and is content that AIL is using its resources to appropriately influence positive outcomes in the strategies in which it invests.

AIL have undertaken a considerable amount of engagement activity over the period. AIL held around 35 Environmental, Social and Governance ("ESG") specific "deep-dive" meetings in 2020 with most of their equity and fixed income managers across all delegated funds in which AIL's clients invest. At these meetings, AIL discussed the voting and engagement activities undertaken by the investment managers during calendar year 2019, highlighting areas of improvement and discussing manager strategy in the area of RI moving forward. Similar meetings have been ongoing through the beginning of 2021.

Aon Solutions UK Limited ("Aon") also actively engage with investment managers and this is used to support AIL in their fiduciary services.

<u>Engagement example:</u>

Aon's Engagement Programme maintained a dialogue with a leading investment manager on behalf of many of their clients which invest with the manager. At the end of 2020 Aon had a discussion with the manager's Global Head of Stewardship about numerous areas of concern regarding stewardship, in particular the manager's ability to demonstrate commitment to publicly stated climate change goals.

Aon's analysis of the manager's voting actions showed that the manager had not been voting in a manner consistent with their public pledges on sustainability issues. The manager acknowledged that there was a disconnect between voting decisions made in the first half of 2020 and their commitment to sustainability, but that they had markedly changed their voting policies in the second half of 2020. The manager reassured Aon that in future voting decisions would better align with their stated positions on ESG matters. Aon expect to see this reflected in voting actions by mid-2021.

The manager has since provided further information on how they are updating their policies in a manner consistent with their strategy of intensifying engagement on sustainability.

Aon will continue to monitor and engage with the manager, scrutinising their voting and engagement actions. Aon is encouraged that the manager plans to strengthen their influence with invested companies to better effect.

Voting and Engagement – Equity Funds

Over the year, the Fund was invested in several funds which held equity exposure. AIL appoints a number of underlying asset managers within each fund. The following section describes the voting behaviour, including examples of significant votes and engagement activity for the funds that were in place for the majority of the reporting year.

All equity managers utilise third party proxy voting service providers (typically Institutional Shareholder Services ("ISS") and Glass Lewis) for various services such as providing vote recommendations or research.

Aon Managed Retirement Pathway Funds, Aon Managed Global Equity Fund, Aon Managed and Aon Managed Diversified Multi Asset Fund

The Aon Managed Retirement Pathway Funds (the default) and Aon Managed Diversified Multi Asset Fund, available as a self-select fund, invested in six underlying passive equity funds over the period. The Aon Managed Global Equity Fund, which is available as a self-select fund invested in five underlying passive equity funds.

The voting activity undertaken over the year for each underlying fund to 31 March 2021 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Retirement Pathway Funds	Aon Managed Global Equity Fund	Aon Managed Diversified Multi Asset Fund
BlackRock MSCI World Index Funds	90.7%	7.3%	0.7%	Yes	Yes	Yes
BlackRock Emerging Market Index Fund	96.8%	9.2%	2.8%	Yes	Yes	Yes
BlackRock Global Developed Fundamental Weighted Index Fund	90.7%	6.0%	0.7%	Yes	Yes	Yes
BlackRock Global Minimum Volatility Index Fund	96.4%	3.8%	0.5%	Yes	Yes	Yes
BlackRock Currency Hedged MSCI World Index Fund	90.7%	7.3%	0.7%	Yes	No	Yes
LGIM Global Developed Four Factor Scientific Beta Index Fund	99.9%	18.0%	0.2%	Yes	Yes	Yes

Source: Aon Investments Limited, BlackRock, LGIM.

Voting example: Chevron Corporation (May 2020)

An example of a significant vote is when BlackRock voted against the Board's recommendations in May 2020, by voting in support of a shareholder proposal requesting that Chevron report on how the company's lobbying aligns with the goals of the Paris Agreement.

While BlackRock acknowledged that Chevron has been responsive to investors and transparent in their reporting, they felt that increased transparency around political spending and lobbying relating to climate risk and the low carbon transition would strengthen the company's disclosure. Recent engagements leading up to the annual general meeting have given BlackRock the impression that Chevron is aligned with the spirit of this proposal, as it has articulated a desire to provide more clarity for investors on its internal climate considerations and associated political lobbying. BlackRock believe enhanced disclosure will help investors better understand the company’s political activities in the context of policy that supports the transition to a lower carbon economy including the goal of the Paris Agreement to limit global warming to no more than two degrees Celsius, which the company supports.

More information can be found on the voting bulletin here: https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf

Engagement example: Proctor and Gamble

An example of engagement carried out by LGIM over 2020 was with Proctor and Gamble ("P&G"). P&G uses both forest pulp and palm oil as raw materials within its household goods products. A key issue identified by LGIM was that the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Furthermore, two of their Tier 1 suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by Green Century that P&G should report on its effort to eliminate deforestation (that was voted on in October 2020), LGIM engaged with P&G, the resolution proponent, and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

Through this round of engagements, LGIM decided to support this resolution as, although P&G has introduced several objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. LGIM has asked P&G to respond to the CDP Forests Disclosure and continue to engage on the topic and push other companies to ensure more of their pulp and wood is from FSC-certified sources.

More detail on this stewardship example can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/cg-quarterly-report.pdf.

Aon Managed Global Impact Fund

The Aon Managed Global Impact Fund invested in three underlying active impact equity funds. This Fund has been added to the Aon Managed Retirement Pathway Funds from January 2021.

The voting activity undertaken over the year for each underlying fund to 31 March 2021 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained
Mirova Global Sustainability Equity Fund	100.0%	12.0%	5.0%
Nordea Global Climate and Environment Fund	83.9%	8.8%	0.1%
Baillie Gifford Positive Change	95.2%	2.5%	0.6%

Source: Aon Investments Limited, Baillie Gifford, Nordea & Mirova

Voting example: Oracle Corporation

In November 2020, Mirova voted against the management of Oracle Corporation on the resolution to approve compensation for named executive officers. Mirova believed that a vote against management was warranted because there are no environmental or social criteria attached to either the company's short- or long-term incentive plans.

Ahead of the voting season, Mirova contacted Oracle to express their concerns; it was made clear that Mirova does not support CEO remuneration packages that do not include Corporate Social Responsibility (CSR) criteria. This vote is considered significant as it relates to Mirova's core philosophy on responsible corporate governance. The outcome of this vote was that it was approved by a majority of shareholders.

Voting example: Linde Plc

In July 2020, Nordea voted against the management of Linde Plc on the resolution to approve compensation for name executive officers. No intent was communicated to the company ahead of the vote. Nordea's rationale for voting against the proposed remuneration was that bonuses and share based incentives should only be paid when management reach is clearly defined, together with relevant targets which are aligned with the interests of shareholders. The outcome of this vote was that it was approved by a majority of shareholders.

This was a significant vote based on the portfolio weight of the company at the time of voting and the alignment to Nordea's Corporate Governance Principles.

Engagement example: Alphabet

Baillie Gifford attended Alphabet’s quarterly ESG call in June 2020, where they submitted several questions ahead of the meeting regarding how the company will respond to shareholder concerns raised at the annual general meeting, particularly on human rights. They also asked about how Google plans to incorporate explainable artificial intelligence across its business and how this would improve the transparency of its algorithms. The call was hosted by Investor Relations and Google’s Head of Sustainability and mainly focused on the social and environmental concerns of shareholders. During the call, Google made a commitment to including a human rights representative on the next call in September.

Topics addressed during Alphabet’s September ESG call included: content moderation (positive results from increased AI interventions with full details including in the now quarterly Transparency Reports), human rights (the company has changed its algorithms following a close review of its approach to hate speech in 2019, while human rights analysis is being embedded as a core part of product development) and modern slavery (Google has joined a group of companies led by the Responsible Business Alliance to examine claims of forced labour in its supply chains in China). Baillie Gifford wish to dig deeper into these topics and continue to seek closer engagement with management.

Engagement example: Orpea

Since 2018, Mirova's ESG analyst in charge of the healthcare sector led on engagement with Orpea on a Social - Public Health theme. Mirova engaged in dialogue after the French Comité Consultatif National d’Ethique C63 (CCNE) issued a report bringing forward some concerning trends within the public elderly care sector. Through the support of elderly people in various regions around the world, Orpea offers significant social opportunities. Mirova engaged with Orpea on the key ESG risks facing the dependency care sector; their engagement with the company aims at continuously challenging the company on employees' and residents' treatments, helping Orpea define their CSR roadmap and sharing best practices and KPIs.

Mirova have held several discussions with the company's Sustainability teams mostly via calls. Dialogue has continuously improved and they continue to have frequent discussions with the company.

As Orpea is caring for very high-risk patients in the context of the COVID19 pandemic, Mirova is monitoring the company very closely. They held discussions with the company throughout 2020 to ensure that patients remain safe and that appropriate measures have been put in place to prevent the COVID19 virus from spreading. Additionally, they engaged with the company on the vaccination programs. To date, they believe that the company has put in place appropriate protective measures to limit the intrusion of the virus and is offering a fairly reactive approach to crisis management.

Mirova aim to continue engaging with the company regarding resident & employee protection, the development of Orpea's ESG strategy and to ensure its ability to retain talent and to train them in a context of skills shortage.

Engagement example: International Flavours & Fragrances

Nordea's Responsible Investment team has engaged with International Flavours & Fragrances (IFF) since 2018. The main objective of this engagement is Deforestation. This is aligned with the environmental objectives of the Nordea Global Climate and Environment Fund and is highly relevant with regards to Sustainable Development Goal 6, Clean water, and Sustainable Development Goal13. Climate Action.

Nordea spoke with the Vice president of Global Sustainability, Kip Cleverly, to delve deeper into the issue and gain insights into the current and future position of IFF.

With regards to traditional sources of deforestation such as palm oil plantations, the company was able to disclose that IFF will reach 100% RSPO certified palm oil by the end of 2020. This is joined by a sustainable sourcing of palm oil policy, which was introduced in 2015, together with their 2020 goal. Beyond their current commitments the company is also looking to broaden some positions and are working with the Rainforest Alliance and The Union for Ethical Bio Trade, two NGO's which focus on the impacts of sourcing on biodiversity among other things. The company will also be publishing new and updated policies and programs starting in 2021, which will take a more holistic approach to their deforestation commitments. Nordea encouraged the company to also expand their public policies to include the sourcing of soy given their future emphasis on the crop.

Aon Managed Active Global Equity Fund

The Aon Managed Active Global Equity Fund, available as a self-select fund, invested in four underlying active equity funds and an underlying passive equity fund over the period.

The voting activity undertaken over the year for each underlying fund to 31 March 2021 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained
BNY Mellon Long-Term Global Equity Fund	100.0%	2.9%	0.4%
Baillie Gifford Global Alpha Growth Fund	93.8%	2.4%	0.7%
Harris Associates Global Equity Fund	100.0%	5.0%	0.0%
Investec Global Dynamic Fund*	89.8%	10.2%	6.8%
BlackRock MSCI World Index Funds	90.7%	7.3%	0.7%

Source: Aon Investments Limited, Baillie Gifford, BlackRock, Walter Scott (BNY Mellon) & Harris Associates.

*Fully disinvested from the Investec Global Dynamic Fund in November 2020 and hence data is provided to 31 December 2020.

Voting example: Liberty Global

One example where Harris voted against management was in relation to executive officers' compensation at Liberty Global plc. Harris, along with c. 35% of shareholders, voted against management regarding its remuneration policy, as it believed the CEO's compensation was excessive and that half of it was time based, rather than performance based.

Engagement example: CLP Holdings

An example of engagement over the period is an ongoing engagement with CLP Holdings regarding the reduction in its carbon footprint and improvement of governance structures around climate change. CLP has a large carbon footprint, due largely to the coal-fired power plants in its portfolio of generation assets. Walter Scott believe that the company will deliver very significant reductions in carbon emissions as it actively manages its portfolio towards zero- or low-carbon technologies. Walter Scott's engagement policy targets regular and constructive interactions with company management. As an example, Walter Scott recently wrote to the company outlining their views, proposals and questions and have since spoken to the management team on this subject several times.

Walter Scott have invested a significant amount of time analysing this portfolio and engaging with management on the company's carbon reduction targets. These have been important factors in Walter Scott's decision to maintain an investment in CLP. Encouraging developments to CLP's coal portfolio have been witnessed, with the CEO indicating that they're looking to exit one large coal plant in India and are in the process of working through the coal portfolio in China. Walter Scott expect this to be a multi-year process given the complexity of what is required and will continue to engage with CLP management going forward to monitor progress towards the objective.

HSBC Islamic Global Equity Index Fund

The Trustees makes the HSBC Islamic Global Equity Index Fund available as part of the self-select fund range.

Voting Policy

HSBC uses the proxy advisory firm ISS to vote on its behalf. HSBC reviews recommendations on all active holdings and its largest holdings by value and provide regular feedback on recommendations on its voting policy. HSBC holds periodic review meetings with ISS.

HSBC's global voting guidelines are based upon international principles of good governance. As a global investor, it recognises that corporate governance codes, standards and practices vary across different markets and it is sensitive to this in the application of its guidelines. Some markets operate a 'comply or explain' approach, thus HSBC considers companies' explanations of any non-compliance in determining its vote.

The voting activity undertaken over the year to 31 March 2021 is shown below:

Voting information

Fund	% proposals voted	% votes cast against management	% votes abstained
HSBC Islamic Global Equity Index Fund	91.6%	12.2%	0.0%

Source: Aon Investments Limited, HSBC.

Engagement Policy

HSBC prioritises engagements based on its holdings, feedback from internal stakeholders and exposure to ESG issues. Using ESG scores and holdings information, it evaluates the weighted exposure to critical ESG issues. This evaluation is undertaken at a global and office level, enabling them to determine whether an issue encompasses its holding globally or it is more relevant for specific market(s). After critical ESG themes have been identified, these are reviewed both by ESG specialists and by local investment teams, to ensure that their plan incorporates insights from portfolio managers, analysts and subject matter experts. Additional themes may be added at this stage. A final list of companies for each project is compiled and the corresponding responsibility for engagement is allocated internally in its governance team; members of the active investment teams will collaborate and participate in meetings with companies when relevant.

LGIM Ethical Global Equity Index Fund

The Trustees make the LGIM Ethical Global Equity Index Fund available as part of the self-select fund range.

Voting policy

LGIM make use of ISS's proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what they consider to be minimum best practice standards all companies should observe. Even so, LGIM retain the ability to override any voting decisions based on the voting policy if appropriate, for example of engagements with the company have provided additional information.

The voting activity undertaken over the year to 31 March 2021 is shown below:

Voting information

Fund	% proposals voted	% votes cast against management	% votes abstained
LGIM Ethical Global Equity Index Fund	99.9%	16.0%	0.3%

Source: Aon Investments Limited, LGIM.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found on LGIM's engagement policy at: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

Voting and engagement - Property and Infrastructure

Over the year, the Fund was invested in several funds which held exposure to property and infrastructure assets. AIL appoints a number of underlying asset managers to provide this exposure. The following section describes the voting behaviour, including examples of significant votes and engagement activity for the strategies that were in place for the majority of the reporting year.

Aon Managed Retirement Pathway Funds, Aon Managed Property and Infrastructure Fund

The Aon Managed Retirement Pathway Funds (the default) and Aon Managed Property and Infrastructure Fund, available as a self-select fund, invested in three underlying property / infrastructure funds over the period. The BlackRock Global Property Securities Index Fund invests in listed property investments, the Legal & General Infrastructure Index Fund invests in listed infrastructure and the Threadneedle Pensions Property Fund invests directly in UK commercial property.

Both BlackRock and LGIM utilise third party proxy voting service providers (typically Institutional Shareholder Services ("ISS") and Glass Lewis) for various services such as providing vote recommendations or research in relation to the listed investments held.

The voting activity undertaken by BlackRock and LGIM in relation to the listed investments over the year to 31 March 2021 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Retirement Pathway Funds	Aon Managed Property and Infrastructure Fund
BlackRock Global Property Securities Index Fund	90.8%	4.6%	0.4%	Yes	Yes
LGIM Infrastructure Index Fund	100.0%	18.2%	0.1%	Yes	Yes

Source: Aon Investments Limited, BlackRock, LGIM.

Direct property investments

The Trustees appreciate that engagement activities within the direct property fund may be limited in comparison to other asset classes, such as equity and fixed income. Nonetheless, the Trustees expect ESG engagement to be integrated in its managers' investment approaches. The direct property manager (Threadneedle) is a signatory of the UN PRI and has adopted ESG policies across its investments. Threadneedle takes an approach to real estate whereby they strive to understand the risks posed within the asset class and focus on mitigating these during the lifecycle of the projects. This can be done through property management, refurbishment, building improvements and strategic asset management.

A key topic of engagement continues to the significant impact of Covid-19 on companies' ability to operate. Threadneedle's approach to active stewardship remains unchanged: Threadneedle continues to engage with companies to better understand their management of financial and non-financial risks and how they generate sustainable long-term returns. Companies' response to and management of Covid-19 will be a core part of this analysis going forward.

Engagement - Fixed Income

Over the year, the Fund invested in 11 funds, including the default strategy, which held exposure to fixed income. AIL appoints a number of underlying asset managers to provide this exposure.

While equity managers may have more direct influence on the companies they invest in, fixed income managers are also increasingly influential in their ability to encourage positive change. The Trustees also acknowledge that the concept of stewardship may be less applicable with respect to some of its fixed income investments, particularly for government bonds.

Aon Managed Retirement Pathway Funds, Aon Managed Diversified Multi Asset Fund, Aon Managed Diversified Multi Strategy Bond Fund and Aon Managed Liquidity Fund

The Aon Managed Retirement Pathway Funds (the default) invested in six underlying actively managed fixed income funds over the period. The Aon Managed Retirement Pathway Funds also invested in several passively managed fixed income strategies, including both corporate bonds and government bonds, and a fund that provides exposure to short dated money market assets.

The Aon Managed Diversified Multi Strategy Bond Fund (available as a self-select fund) invested in six underlying actively managed fixed income funds over the period.

The Aon Managed Diversified Multi Asset Fund (available as a self-select fund) invested in five underlying actively managed fixed income funds. This fund also invested in several passively managed fixed income strategies and a fund that provides exposure to short dated money market assets.

The Aon Managed Liquidity Fund (available as a self-select option) invested in a single underlying fund that provided exposure to short dated money market assets.

Further detail is provided in the table below.

Underlying manager	Aon Managed Retirement Pathway Funds	Aon Managed Diversified Multi Asset Fund	Aon Managed Diversified Multi Strategy Bond Fund	Aon Managed Liquidity Fund
BlackRock (two active strategies)	Yes	Yes	Yes	No
BlackRock (passive corporate bonds)	Yes	Yes	No	No
BlackRock (passive government bonds)	Yes	Yes	No	No
BlackRock (cash)	Yes	Yes	No	Yes
Insight (active strategy)	Yes	No	Yes	No
LGIM (annuity matching bonds)	Yes	No	No	No
Ninety One (active strategy)	Yes	Yes	Yes	No
PIMCO (active strategy)	Yes	Yes	Yes	No
T-Rowe Price (active strategy)	Yes	Yes	Yes	No

Source: Aon Investments Limited.

Aon Managed Passive Corporate Bond Phase Fund

The Aon Managed Passive Corporate Bond Phase Fund (available as a self-select fund) invested in a single passively managed fixed income strategy managed by BlackRock.

Aon Managed Long Term Inflation Linked Fund and Aon Managed Pre-Retirement Bond Fund

The Aon Managed Long Term Inflation Linked Fund invested in an underlying passively managed government bond fund over the period. The underlying funds invested solely in government bonds. The Aon Managed Pre-Retirement Bond Fund invested in an underlying fund that aims to match changes in the cost of purchase a level annuity at retirement. To achieve this, the underlying fund invests in a mixture of government and corporate bonds.

Engagement example: Exxon

An example of an engagement by BlackRock was that with Exxon, a multi-national oil and gas company. In BlackRock's discussion with the company, they discussed several engagement topics including governance structure, corporate strategy, environmental risks and opportunities. Discussions also covered Exxon's approach to the European regulatory environment, their views on electric vehicle penetration as a risk to their business, and their risk management in relation to physical climate change risks.

BlackRock have stated that their ongoing dialogue with Exxon has been largely constructive and effective, however, there have also been areas where the company wasn’t adequately responsive to shareholder feedback. As a result, BlackRock voted against the re-election of the lead independent director; this was due to the company’s lack of progress on climate-related disclosures. Furthermore, BlackRock supported a shareholder proposal seeking a report on the extreme weather resilience of certain operations. This is consistent with BlackRock's view to first engage with companies on their concerns and to subsequently hold directors accountable if those concerns are not sufficiently addressed.

BlackRock anticipate further dialogue with the board and management of Exxon and remain optimistic that their recommendations to enhance governance and transparency will lead to additional positive future outcomes.

Voting and engagement - Multi-Asset

Over the year, the Fund was invested in a fund which held exposure to multiple asset classes including equities and fixed income, including the default strategy. AIL appoints a number of underlying asset managers to provide this exposure. The following section describes the voting behaviour, including examples of significant votes and engagement activity for the funds that were in place for the majority of the reporting year.

Aon Managed Retirement Pathway Funds (the default) and Aon Managed Diversified Multi Asset Fund

The Aon Managed Retirement Pathway Funds (the default) and Aon Managed Diversified Multi Asset Fund, available as a self-select fund, invested in an actively managed multi-asset fund over the period. The BlackRock Market Advantage Fund invests in equities alongside a range of other asset classes including fixed income, property and commodities.

BlackRock uses third party proxy voting service providers (typically Institutional Shareholder Services ("ISS") and Glass Lewis) for various services such as providing vote recommendations or research in relation to the listed investments held.

The voting activity undertaken by BlackRock over the year to 31 March 2021 is shown below:

Voting information

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Retirement Pathway Funds	Aon Managed Diversified Asset Fund	Aon Managed Diversified Multi Asset Fund
BlackRock Market Advantage Fund	94.3%	8.9%	2.4%	Yes	Yes	Yes

Source: Aon Investments Limited, BlackRock.

Summary

Overall, the Trustees are of the opinion the stewardship carried out on behalf of the Fund is adequate, and in line with the stewardship policy as stated in the SIP. The Trustees note the efforts from their investment manager, AIL, in monitoring the appointed underlying asset managers and encouraging better practices where appropriate. Similarly, the other examples reviewed demonstrate the willingness and ability of the appointed underlying asset managers to take proactive stewardship activity..

Having said that, the Trustees recognise that it has a responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Fund invests in. Accordingly, the Trustees continue to expect improvements over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Fund through considered voting and engagement.