# Equant Pension Scheme

# Engagement Policy Implementation Statement for the year ending December 2023

**Introduction**

The Trustees of the Equant Pension Scheme (the 'Scheme') have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustees, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending December 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustees including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled funds to use in order to meet specific Scheme policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees also expect their investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

During the year, the Trustees received training from their investment consultant on aspects of LDI resilience as well as updates to regulation and governance.

**Stewardship - monitoring and engagement**

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for short-term money market instruments, gilt and liability-driven investments. As such the Scheme's investments in these asset classes are not covered by this engagement policy implementation statement.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees' also delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

| Investment manager | UN PRI Signatory | UK Stewardship Code Signatory |
|---|---|---|
| Baillie Gifford | Yes | Yes |
| BlackRock Investment Management | Yes | Yes |
| Janus Henderson Investors | Yes | Yes |
| Legal & General Investment Management | Yes | Yes |
| Royal London Asset Management | Yes | Yes |
| Vontobel Asset Management | Yes | Yes |

The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the manager's voting and engagement policies, their investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustees will seek to appoint investment managers that take a responsible and sustainable investment approach to investment.

The Trustees have not set out their own stewardship priorities but follow that of the investment managers.

The Trustees will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustees from time to time.

If the Trustees find any manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

### Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

The Trustees are comfortable that these policies are broadly in line with the Scheme's chosen stewardship approach and that they do not diverge significantly from any key stewardship priorities identified for the Scheme.

Links to each investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on each investment manager's websites.

The latest available information provided by the investment managers (with mandates that contain public equities or bonds) is as follows:

| Engagement | LGIM UK Equity Index | Baillie Gifford Global Alpha Growth Fund | Vontobel Global Equity Fund | Janus Henderson Multi-Asset Credit Fund | Royal London UK Corporate Bond Fund |
|---|---|---|---|---|---|
| Period | 01/01/2023-31/12/2023 | 01/01/2023-31/12/2023 | 01/01/2023-31/12/2023 | 01/01/2023-31/12/2023 | 01/01/2023-31/12/2023 |
| Engagement definition | Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement. | | | | |
| Number of companies engaged with over the year | 211 | 56 | 10+ | 29 | 79 |
| Number of engagements over the year | 370 | 88 | 15+ | 55 | 167 |

### Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustees have been provided with details of what each investment manager considers to be the most significant votes. The Trustees have not influenced the manager’s definitions of significant votes, but have reviewed these and are satisfied that they are all reasonable and appropriate.

The Trustees have selected the three votes affecting the largest asset holdings for inclusion in this statement. The Trustees did not communicate with the manager in advance about the votes they considered to be the most significant.

The investment managers publish online the overall voting records of the firm on a regular basis.

All investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers (for mandates that contain public equities) are as follows:

| Voting behaviour | | | |
|---|---|---|---|
| | **LGIM UK Equity Index** | **Baillie Gifford Global Alpha Growth Fund** | **Vontobel Global Equity Fund** |
| Period | 01/01/2023-31/12/2023 | 01/01/2023-31/12/2023 | 01/01/2023-31/12/2023 |
| Number of meetings eligible to vote at | 680 | 90 | 66 |
| Number of resolutions eligible to vote on | 10,517 | 1,228 | 851 |
| Proportion of votes cast | 99.8% | 94.1% | 100.0% |
| Proportion of votes for management | 94.2% | 95.2% | 88.3% |
| Proportion of votes against management | 5.8% | 3.2% | 11.6% |

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| Proportion of resolutions abstained from voting on | 0.0% | 1.6% | 0.1% |

**Trustees' assessment**

The Trustees have undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations.

The Trustees have considered the environmental, social and governance rating for each fund/investment manager provided by the investment consultant, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

The Trustees may also consider reports provided by other external ratings providers.

Where an investment manager has received a relatively low rating from the investment consultant or from other external rating providers, the Trustees will consider whether to engage with the investment manager.

The Trustees have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

**Appendix**

Links to the engagement policies for each of the investment managers can be found here:

| Investment manager | Engagement policy (or suitable alternative) |
|---|---|
| Baillie Gifford (Global Alpha) | https://www.bailliegifford.com/en/uk/institutional-investor/literature-library/miscellaneous/investment-stewardship-activities-report/ |
| BlackRock Investment Management | https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf |
| Janus Henderson Investors | https://cdn.janushenderson.com/webdocs/JHI_Stewardship_Policy_Statement_April2022.pdf |
| Legal & General Investment Management | https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf |

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| Royal London Asset Management | https://www.rlam.com/uk/institutional-investors/responsible-investment/ |
| Vontobel Asset Management | https://am.vontobel.com/en/esg-investing |

Information on the most significant votes for each of the funds containing public equities during the year ending 31 December 2023 is shown below.

| LGIM UK Equity Index | Vote 1 | Vote 2 | Vote 3 |
|---|---|---|---|
| Company name | Shell Plc | BP Plc | Glencore Plc |
| Date of Vote | 23/05/2023 | 27/04/2023 | 26/05/2023 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 7.0 | 3.8 | 2.4 |
| Summary of the resolution | Resolution 25 - Approve the Shell Energy Transition Progress | Resolution 4 - Re-elect Helge Lund as Director | Resolution 19: Shareholder resolution "Resolution in Respect of the Next Climate Action Transition Plan" |
| How the fund manager voted | Against (against management recommendation) | Against (against management recommendation) | For (Against Management Recommendation) |
| Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote | LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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. | LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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. | LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting. |
| Rationale for the voting decision | Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in | Governance: A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended | In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for |

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| | pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory. | climate transition strategy at the 2023 AGM. Additionally, we note concerns around the governance processes leading to the decision to implement such amendments. | thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition. |
| Outcome of the vote | 80% (Pass) | n/a | 29.2% (Fail) |
| Implications of the outcome | LGIM continues to undertake extensive engagement with Shell on its climate transition plans | LGIM will continue to engage with the company and monitor progress. | LGIM will continue to engage with the company and monitor progress. |
| Criteria on which the vote is assessed to be "most significant" | Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan. | High Profile Meeting and Engagement: We consider this vote to be significant given our long-standing engagement with the company on the issue of climate. | Pre-declaration and Engagement: LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our enagement activity, targeting some of the word's largest companies on their strategic management of climate change. |

| **Baillie Gifford Global Alpha Growth Fund** | **Vote 1** | **Vote 2** | **Vote 3** |
|---|---|---|---|
| Company name | MARTIN MARIETTA MATERIALS, INC. | ELEVANCE HEALTH, INC. | AMAZON.COM, INC. |
| Date of Vote | 11/05/2023 | 10/05/2023 | 24/05/2023 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 3.5 | 3.3 | 2.1 |
| Summary of the resolution | Shareholder Resolution - Climate | Shareholder Resolution - Governance | Shareholder Resolution - Environmental |
| How the fund manager voted | Against | For | For |
| Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote | Yes | No | No |
| Rationale for the voting decision | We opposed a shareholder proposal on carbon reduction targets. While we are supportive of the proposal in principle, we engaged with the board and received a clear commitment to make the climate efforts requested, albeit on a longer timescale. | We supported a shareholder resolution to lower the threshold to call special meetings, as we believe that the requested level would strike an appropriate balance between attainability for shareholders and protecting the company from inappropriate use of this right. | We supported a shareholder resolution requesting a report on plastic use. Plastic pollution poses financial, operational and reputational risks to the company. While we continue to believe that Amazon are making progress, we think more could be done particularly with regards to how they influence their manufacturers in reducing their usage. We also believe the company lags peers who disclose total plastic use and reduction targets. Better addressing this issue will help position the company for long term future growth. |

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| Outcome of the vote | Fail | Fail | Fail |
| Implications of the outcome | Following our engagement, he Company committed to us to set SBTi targets, but requested a longer period than 12 months. We will be monitoring the progress. | We have explained our rationale to the company, which reflects changes to our firm-wide approach on the appropriate threshold for shareholders to call special meetings and is not specific to the company, and we will monitor the evolution of their governance practices. | This was a refile from the previous year. While we opposed last year because we felt the company was making good progress, but this year we decided to support because while we continue to think the company is making good progress we want to push the company to continue in this positive trajectory. We communicated our views to the company post-vote and hope to engage on this topic later in the year. |
| Criteria on which the vote is assessed to be "most significant" | This resolution is significant because it was submitted by shareholders and received greater than 20% support. | This resolution is significant because it was submitted by shareholders and received greater than 20% support. | This resolution is significant because it was submitted by shareholders and received greater than 20% support. |

| **Vontobel Global Equity Fund** | **Vote 1** | **Vote 2** | **Vote 3** |
|---|---|---|---|
| Company name | Microsoft Corporation | UnitedHealth Group Incorporated | Flutter Entertainment Plc |
| Date of Vote | 07/12/2023 | 01/06/2023 | 01/04/2023 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 6.2% | 3.6% | 3.6% |
| Summary of the resolution | Elect Director Satya Nadella | Submit Severance Agreement (Change-in-Control) to Shareholder Vote | Re-elect Gary McGann as Director |
| How the fund manager voted | Against Management | Against Management | Abstained |

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| Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote | No | No | Yes - see details in space for comments below |
| Rationale for the voting decision | While Satya Nadella has done an exemplary job, the company would still be better served having a stronger separate chairperson voice on the board, particularly given the scope and complexity of MSFT's business. | The company has already established reasonable limits on cash severance payments. Still, We believe it would help transparency to have a shareholder say on the severance plan. Thus, we voted for this proposal (against mgmt.). | "Our policy called for a vote against the Chair because of the less than 10% racial/ethnic diversity (only 1 out of 12 members is a minority). We discussed the issue with the board secretary. Flutter's annual report contained some information about how the Board worked hard to improve gender diversity (e.g. recruiting from a shortlist of only women) but had no specifics on how to improve the racial/ethnic diversity. We discussed our policy, and the work to be done in this space. |
| Outcome of the vote | Pass | Fail | Pass |
| Implications of the outcome | We continue to have a general view that CEO and Chairman rolls should be split. We acknowledge that at times this may not always be in the best interest of shareholders, and review each instance on a case by case basis. | We will continue to advocate for more transparency for asset owners. | We encourage the companies in which we invest to establish and set a plan to meet diversity goals. |
| Criteria on which the vote is assessed to be "most significant" | Weight in portfolio / Weight of float held (across the Quality Growth boutique) / impact of vote on company sustainability/value. | | |

Information on the most significant engagement case studies for LGIM as a company for the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below:

| LGIM – firm-level | Case Study 1 | Case Study 2 | Case Study 3 |
|---|---|---|---|
| Name of entity engaged with | ExxonMobil | BP Plc | J Sainsbury Plc |
| Topic | Environment: Climate change (Climate Impact Pledge) | Environment: Climate change (Climate Impact Pledge) | Social: Income inequality - living wage (diversity, equity and inclusion) |
| Rationale | As one of the world's largest public oil and gas companies in the world, we believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US.<br><br>At LGIM, we believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under our Climate Impact Pledge, we publish our minimum expectations for | As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence our focus on this company for in-depth engagements. As members of the CA100+ we commit to engaging with a certain number of companies on their focus list and on account of our strong relationship with BP, we lead the CA100+ engagements with them.<br><br>At LGIM, we believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under our Climate Impact Pledge, we publish our minimum expectations for companies in 20 climate-critical sectors. We select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in our view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. Our in-depth engagement is | Ensuring companies take account of the ‘employee voice’ and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, our work on income inequality and our expectations of |

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| | companies in 20 climate-critical sectors. We select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in our view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. Our in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag our minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the | focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag our minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).<br><br>UN SDG 13: Climate action | companies regarding the living wage have acquired a new level of urgency.<br><br>LGIM's expectations of companies:<br><br>i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.<br><br>ii) We expect the company board to challenge decisions to pay employees less than the living wage.<br><br>iii) We ask the remuneration committee, when |

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| | Climate Impact Pledge exclusions).<br><br>UN SDG 13: Climate action | | | considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.<br><br>iv) In the midst of the pandemic, we went a step further by tightening our criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.<br><br>With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 |

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| | | | employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.<br><br>UN SDG 8: Decent work and economic growth" |
| What the investment manager has done | We have been engaging with Exxon Mobil since 2016 and they have participated willingly in our discussions and meetings. Under our Climate Impact Pledge, we identified a number of initial areas for concerns, namely: lack of Scope 3 emissions | We have been engaging with BP on climate change or a number of years, during the course of which we have seen many actions taken regarding climate change mitigation.<br><br>BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids | Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was |

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| | disclosures (embedded in sold products); lack if integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities.<br><br>Our regular engagements with Exxon Mobil have focused on our minimum expectations under the Climate Impact Pledge. The improvements made have not so far been sufficient in our opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with our Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, we placed Exxon Mobil on our Climate Impact | to develop major offshore wind projects in the UK and US. Our recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.<br><br>We met with BP several times during 2022. In BP's 2022 AGM, we were pleased to be able to support management’s 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.<br><br>Levels of director typically engaged with include the chair, the CEO, head of sustainability, and investor relations. | paying a real living wage to all employees, except those in outer London. We joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, we then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer.<br><br>This escalation succeeded insofar as, in April 2022, Sainsbury’s moved all its London-based employees (inner and outer) to the real living wage. We welcomed this development as it |

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| | | Pledge divestment list (for applicable LGIM funds) in 2021, as we considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, our engagement with the company continues. In terms of further voting activity, in 2022 we supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting our continued wish for the company to take sufficient action on climate change in line with our minimum expectations.<br><br>Levels of individual typically engaged with include lead independent director, investor relations, director and CFO. | | demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely.<br><br>Levels of individual typically engaged with include the Chair, the CEO, and head of investor relations. |

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| Outcomes and next steps | Since 2021, we have seen notable improvements from Exxon Mobil regarding our key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, and improved disclosure of lobbying activities. However, there are still key areas where we require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. We are also seeking further transparency on their lobbying activities.<br><br>The company remains on our divestment list (for relevant funds), but our engagement with them continues. | We will continue engaging with BP on climate change, strategy and related governance topics. Following the company's decision to revise their oil production targets, we met with the company several times in early 2023 to discuss our concerns. | Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. We welcome these actions which demonstrate the value the board places on its workforce. We have asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff. |

Information on the most significant engagement case studies for each of the funds containing public equities or bonds during the year ending 31 December 2023 is shown below.

| **Baillie Gifford Global Alpha Growth Fund** | **Case Study 1** | **Case Study 2** | **Case Study 3** |
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| Name of entity engaged with | MercadoLibre | BHP Group | Tesla |
| Topic | Environment - Climate resiliency | Environment - Climate change | Social - Human rights |
| Rationale | In 2023, we engaged with MercadoLibre, the Latin American e-commerce giant. The CFO, Pedro Arnt, facilitated a call between his sustainability team and our internal climate experts to discuss the company's initiatives on making its business model climate resilient, an important factor for their long-term success and our clients' investment outcomes. | Ahead of the November AGM, we spoke with Fiona Wild, VP of Climate and Sustainability and members of the IR team to discuss climate-related issues. Unlike last year, there were no specific related resolutions, but we have specific concerns regarding the extent of scope 3 ambition and the use of scenarios.<br><br>Our discussion reinforced our belief that MercadoLibre's sustainability initiatives are market-leading and provide a positive contribution to the company's long-term strategy. They demonstrate an appropriate attentiveness to the importance of sustainability for its long-term growth and, therefore, our clients' investment outcomes. We will maintain an ongoing dialogue with the business, to monitor progress and offer support when required. | We engaged with Tesla in December 2023 to understand the potential implications of the recent labour issues in the Nordic countries that featured in media headlines. |

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| What the investment manager has done | It was very clear from the outset that Mr Arnt views the sustainability of MercadoLibre's business model as completely integrated with his CFO role. The sustainability team was able to provide details on its various initiatives, but Mr Arnt's literacy with the subject was evident. This mirrors our own view that MercadoLibre's continued strong social licence to operate is an important component of the investment case.<br><br>We discussed how the company views the boundaries of its scope three emissions, particularly the difference between white-label and third-party suppliers, and its recent initiatives | With improved climate-related disclosure in this year's annual report, we were able to have a constructive discussion on the development of scenario analysis. Of particular note is the introduction of more robust physical risk scenarios, which the company has been able to use to explore near-term asset and labour resilience. We would like to see this work better integrated into the transition scenarios used for strategic planning and further disclosure of assumptions in the financial statements. On emissions, we continue to press for more information on the development of the downstream iron-to-steel value chain. It was useful to discuss the challenges in reducing methane emissions from the remaining coal mines and positive to hear of the specific R&D efforts for better monitoring and control. We should expect the first battery-driven mine truck in 2024, with fleet replacement over the following decade. We also discussed the improved disclosure of lobbying activities and pushed for a better definition of materiality and alignment. | We were informed that local employees and management in the region had been delegated responsibility for managing employee relations in-house as opposed to unionisation. We were encouraged to learn that Tesla is focused on maintaining a direct and robust communication channel with its employees. In contrast to the tone of many media headlines in recent months, Tesla appears confident that the majority of staff does not in fact wish to unionise. According to the company, only 10% of the company's workers in Sweden have opted to strike, some of whom have since returned to work. Given the |

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| | making it easier for customers to discover sustainable products. Mr Arnt also described the significant progress it has made in transitioning its logistics to an EV fleet, and outlined some of the challenges in scaling it in the countries it operates in. We had a more speculative discussion on MercadoLibre's thinking on sustainability labelling and were encouraged to hear that while it wouldn't go so far as to create criteria itself, it was putting the back-end processes in place so that, should such labelling develop, it would be ready. We offered our perspectives and learnings from other platform businesses | | potential for the current situation in the Nordics to provide impetus to unionisation campaigns in other markets, we also discussed possible implications for Tesla’s US operations. According to the company, the United Auto Workers (UAW) union in the US has not (yet) been able to achieve a 30% minimum threshold to call a vote. One explanation for the UAW failing to reach the minimum threshold is that Tesla gives factory workers shares in the company – this is very rare in the auto industry – in order to align employee incentives with company outcomes. |

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| | that we have worked with. | | |
| Outcomes and next steps | Increasingly, we are finding that sustainability topics are an area in which we can assist companies by sharing learnings from across the portfolio and connecting them with our internal experts. We believe this is one way in which we can support portfolio holdings' ability to generate long-term returns for our clients. | A very useful update on progress that allowed us to make an informed judgement on voting ahead of the AGM and to provide early feedback prior to the revised Climate Transition Plan that will be put to shareholders in 2024. We will speak again before that. | We have engaged with Tesla for several years on labour-related issues, such as supply chain due diligence as well as health and safety of workers. The company has demonstrated robust progress on both fronts and continues to demonstrate that it takes such matters seriously. Tesla's board has also formally adopted the UN Universal Declaration of Human Rights. Provided Tesla can continue to provide a safe and attractive working environment for its employees, the likelihood of widespread unionisation across its US and international operations may be |

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| | | | relatively low. Nevertheless, if such large-scale unionisation were to occur across the company, it could herald material consequences for our investment thesis. We therefore continue to monitor the situation and engage with the company. |

| **Vontobel – firm level** | **Case Study 1** | **Case Study 2** | **Case Study 3** |
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| Name of entity engaged with | Heineken NV | Hindustan Unilever | RB Global, Inc. |
| Topic | Environment - Natural resource use/impact (e.g. water, biodiversity) | Governance - Shareholder rights | Governance - Leadership - Chair/CEO |
| Rationale | As part of our long-term engagement campaign on biodiversity, we have seen companies facing more material risk from regulatory pressures, massive (and expanding) global consumption, and increasingly stressed agricultural environments. | We wanted more information on royalty payments from the listed Indian subsidiary of its controlling shareholder, domiciled in the United Kingdom. When the new royalty agreement was announced, we were concerned that the value of our holdings in the subsidiary could be negatively impacted. We had 4 | In Q3 2023 there were three surprise CEO departures from companies held across the Quality Growth Boutique platform (~180 in total). The number of surprise departures may seem low, but is above average, especially over the course of one quarter. Given these unusual number of surprise CEO |

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| | | main questions: 1) will minority shareholders have a chance to approve the deal 2) how were the rates established 3) why was the contract term shortened to 5 years from 10 years last time, and 4) what rails are in place to limit how far future rates could go? | departures, we engaged with two of the three companies to help us determine if these events represented red flag warnings of deeper issues to investigate further, or sensible business decisions by the board. |
| What the investment manager has done | In 2021 we launched a multiyear engagement program focused on biodiversity. The goal of this engagement program is not only to shed light on portfolio companies with substantial biodiversity footprints, but also encourage action towards minimizing biodiversity impact. Our initial rounds of company meetings focused, for the most part, on education and awareness. Subsequent engagements focused on the progression of companies' plans since the introduction of the campaign. We had an annual follow up call with Heineken to discuss their progress. This year, the company put us in touch with a member of the procurement team who focuses on the sustainability of their agricultural inputs. | We held calls with the CFO of the subsidiary in question, followed by a call with the Board Chair of the parent company. The Subsidiary's CFO was particularly helpful in addressing our main concerns. | We engaged with a previous c-suite executive from a European healthcare company, and the Board Chair of a North American heavy industrial equipment auctioneer (RB Global). We spoke with both about the sudden CEO departures. Sudden CEO departures, while rare, can be the result of fundamental problems or more personal disagreements between board and executive. As investors, these events constitute new information that needs to be researched and the investment thesis retested. The CEO is selected and retained by the Board, and the Board is led by its Chair. A Board Chair with the experience and capability of spearheading a search for an effective CEO replacement is important. It is also a justification for the separation of Board Chair and CEO roles. In these instances, miscommunication |

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| | | | between management and the board seem to have been at the heart of the problem. |
| Outcomes and next steps | We have a long-term investment horizon, which enables us to build partnerships with management at our portfolio companies. Our engagement campaigns are engineered to track progress over time, helping management and shareholders towards their common goals. | Our questions were answered to our satisfaction. Specifically on shareholder rights, the CFO explained that the increase in brand royalties was not large enough to justify a shareholder vote under local law and they only need board approval, which they have already have. However, the increase in the central services agreement is large enough to require a vote, and this is planned for the company's next annual general meeting. | Though these were isolated events that should not require any further escalation, these events did serve as a reminder of the importance, in most cases, of separation of Board Chair and CEO roles. |

| **Janus Henderson Multi-Asset Credit Fund** | **Case Study 1** | **Case Study 2** | **Case Study 3** |
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| Name of entity engaged with | Coherent | Center Parcs | Cheplapharm |
| Topic | Carbon emissions; energy efficiency; labour conditions; executive compensation | Carbon emissions; water scarcity; data protection & privacy | Social; access and affordability |
| Rationale | We decided to engage with management to focus their attention | MSCI has rated Center Parcs as BBB and highlighted some risks | We decided to engage with management as part of our access |

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| | on the lack of disclosure for Scope 3 emissions, as well as request further information on the company's progress towards imposing a net-zero target for Scope 1 and 2 emissions. We also questioned the company about its sourcing of materials from high conflict regions specifically focussing on how safe work environments are maintained. | which we wanted to explore. The main points of discussion were around emissions, water management, data privacy and governance. As it stands, Center Parcs only reports emissions for Scope 1 and 2, but is currently working on evaluating Scope 3. In terms of water management, Center Parcs does not see potential water restrictions in the summer as a material risk due to their access to sufficient water at some of the villages which they own. The company is fully compliant with GDPR. Some platforms are provided by third parties; however, the company has its own internal security team to monitor these platforms and also has a back-up system in place in the event of a system outage. | and affordability thematic engagement programme in the healthcare sector. Cheplapharm is a 'pharmaceutical company' that focuses on off-patent branded/prescription/niche drugs holding a portfolio of >150 products distributed across 145 countries.<br><br>Our primary aim was to assess how much of future topline growth was to be driven by pricing versus volume. Given Cheplapharm's positive revenue growth over the past 18 months (18% in 2022 and 8% in H1 2023), we wanted to ensure that price growth is not going to be the key driver of earnings going froward. This is potentially a greater concern with the niche drugs business considering the absence of competitor drugs to provide price competition. |
| What the investment manager has done | Coherent shared with us that they are yet to set a net zero target for Scope 1 and 2 emissions. However, the conversation is underway and will be brought to the board in May 2023. The target is expected to be published alongside other metrics in October. They shared that they expect a scope 3 target to take | To address some of the ESG shortcomings, the company has established ESG Steering Committees that are working to set the ESG agenda, which should be published by July 2023. | Management was very clear that volume and price cutting are the key drivers of future earnings. Volume is driven by introducing existing products into new geographies and price cutting is driven by a renewed focus on the drug product. They were clear that aggressive price hikes aren't |

longer to publish, however base measurements will be included in the October report. Regarding scope 3 numbers coherent highlighted that most suppliers have been cooperative, however smaller suppliers are finding it tougher to adjust. Coherent said that it will not end a relationship with a supplier solely because it is taking longer to comply and have hired Siemens to help with all emissions needs.

Regarding conflict materials Coherent have a dedicated team which works with its suppliers to ensure they are conducting business and treating workers in an ethical manner. Management indicated that they are currently engaged with over 100 suppliers and are focusing more attention on this area. However, according to the company they only use trace amounts of this material so it would not be economically appropriate to conduct on site audits. Management did indicate this is an area they are adding personnel to.

Coherent mentioned that its financial targets are currently linked to some ESG metrics, but this isn't the case for executive

compatible for two reasons. Firstly, the large pharma houses 'entrust' their product to Cheplapharm. Any negative press around aggressive price hikes would be reputationally damaging to the developer pharma house. Cheplapharm 'runs down' drug product 'tail' consequently any reputational damage would be more material considering the body of the earnings have already been collected. This in turn would reduce supply of IP rights to Cheplapharm going forward. Secondly, Cheplapharm stated that the risk to their licenses is material in the face of aggressive price hikes. Considering the diversification of products an aggressive price would pose more risk to the company than any upside to the topline.

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| | compensation. We encouraged Coherent to implement this and they assured us that progress is being made. | | |
| Outcomes and next steps | We were encouraged that the company has limited exposure to conflict materials, while also having an oversight board in place to closely watch the relationship with suppliers. Despite not having a net zero target, Coherent report a good amount of information and are responsive to ESG concerns. Based on the engagement, we have made no change to Coherent's Green ESG issuer rating. We intend to meet with the company again in October when their annual ESG report is published, which should contain further information on emissions targets, particularly regarding Scope 1 and 2. | We are changing our ESG rating from Green to Yellow, highlighting the materiality of ESG risks for the company but recognising that it is in the process of developing a new ESG framework We will reassess the rating depending on the granularity of the framework; specifically, we are looking to see more focus on addressing the risk of water restrictions on the company's business model, as well as providing additional clarity on the measurement of scope 3 emissions. | We were pleased to hear this confirmation from management and feel confident Cheplapharm is not engaged in aggressive pricing strategies. We therefore maintain our ESG rating of Green reflecting the non-material ESG risks faced by the company. |

| **Royal London UK Corporate Bond Fund** | **Case Study 1** | **Case Study 2** | **Case Study 3** |
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| Name of entity engaged with | Standard Chartered | Severn Trent | Electricite de France (EDF) |
| Topic | Cybersecurity | Water Utilities | Net Zero |
| Rationale | In a collaborative engagement on cybersecurity led by Royal London Asset Management, we engaged with Standard Chartered about its performance against our investor expectations. We used the opportunity to further understand the company's cybersecurity governance and risk management to assess whether it aligns with best practice. | As part of the Royal London Asset Management led collaborative engagement with water utilities, we met with Severn Trent to discuss its score against our investor expectations. It was an opportunity for the company to share its investment plans around climate physical risk, biodiversity, and antimicrobial resistance (AMR). | As part of the CA100+ collaborative engagement, we met with the company's Chief Sustainability Officer and her team to discuss engagement priorities. These included 1) improving EDF's scope 3 emissions targets and reduction levers, 2) improving scope 1 emissions including expanding its renewable and nuclear plans, 3) improving offsetting, residual emissions, just transition, and CAPEX disclosures. |
| What the investment manager has done | n/a | n/a | n/a |
| Outcomes and next steps | Our conversation with Standard Chartered was positive. The company welcomed our feedback on how its practices and disclosures could be improved. Standard Chartered demonstrate best practice on the governance and risk management processes surrounding cybersecurity. We were | Our conversation with Severn Trent was productive and informative. The company demonstrated its adherence to best practices within the sector and provided evidence that it has incorporated most of our investor expectations into its long-term capital planning. The topic of AMR remains in the research phase | EDF set new targets to reduce its scope 1 emissions from electricity generation by 60%, 70%, and 80% by 2025, 2030, and 2035, respectively, from a 2017 baseline. The company has already halved its scope 1 emissions between 2017 and 2022. EDF also clarified its Net Zero by 2050 target, confirming that |

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| | satisfied that appropriate improvements have been made following a 2021 fine for failure to report breaches and encouraged related public disclosures. The security of the information perimeter is another area for improvement, and we gained comfort that the Company was focused on this area. | for the company, and it may be several years before it is operationalised, depending on regulatory priorities. Our next steps are to rescore Severn Trent based on the information provided by the company during the engagement against our investor expectations. Using this, we will identify areas of improvement and encourage change. | it includes scope 3 emissions (almost 80% of its current emissions) and entails reducing emissions by at least 90%, with the remaining 10% abated through quality carbon removal projects after 2030. |