Implementation Statement

The Thermo Fisher Scientific Pension Scheme

Introduction

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

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Scheme year.
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year.
- A description of how, and the extent to which, in the opinion of the Trustee, the policy set out in the Scheme’s SIP in relation to:
  - the exercise of the rights (including voting rights) attaching to investments; and
  - undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons (including investment managers) about relevant matters (such as the management of conflicts, risks, social and environmental impact and corporate governance), has been followed during the reporting period.
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast) during the scheme year and state any use of third party proxy voting services.

This Implementation Statement has (“IS”) been prepared by the Trustee and covers the Scheme year 1 April 2020 to 31 March 2021.

Changes to the SIP over the year to 31 March 2021

The SIP was reviewed and updated in September 2020 to take account of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The revisions:

- Included the Trustee's policies on the arrangements with its investment managers, including how costs and performance are monitored and assessed
- Extended the policies on stewardship and set out the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters

The SIP was also reviewed and updated in March 2021 to reflect changes to the investment strategy for the defined benefit section, following a detailed investment strategy review. However, trading to move towards the new investment strategy did not take place until after the Scheme year end. There were no significant changes to the investment strategy for the defined contribution section over the year to 31 March 2021.

The Trustee consulted with the Sponsor when making these changes and obtained written advice from the Trustee's investment adviser, Aon Solutions UK Limited (“Aon”).

The most recent SIP can be found online here:
https://corporate.thermofisher.com/content/dam/tfcorpsite/documents/corporate-social-responsibility/governance-and-ethics/thermo_fisher_scientific_pension_scheme-statement_investment_principles.pdf

Meeting the objectives and policies as set out in the SIP

The Trustee outlines in the SIP several key objectives and policies. These are noted in *blue* in this report, together with an explanation of how these objectives and policies have been met and adhered to over the course of the year.

Defined Benefit Section

The Trustee has delegated certain decision-making powers to Aon Investments Limited ("AIL") References to "underlying asset managers" refer to those asset managers which AIL in turn appoints to manage investment on behalf of the Trustee or any other direct investments that the Trustee may make from time to time.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by Aon. The Trustee uses these reports to monitor the performance, strategic asset allocation and risk management of the Scheme's assets. The reports provided by Aon over the Scheme year included:

- Absolute performance and performance relative to the benchmark and investment objective over the quarter, one year, three year, five year and since inception periods
- Details of the contribution to absolute and relative return
- The Value at Risk calculation, showing the potential loss the various components of the portfolio might suffer under a worst-case scenario, relative to the Liability Benchmark
- Asset allocation relative to the previous quarter
- Detailed commentary on the performance and any relevant management or portfolio developments, including strategic changes
- An overview of the interest rate and inflation hedging levels
- An economic market review and outlook

Strategy

As detailed in the September 2020 SIP, for the majority of the Scheme Year, the Scheme's investment objective was as follows:

The investment objective is to outperform the Liability Benchmark by 0.8% per annum (net of fees) over rolling three-year periods and to hedge 100% (as a proportion of assets) of the interest rate and inflation risk.

When choosing the Scheme's planned asset allocation strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- *The need to consider a full range of asset classes*
- *The risks and rewards of a range of alternative asset allocation strategies*
- *The suitability of each asset class*
- *The need for appropriate diversification*

The Trustee has set a target investment objective for the Scheme's assets, which the Trustee believes to be appropriate for the Scheme. A detailed investment strategy review last took place in 2020. During this review, the appropriate level of risk and return to be taken was considered, as were a range of potential portfolios.

The Scheme's new investment strategy (detailed in the March 2021 SIP) was agreed prior to 31 March 2021, however trading to move towards the new investment strategy did not take place until after 31 March 2021.

The Sponsor was consulted when setting the investment strategy.

The Trustee monitors the performance of the assets relative to the target investment objective, as well as the interest rate and inflation hedging levels, and more details can be found in the "Ongoing Monitoring" section.

Risk

Due to the complex and interrelated nature of the Scheme's risks, the Trustee considers the majority of risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. This will normally be done triennially. Some of these risks may also be modelled explicitly during the course of such reviews.

To allow the Trustee to monitor some of the key risks they receive quarterly reports from the Manager which will include information such as:

- *Performance versus the estimated growth in the Scheme's liabilities.*
- *Any significant issues that may impact the Manager's ability to meet the performance target set by the Trustee.*

The Trustee closely monitors the Scheme's risks and receives formal regular reports on funding, strategic asset allocation and investment manager performance. Please refer to the "Ongoing Monitoring" section for further details on how risks within the Scheme are monitored and reported.

The Trustee is notified separately by Aon should any significant issues arise which may impact the ability of the investment manager to meet its performance target.

Environmental, Social, and Governance ("ESG") Considerations

In setting the Scheme’s investment strategy, the primary concern of the Trustee is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee considers investment risk to include ESG factors and climate change, which it considers financially material considerations. These risks could negatively impact the Scheme’s investments over the period needed for the funding of future Scheme benefits. The Trustee considers these risks by taking advice from its investment adviser who may, where appropriate, factor these risks into the selection, retention and realisation of investments.

The Trustee has appointed AIL to manage the Scheme's assets. AIL invests in a range of underlying investment vehicles. As part of AIL’s management of the Scheme's assets, the Trustee expects AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying asset managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustee on its ESG activities as required.

Arrangement with asset managers

The Trustee receives quarterly reports and verbal updates from AIL on various items including the investment strategy, performance, and longer-term positioning of the portfolio

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by AIL, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

Where AIL is considered to make decisions that are not in line with the Trustee’s policies, expectations, or the other considerations set out above, the Trustee will typically engage with AIL to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements for AIL, although the continued appointment will be reviewed periodically and/or where performance issues are highlighted by the monitoring process. Similarly, there are no set *durations for arrangements with the underlying asset managers that AIL invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.*

The Trustee delegates engagement activities to AIL. Aon also actively engage with asset managers and this is used to support AIL in its fiduciary services. More details regarding AIL and Aon's engagement activities over the reporting year can be found in the section "Engagement – Fiduciary Manager".

Aon's Investment Manager Research ("IMR") Team are responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects of the manager's alignment with Trustee policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues. The IMR Team meet with the managers regularly and receive a quarterly update on the portfolio, performance and any major developments (such as changes to the business).

Cost Transparency

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by its investments.

The Trustee receives annual cost transparency reports from AIL. These reports present information in line with prevailing regulatory requirements for fiduciary managers and clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme;
- The fees paid to AIL;
- The fees paid to the underlying asset managers appointed by AIL;
- The amount of portfolio turnover costs (transaction costs) incurred by the underlying asset managers appointed by AIL;
- Any charges incurred through the use of pooled funds (custody, administration, and audit fees)
- The impact of costs on the investment return achieved by the Scheme.

The Trustee will continue to receive and review these reports on an annual basis. The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the underlying asset managers appointed on behalf of the Trustee.

Defined Contribution Section

Ongoing Monitoring

The vast majority of the DC and AVC assets are invested with BlackRock, via a Trustee appointed platform provider – Aegon UK. The platform provider has been appointed on an Investment-only mandate, which offers flexibility and gives the Trustee and members access to a wide range of funds and investment strategies.

Over the year, the Trustee received quarterly reports from Aegon, which provided information on the short and long-term performance of the funds that are open to new contributions from members (including those underlying the default lifestyle strategy).

The Trustee has carried out reviews of the fund information provided by Aegon over the course of the year and was satisfied with BlackRock's ability to meet the performance targets set by the Trustee or the adequacy of BlackRock's investment strategies to meet the Trustee's objectives stated in the SIP.

There is also a small proportion of AVC assets invested with Utmost Life and Pensions ("Utmost Life"), Phoenix Life and Standard Life. These are closed to new contributions; hence they are referred to as closed AVC arrangements. These arrangements are reviewed at least every three years or as circumstances or changes may require. The last review was undertaken over the course of the year, from which it was concluded that the arrangements remained appropriate and that no changes should be made at that time.

Full details of all available cost and charges information, including transaction costs, for the funds offered to members over the period are contained in the Chairman's Statement. The Chairman's Statement for the year ending 31 March 2020 was published by the Trustee in publicly accessible online location here: Governance & Ethics | Thermo Fisher Scientific, ahead of the regulatory deadline.

Whilst the Trustee has not set specific ranges for acceptable costs and charges, the Trustee is satisfied that cost and charges for the period were reasonable.

At the time of writing, the Chairman's Statement for the year ending 31 March 2021 is being produced and will also include information on member-borne costs and charges.

Investment objective

The Trustee is responsible for Scheme assets to be invested in a prudent manner. Its key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. When selecting the fund range, the Trustee took account of the range of circumstances that it thought might reasonably apply to the Scheme's membership, while recognising that it was not possible to deal with every eventuality.

The Trustee has continued to provide members with a broad range of investment choices over the year. Members can choose between two broad approaches to invest their pension savings:

- The Lifestyle Strategy – The default investment option, this targets full flexibility at retirement and is likely to be appropriate for members who are planning to take income drawdown at retirement (although to do this they must transfer to an external arrangement). This lifestyle option automatically adjusts its investment strategy as it progresses towards a member's retirement date. The strategy provides members with the potential for high levels of growth during the accumulation phase of their retirement savings. This is provided through exposure to equity funds initially and then gradual diversification of investments in the years approaching retirement, to reduce volatility. At retirement, members' retirement funds are invested in a broad mix of asset classes, with the aim of providing a real income during the post-retirement phase, whilst also taking some steps toward protecting the value of the investments.
- Self-select funds – The Trustee also makes available a range of investment options covering the main asset classes for members to invest in.
  - With this range of funds, members have the ability to invest in funds with an explicit exposure to inflation. The Lifestyle Strategy and self-select fund range also make use of asset classes which are expected to deliver growth superior to inflation over the long term.
  - Several equity and multi-asset funds were also made available to members over the course of the year, which are expected to produce returns in excess of inflation ("real returns") over the long term.

The closed AVC arrangements provide members with access to a range of equity, multi-asset, with-profits, bond and cash funds. The Trustee last conducted an AVC review in September 2020.

Both the closed AVC arrangements and the main DC arrangement with Aegon offer a range of funds which the Trustee believes continues to cater for member requirements.

Strategy

For the defined contribution arrangements, the Trustee is responsible for providing members with an appropriate range of investment options and investing assets in line with members' preferences.

The Trustee's objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth which, together with new contributions from members and the sponsoring employer, will provide a fund at retirement with which to access benefits at retirement.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from its advisers. In choosing the Scheme's investment options, it is the Trustee's policy to consider:

- *A full range of asset classes.*
- *The suitability of the possible styles of investment management and the need for manager diversification.*
- *The suitability of each asset class for a defined contribution scheme.*
- *The need for appropriate diversification of asset classes.*

With the help of Aon, the Trustee completed the triennial investment strategy review of the DC section over the course of the year. This was agreed by the Trustee at the 14 December 2020 Trustee's meeting and included the following:

- Membership analysis – consideration of the characteristics of different segments of the DC section's membership, to assist with setting the DC section's investment objectives and strategies.
- Strategy analysis – a review of the default arrangement in light of the membership and the degree to which it is consistent with the Trustee's aims and objectives.
- Changing investment market conditions – consideration of the changes in the investment conditions, products and techniques available in the marketplace which may be appropriate for the DC section.
- GMP underpin considerations.
- Self-select fund range review.

As a result of the review, several strategy changes were agreed, which the Trustee believes will improve member retirement outcomes. These will be implemented after the year end. In particular, the Trustee agreed to replace the current default lifestyle strategy and expand the self-select fund range, to include an ESG-focussed fund, more flexible equity options and more bond options.

The next investment strategy review is due to start in 2023.

Members can access information on the investment choices made available through the DC section in a publicly accessible online location.

Risk

The Trustee recognises that members take the investment risk. The Trustee takes account of this in the selection and monitoring of the fund managers and the choice of funds offered to members and has considered risk from a number of perspectives.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to periodically review the range of funds offered.

These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

Please refer to the "Ongoing Monitoring" and "Strategy" sections above for further details on how risks within the Scheme were monitored and reported over the year.

ESG considerations

The Trustee considers investment risk to include ESG factors and climate change, which it considers financially material. These risks could negatively impact the Scheme's investments over the period before a member retires. The Trustee considers these risks by taking advice from its investment adviser, who may, where appropriate, factor these risks into the selection, retention and realisation of investments.

With the help of Aon, the Trustee has gathered and analysed engagement and voting data information for each of its funds, where available. This is presented later in this Statement. The Trustee can see that BlackRock is exercising its respective voting and engagement abilities in a largely responsible manner and that the Trustee's stewardship policy is being appropriately implemented to a large extent on its behalf. The Trustee will continue to consider and discuss best practice in these areas with Aon and amend policies and action plans when needed.

Over the course of the year, a review of the DC section's investment strategy was completed by Aon, from which it was concluded that changes should be made to the default lifestyle strategy, to improve retirement outcomes of members. As part of the strategy review, the ESG credentials and characteristics of BlackRock were considered, which Aon were broadly comfortable with.

It was also agreed that the self-select fund range would be expanded to include several new funds, including an ESG fund, with an investment process which seeks to improve the ESG profile of the fund and provide a reduction in carbon intensity.

Arrangement with asset managers

The Trustee monitors the investment options made available through the Scheme, including (those underlying) the default Lifestyle Strategy, to consider the extent to which the investment strategy and decisions of the appointed fund managers are aligned with the Trustee's policies, as set out in this statement. The Trustee is supported in this monitoring activity by its investment adviser.

Where fund managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the investment adviser (on behalf of the Trustee) will endeavour to first engage with the fund manager and in the event of a material misalignment, could ultimately replace the fund manager if deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment for all fund managers will be reviewed periodically and/or where performance issues are highlighted by the monitoring process, and at least every three years.

Aon considers the suitability of the DC section's underlying investment managers on an ongoing basis, on behalf of the Trustee.

The IMR Team are responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects on the manager's alignment with Trustee policies generally, for example, whether the manager is expected to achieve the performance objective and a review of its approach to ESG issues.

The IMR Team meets the underlying managers on a regular basis to assess any changes in the investment personnel, investment process, risk management and other manager evaluation factors to determine 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.

Cost Transparency

The investment adviser (on behalf of the Trustee) collects information on (these) member borne costs and charges on an annual basis, where available, and sets these out in the Scheme's annual Chair's Statement which is made available to members in a publicly accessible location.

No specific ranges are set for acceptable costs and charges, particularly in relation to portfolio turnover costs. The Trustee does not explicitly monitor portfolio turnover however, expects its investment adviser to highlight if these costs and charges, including portfolio turnover, appear unreasonable when they are collected as part of the annual Chair Statement exercise.

The Trustee evaluates the performance of its fund managers relative to their respective objectives on a regular basis. This is done via investment monitoring reports produced by its investment adviser and updates from the fund managers. The Trustee also reviews the remuneration of the Scheme's fund managers on at least a triennial basis, to ensure that these costs are reasonable in the context of the kind and balance of investments held.

Cost and charges data have been collated by Aon, on behalf of the Trustee, for the year and will be published in the Annual Chair's Statement.

The Trustees consider the cost and charges data on an annual basis.

The charges data includes the annual management charge, which is the annual fee charged by the manager for investing in the fund; additional expenses such as trading, custody or legal fees are also summarised to reflect the total cost of investing in a fund. In addition to this, transaction costs that are incurred within the day-to-day management of the assets by the manager are also collated and published in the statement.

Aon has reviewed the member borne costs and, whilst the Trustee has not set specific ranges for acceptable costs and charges, it is satisfied that cost and charges for the period were reasonable.

Defined Benefit and Defined Contribution Sections

Implementation

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. In the case of the Defined Benefit section only, the mandate given to AIL includes the allocation of assets between different asset classes and the appointment and monitoring of fund managers. When choosing asset classes and fund managers, the Trustee and the fund managers are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

Under the Trustee's fiduciary mandate managed by AIL, AIL appoint underlying asset managers to achieve an overall target return. AIL actively manage the strategy in which the Scheme is invested, making changes to the asset classes, fund managers and allocation as it sees fit to ensure it remains well diversified and on track to meet its objective.

Following the review of the investment strategy, and as detailed in the March 2021 SIP, decisions in respect of the allocation of assets between different asset classes remain with the Trustee rather than AIL.

In relation to the DC Section, over the course of the year, the division of responsibilities between the Trustee, Aon and the underlying fund managers remained unchanged.

Governance

The Trustee has been proactive to ensure the Scheme appropriately updated its Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve its Stewardship policy.

Over the year, the Trustee received updates from Aon on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. This included updates from AIL on the actions it was taking to ensure that the underlying asset managers were integrating ESG considerations into their decision-making processes.

The updated SIP has been made available online where it can be accessed by the public (as detailed on p.3).

Scheme Stewardship activities over the year

Defined Benefit Section

Stewardship Policy Summary

The Scheme's stewardship policy was updated in 2020 to read as follows.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promote corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustee annually reviews the stewardship activity of AIL to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustee receives annual reports on stewardship activity carried out by AIL, these reports include detailed voting and engagement information from underlying asset managers.

As part of AIL's management of the Scheme's assets, the Trustee expects AIL to:

- *Ensure that (where appropriate) underlying asset managers exercise the Trustee's rights (including voting rights) in relation to the Scheme's assets; and*
- *Report to the Trustee on stewardship activity by underlying asset managers as required*

The Trustee will engage with AIL as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Scheme members on the website in 2021.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant or if votes were abstained. Where voting is concerned the Trustee expects the underlying asset managers to recall stock lending, as necessary, in order to carry out voting actions.

It is the policy of the Trustee to engage, from time to time, with AIL, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance, capital structure, and management of actual or potential conflicts of interest, of the underlying investments made. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which it would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Engagement – Fiduciary Manager

The Trustee has appointed AIL as its fiduciary manager, whereby AIL undertakes the day-to-day management of the Scheme's assets. AIL manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying asset managers to manage investments on behalf of the Trustee.

The Trustee delegates 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 on AIL's four-tier ESG ratings system. 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.

The Trustee has reviewed AIL's 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 has undertaken a considerable amount of engagement activity over the Scheme year. AIL held around 35 ESG specific “deep-dive” meetings in 2020 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 was able to analyse and discuss the voting and engagement activities undertaken during 2019, highlighting areas of improvement and discussing manager strategy in the area of responsible investment moving forward. Meetings have been ongoing through the beginning of 2021.

Aon also actively engages with asset managers and this is used to support AIL in the provision of its fiduciary services.

Engagement example

Aon’s Engagement Programme maintained a dialogue with a leading investment manager on behalf of many of its 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 its public pledges on sustainability issues. The manager acknowledged that there was a disconnect between voting decisions made in the first half of 2020 and its commitment to sustainability, but that it had markedly changed its voting policies in the second half of 2020. The manager reassured Aon that in future voting decisions would better align with its 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 it is updating its policies in a manner consistent with its strategy of intensifying engagement on sustainability.

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

Voting and Engagement – Underlying Asset Managers

The Scheme is invested in a number of equity, fixed income and liquid alternative funds through its investment in Aon’s Delegated Consulting Service. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material managers over the reporting period.

Some of the information shown has been provided directly by the underlying asset managers and subsequently reviewed on behalf of the Trustee by Aon. Where this is the case, this has been highlighted in the sections below.

Voting and engagement – Equity

Over the year, the Scheme was invested in the AIL Global Multi-Factor Equity Strategy. The material equity investment held in the Scheme over the year was the Legal and General Investment Management Multi Factor Equity Fund.

The Trustee considers a significant vote broadly as a vote which the respective manager deems most significant to the Scheme, or a vote where more than 15% of votes were cast against management.

Legal and General Investment Management Multi Factor Equity Fund ("LGIM") - Voting

	LGIM Multi Factor Equity Fund
% resolutions voted on for which the fund was eligible	99.90%
% that were voted against management	17.99%
% that were abstained from	0.23%

Source: LGIM

<u>Voting Policy *(based on information provided by LGIM)*</u>

LGIM make use of the Institutional Shareholder Services' ("ISS") proxy voting platform to electronically vote and augment its own research and proprietary ESG assessment tools but does not outsource any part of the strategic decisions. It has put in place a custom voting policy with specific instructions that apply to all markets globally, which seek to uphold what it considers 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, if engagements with the company have provided additional information.

<u>Voting example *(based on information provided by LGIM)*</u>

At an extraordinary general meeting ("EGM") on 18 September 2020, LGIM voted against the resolution to amend the directors' remuneration policy proposed by Pearson Plc (Education company). This resolution sought shareholder approval to grant a co-investment share award, an unusual step for a UK company; if this resolution was not passed the proposed new Chief Executive Officer ("CEO") would not take up the role. Many shareholders were keen for the company to appoint a new CEO but were not happy with the plan being proposed. Shareholders were not able to vote separately on the two distinct items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the Chair of the Board earlier in the year on the Board's succession plans and progress for the new CEO. LGIM discussed the shortcomings of the company's remuneration policy. LGIM also spoke with the Chair directly before the EGM and relayed its concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy

The outcome of the vote was that 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

The vote was deemed significant on the basis that Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and LGIM's outstanding concerns, this vote was deemed to be significant.

<u>Engagement Policy *(based on information provided by LGIM)*</u>

LGIM has a six-step approach to its investment stewardship engagement activities; 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 here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

Engagement example *(based on information provided by LGIM)*

An example of LGIM's engagement 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 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 its suppliers of palm oil were linked to illegal deforestation.

Following a resolution proposed by another stakeholder, Green Century Capital Management, that P&G should report on its efforts to eliminate deforestation in its supply chain, LGIM engaged with P&G, Green Century and with the Natural Resource Defence Counsel to fully understand the issues and concerns.

From this engagement, LGIM decided to support the resolution although P&G introduced a number of measures to ensure its business does not contribute to deforestation, LGIM felt P&G was not doing as much as it could. LGIM has asked P&G to respond to the Carbon Disclosure Project Forests Disclosure and continue to engage on the topic and push other companies to ensure more of its pulp and wood is from Forest Stewardship Council 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

Engagement – Fixed Income

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore there is a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

The Trustee believes that engagements of this nature are key to reducing ESG risks within the Scheme's portfolio, as well as having the added benefit of contributing to the transition towards a low carbon economy.

Some examples provided by the Scheme's fixed income managers are outlined below.

Robeco

Engagement policy *(based on information provided by Robeco)*

Robeco is focused on improving business conduct and function of the companies it invests in. It carries out extensive baseline research on the companies it invests in, measures changes in company performance relative to engagement objectives and allows three years for engagement. Companies where Robeco's engagement is not successful are considered for potential exclusion.

Engagement example *(based on information provided by Robeco)*

Over the last few years, Robeco has engaged a number of times with senior employees of a multinational oil company. The focus of the engagement was to encourage the company to take action to contribute towards preventing global warming rising above 2 degrees Celsius, as then the world, and therefore industries, will be increasingly exposed to significant transitional and physical risks, both acute and chronic.

In 2020, the company announced its aim to reduce the net carbon footprint of its energy products by around half by 2050. Robeco was supportive of these goals but continued to encourage the company to set short term targets and link these to remuneration packages. In addition to announcing its long-term goal, Robeco agreed a joint statement with the company who agreed to start setting shorter term targets. Robeco believes the company now leads the sector in terms of its planning and positioning for energy transition as it looks to move to lower carbon products and solutions.

PIMCO

Engagement Policy *(based on information provided by PIMCO)*

At the firm level, PIMCO incorporates material ESG factors into the investment research process to better assess issuer risks. In ESG dedicated portfolios, PIMCO implement an additional ESG scoring system which considers how an issuer compares to its peers on ESG criteria and chooses to invest in the issuers who score well.

For non-ESG dedicated funds, like the PIMCO Absolute Returns Bonds fund the Scheme is invested in, there is no explicit objective to actively engage with bond issuers on sustainability practices. However, the fund might benefit from the engagement work pursued in the ESG dedicated portfolios, if the bond issuers are held in both strategies. For example, PIMCO's engagement specialist and credit team met with the Chief Financial Officer and Treasurer of Aercap to learn more about its ESG performance, given the company did not publish a sustainability report. The company have now agreed to move towards sustainability reporting following the engagement.

BlackRock

Engagement policy *(based on information provided by BlackRock)*

BlackRock believes bond investors, with their often multi-year perspective, are well-positioned to engage collaboratively with management to endorse and promote sound ESG practices. Such engagement enhances BlackRock's credit analysis, by providing it with more comprehensive credit profiles of its borrowers.

BlackRock's firm-wide engagement program also benefits investments in corporate bonds issued by companies. BlackRock Investment Stewardship (“BIS”) is positioned as an investment function, which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, BlackRock’s Global Fixed Income Responsible Investing team may partner with the BIS team to reflect on ESG related topics from fixed income investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock holds a significant exposure in fixed income portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by its credit research.

Engagement example *(based on information provided by BlackRock)*

An example of an engagement by BlackRock was with Exxon. BlackRock discussed several engagement topics with the company such as governance structure, corporate strategy, environmental risks and opportunities. This included questions on the company's approach to the European regulatory environment, its views on electric vehicle penetration as a risk to its business, and its risk management in relation to physical climate change risks.

Engagement – Alternatives

The Scheme invests in a number of alternative strategies. These include hedge funds, managed futures, insurance linked securities, defensive equities, risk parity, and gold.

The Trustee recognises that the respective investment processes and often illiquid nature of the alternative investments mean that stewardship is potentially less applicable or may have a less tangible financial benefit. Nonetheless, the Trustee still expects that all its managers should open a dialogue to engage with issuers/companies it invests in should it identify concerns that may be financially material.

Liquid Alternatives – Defensive & Return-seeking hedge funds

Opportunities for engagement are more limited in such investments given the investment process and the nature of the investments. In particular, the Trustee acknowledges voting activity from the hedge fund managers may be limited due to the potentially short-term/opportunistic nature of hedge fund investments. While stewardship may be less material for these funds, the Trustee notes that AIL will still periodically ask the responsible investment related questions and engage with hedge fund managers where appropriate.

Example Engagement Policy – CFM *(based on information provided by CFM)*

CFM (an underlying hedge fund manager) does not pursue direct engagement with companies. Being a quantitative and systematic manager overseeing a large and very diverse pool of equity holdings on which it would be difficult to exert influence, CFM chose the route to subscribe to an ESG proxy voting overlay from its proxy advisor. This agreement is in addition to the standing proxy voting agreement and ensures that all of CFM's cash equity voting rights are exercised according to unbiased, research based ESG considerations. In parallel, CFM targets alternative measures and initiatives (such as the Carbon Disclosure Project, a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts[1]), through which to engage with firms.

Example Engagement Policy – Marshall Wace *(based on information provided by Marshall Wace)*

Another hedge fund manager within the strategy, Marshall Wace, implements an annual survey of its stewardship activities with the aim of providing details of the principal occasions on which the manager has felt it appropriate to intervene on stewardship matters. The survey is accompanied by data related to the manager's routine involvement with company managers of its underlying investments as well as any proxy voting records carried out by its proxy voting provider, Glass Lewis.

Liquid Alternatives – Insurance Linked Securities

Leadenhall Capital Partners ("Leadenhall")

ESG Policy *(based on information provided by Leadenhall)*

Leadenhall manage an Insurance Linked Securities Fund within the AIL strategy. Leadenhall assesses adherence to ESG principles by considering specific factors, examples may include

1. Environmental impact including pollution prevention (via underwriting standards) and remediation (via providing capital for protection), reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards.
2. Social impact including human rights, welfare and community impact issues.
3. Governance issues including board structure, remuneration, accounting quality and corporate culture.

Pricing for climate change risk is an inherent part of Leadenhall's analysis of potential investments. MS Amlin, part of Leadenhall's parent group and a reinsurer with sourcing and underwriting resources that Leadenhall leverages, is very active in monitoring, studying and looking at ways to tackle climate change. It is a Member of the Cambridge Institute for Sustainability Leadership and ClimateWise. Through this, MS Amlin aims to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap.

Leadenhall perform a detailed review of its investment counterparties policies and controls including those concerning its explicit ESG and Corporate Social Responsibility frameworks. Where appropriate it will make recommendations to avoid investment counterparties who are not aligned with ESG policies.

In summary

Based on the activity over the year by the Trustee and its service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that AIL and the most material underlying asset managers were able to disclose strong evidence of voting and engagement activity.

[1] About us - CDP

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Defined Contribution Section

Stewardship Policy Summary

The Scheme's stewardship policy was updated in 2020 to read as follows.

The Trustee invests in pooled funds through a platform provider, Aegon UK, and as such have delegated responsibility for the selection, retention and realisation of investments to the Scheme's managers in whose funds they invest.

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

As part of the fund manager’s management of the Scheme's assets, the Trustee expects the fund manager to:

- *Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk;*
- *Ensure that (where appropriate) underlying managers exercise the rights of the Trustee (including voting rights) in relation to the Scheme’s assets; and*
- *Report to the Trustee on stewardship activity by underlying managers as required.*

The Trustee regularly reviews the continuing suitability of the fund managers and takes advice from the investment adviser regarding any changes. Where appropriate, this advice includes 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 that the Trustee has set out in its policy, the Trustee undertakes to engage with the fund manager and seek a more sustainable position (where possible) but may look to replace the fund manager.

The Trustee endeavours to review the stewardship activities of its fund managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme's fund managers and ensure the fund managers, or other third parties, use their influence as major institutional investors to carry out the Trustee’s 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.

On an annual basis, the Trustee expects fund managers to provide aggregate voting information at a fund level and voting rationale for significant votes (defined as where votes were cast against management or where voting differed from the standard voting policy of the fund manager).

The Trustee will engage with its fund manager, as necessary, for more information to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. This will take the form of annual reporting which will be made publicly available to Scheme members.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an fund manager or another holder of debt or equity, and other stakeholders. The Trustee 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 DC section invests entirely in pooled funds and as such the stewardship of the underlying assets has been delegated to the investment manager, BlackRock. The Trustee acknowledges that the concept of stewardship may be less applicable with respect to some of the funds, particularly for short-term money market instruments (cash funds) and gilt investments. As such, these investments are not covered by this statement.

The section below lays out the voting and engagement information relevant to the investments of the DC section and the closed AVC arrangements, where available, over the year to 31 March 2021.

Some of the information shown has been provided directly by the underlying investment managers and subsequently reviewed on behalf of the Trustee by Aon. Where this is the case, this has been highlighted in the sections below.

Voting and engagement – Equity

The DC section invested in the following equity funds over the year to 31 March 2021:

- BlackRock 70:30 Global Equity Index Fund
- BlackRock Aquila Life 50:50 Global Equity Fund
- BlackRock Aquila Life 60:40 Global Equity Fund

BlackRock

Voting Policy *(based on information provided by BlackRock)*

BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis but does not follow any single proxy research firm's voting recommendations. In its voting and engagement analysis, BlackRock uses several other inputs, including a company's own disclosures and its record of past engagements. BlackRock uses ISS's electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform BlackRock's voting decision.

BlackRock states that it votes (or refrains from voting) proxies for each fund for which it has voting authority. Votes are based on its evaluation of the best long-term economic interests of shareholders, using its independent business judgment, and without regard to the relationship of the issuer of the proxy (or any shareholder proponent or dissident shareholder) to the fund, the fund's affiliates (if any), BlackRock or BlackRock's affiliates, or BlackRock employees.

BlackRock votes in accordance with guidelines for each relevant market, which are reviewed regularly and changed in line with developments within those markets. Blackrock's voting decisions are informed by internally-developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock ordinarily refrains from abstaining from both management and shareholder proposals unless:

- abstaining is the valid vote option (in accordance with company by-laws) to signal concern to management;
- there is a lack of disclosure regarding the proposal voted; or
- an abstention is the only way to implement its voting.

Voting Statistics to 31 March 2021

	Aegon BlackRock 70:30 Global Equity Index Fund	Aegon BlackRock Aquila Life 50:50 Global Equity Fund	Aegon BlackRock Aquila Life 60:40 Global Equity Fund
% resolutions voted on for which the fund was eligible	95.70%	94.85%	94.85%
% that were voted against management	7.20%	6.26%	6.26%
% that were abstained from	1.52%	1.00%	1.00%

Source: BlackRock

BlackRock Voting Examples *(based on information provided by BlackRock)*

An example (relevant to all three equity funds) is when BlackRock voted against management regarding the re-election of two Exxon Mobil Corporation Directors in May 2020.

BlackRock voted against the re-election of two directors, for insufficient progress on Task Force on Climate Related Financial Disclosures ("TCFD") aligned reporting and related action, and for failure to provide investors with confidence that the board is composed of the appropriate mix of skillsets and can exercise sufficient independence from the management team to effectively guide the company in assessing material risks to the business.

BlackRock has discussed, during its most recent conversations with Exxon, that it continues to see a gap in the company's disclosure and action with regard to several components of its climate risk management. BlackRock see this as a corporate governance issue that has the potential to undermine the company's long-term financial sustainability.

When effective corporate governance is lacking, BlackRock believes that voting against the re-election of the responsible directors is often the most impactful action a shareholder can take.

More information on this and other votes cast by BlackRock that it deems as significant can be found here:
https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history

Engagement Policy *(based on information provided by BlackRock)*

BlackRock states that it aims to enhance the long-term value of client assets through its proxy voting and engagement activities. BlackRock's Investment Stewardship ("BIS") team engages with companies in both active and indexed investment strategies, noting the importance of engagement within index-based strategies where divestment is not an option. BlackRock uses engagement as a tool to raise concerns regarding governance and sustainability issues that may affect the long-term performance of the company.

BIS team's stated key engagement priorities include:

- Board quality
- Environmental risks and opportunities
- Corporate strategy and capital allocation
- Compensation that promotes long-termism
- Human capital management.

BlackRock has increased its engagement activity year on year significantly on a variety of key issues, including having over 400 engagements with companies where it discussed the impact of COVID-19.

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 *(based on information provided by BlackRock)*

BlackRock has 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 its 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 views this as a best-in-class example for a U.S. mining company.

Voting and engagement – Multi-Asset Funds

The DC section also invested in the following multi-asset funds over the year to 31 March 2021:

- BlackRock Diversified Growth Fund
- BlackRock Consensus Index Fund

The BlackRock funds are managed in line with the firm-wide voting and engagement policies for BlackRock laid out in the equity section above.

The multi-asset funds also invest in other asset classes in addition to equity. The Trustee recognises that the concept of voting is not applicable to these asset classes but also acknowledges that stewardship and engagement is still a powerful tool, and that BlackRock, as a large institutional asset manager, holds an important position of influence as a major investor. The Trustee expects BlackRock to engage with the companies it invests in across all asset classes, in general, to enhance the value of assets in the economy.

BlackRock's firm-wide engagement program also benefits investments in corporate bonds issued by companies, which are held by the Scheme's multi-asset funds. Details in relation to the engagement for fixed income assets, including corporate bonds, can be found within the DB Section of this statement.

Voting Statistics to 31 March 2021

	Aegon BlackRock Diversified Growth Fund	Aegon BlackRock Consensus Index Fund
% resolutions voted on for which the fund was eligible	95.84%	95.39%
% that were voted against management	5.86%	7.13%
% that were abstained from	0.91%	1.48%

Source: BlackRock

Voting Example *(based on information provided by BlackRock)*

BlackRock voted against the Chevron Corporation Board 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 its reporting which is aligned with the requirements of both the TCFD and the SASB. BlackRock also considers 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, it felt that increased transparency around political spending and lobbying relating to climate risk and the low carbon transition would strengthen the company's disclosure. It 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.

Engagement Example

Please see the DB section of this statement for an example of engagement.

Closed AVC arrangements

The Scheme also has AVC assets invested with Utmost Life and Pensions ("Utmost Life"), Standard Life and Phoenix Life. These arrangements are closed to new contributions.

Utmost Life and Pensions

Utmost Life is the platform provider for some of the Scheme's AVC arrangements. Utmost Life is responsible for choosing the funds on its platform but is not directly involved in the day-to-day management of assets – currently Utmost Life partners with JP Morgan Asset Management ("JPMAM") and has appointed JPMAM to be the asset manager that manages the unit-linked funds on the Utmost Life platform.

Voting policy *(based on information provided by JPMAM)*

JPMAM retains the services of the ISS voting agency to implement the JPMAM voting policy and uses research from ISS and Glass Lewis as an input in evaluating how a proxy should be voted. JPMAM 'tags' certain votes in the ISS system, to allow them to be subject to extra scrutiny, for example if engagement is ongoing, or if the company has been flagged as an 'ESG outlier', or if an analyst or portfolio manager has requested it be reviewed in more detail.

JPMAM votes at approximately 8,000 shareholder meetings per year, in over 80 markets worldwide. For key issues or core shareholdings, or where there is ongoing engagement, it endeavours to inform companies when opposing their recommendations.

Engagement Policy *(based on information provided by JPMAM)*

In its engagement with the companies it invests in, JPMAM has five main investment stewardship priorities that it believes are most applicable. Governance, Strategy alignment with the long-term, Human capital management, Stakeholder engagement and climate risk. Please see the link here for more information on Investment Stewardship at JPMAM: https://am.jpmorgan.com/blob-im/1383664293468/83456/J.P.%20Morgan%20Asset%20Management%20investment%20stewardship%20statement.pdf

Aon has requested details of votes cast, on the Trustee's behalf, over the year to 31 March 2021 in respect of the AVC arrangements held with Utmost Life. At the time of writing this statement neither Utmost Life or JPMAM were able to provide voting statistics, voting examples or engagement examples undertaken. Utmost Life has assured the Trustee that it is engaging with underlying investment managers around the provision of this information and Aon is also engaging directly with both Utmost Life and JPMAM on these matters. The Trustee expects improvement in the provision of data for future statements.

Standard Life

Voting Policy (*based on information provided by Standard Life*)

Standard Life employs ISS as a service provider to deliver its voting decisions efficiently to companies. Standard Life requires ISS to provide recommendations based on its own set of parameters tailored to Standard Life's assessment and approach but remains conscious always that all voting decisions are its own on behalf of its clients. Standard Life considers ISS's recommendations and those based on its custom parameters as input to its voting decisions. In addition to the ISS service, for UK company general meetings Standard Life also uses research provided by the Institutional Voting Information Service (IVIS) which uses the guidelines of the Investment Association (IA) as the basis of its research.

Standard Life has been using research from ISS since the early 2000s and first began using the electronic voting instruction platform in 2005/06. Standard Life reviews the contract with ISS every two years.

Engagement Policy *(based on information provided by Standard Life)*

Standard Life considers active engagement and stewardship to be a fundamental part of its investment process; it believes that firms with robust corporate governance, a good track record of dealing with minority shareholders and appropriate management of ESG and other financial risks command a premium over time. As a sizeable owner of businesses, Standard Life believes that there are a number of ways it can influence a company to improve its business practices, and thus generate value over time:

- Senior contact – company management respond better if meeting allocators of capital.
- Frequent and proactive engagement – Standard Life sees companies often and impresses upon both management & boards its views.
- Recognise role as educators – sometimes a perceived issue can be the result of a lack of understanding.
- Appreciate shades of grey – it is important to negotiate and to allow appropriate time to achieve changes.
- Think into perpetuity – Standard Life is concerned about the sustainability of business

When conducting engagements, Standard Life uses various tools to maintain dialogue, and where necessary influence change. Standard Life identifies and prioritises areas for engagement across its portfolios using inputs from its own analysis (whether at the level of stock analyst, team ESG specialist or its Central ESG resource) supported by external ESG research, in addition to more reactive engagement in response to news-flow. As part of its ongoing due-diligence, Standard Life meets companies that it owns at least twice annually, providing valuable opportunities to raise issues with senior management. In addition, Standard Life will meet non-executive board members where Standard Life feels it necessary to do so and will also attend AGMs in person should it feel it necessary to make more public points in relation to concerns it may have. At a market level, Standard Life takes part in regular policy engagements, and will also collaborate with other investors if it feels that this is the most appropriate way to effect change.

Aon has requested details of votes cast on the Trustee's behalf over the year to 31 March 2021 in respect of the AVC arrangements held with Standard Life. At the time of writing this statement Standard Life was unable to provide voting statistics, voting examples or engagement examples undertaken. The information has been requested by Aon, on behalf of the Trustee, with the aim of including in next year's statement. The Trustee expects improvement in the provision of data for future statements.

Phoenix Life

Voting and Engagement policy *(based on information provided by Phoenix Life)*

Phoenix Life sets the investment strategy and guidelines for the funds it offers (or alternatively offers direct access to external funds) and outsources the management to external asset managers. These managers must take their stewardship responsibilities seriously and, where appropriate, influence the companies they invest in to create positive change. Phoenix Life expects its managers to engage directly with companies on key issues and (where applicable) vote to steer companies towards outcomes that reflect Phoenix Life's Principles of Responsible Investment.

The asset managers that Phoenix Life uses to manage its funds are fully responsible for engaging with the investee companies. Phoenix Life uses its manager selection process to understand how capable an asset manager is to vote on its behalf. Phoenix Life will then establish a contract with the manager to formally delegate this to them. Phoenix outsources its investment management to a number of asset managers with two of the largest being Aberdeen Standard Investments and Janus Henderson Investors.

Where voting rights exist, Phoenix Life's asset managers will vote on clients' behalf. As a customer and investor of the funds, the Trustee can't vote directly with companies that the Scheme has exposure to. This responsibility lies with the asset managers who manage the fund.

Phoenix Life makes sure that all of its strategic partners have a voting policy in place and vote in line with this policy. Part of its due diligence exercise is to make sure that this policy reflects its philosophy and approach to responsible investing. Phoenix Life is currently working with its main asset management partners to develop stewardship reports, which will let the Trustee know how the asset managers voted related to the assets in the Scheme's investment in the With Profits Fund.

Phoenix Life's full stewardship policy is available online here: https://www.phoenixlife.co.uk/legal-and-policies/approach-to-stewardship-and-engagement#:~:text=Voting%20rights,-Where%20voting%20rights&text=As%20a%20customer%20and%20investor,in%20line%20with%20this%20policy.

Aon has requested details of votes cast on the Trustee's behalf over the year to 31 March 2021 in respect of the AVC arrangements held with Phoenix Life. At the time of writing this statement, Phoenix Life was unable to provide voting statistics, voting examples or engagement examples undertaken. The information has been requested by Aon, on behalf of the Trustee, with the aim of including in next year's statement. The Trustee expects improvement in the provision of data for future statements.

In summary

Overall the Trustee believes the stewardship carried out on its behalf over the year to 31 March 2021 has been adequate, noting examples of the willingness and ability of BlackRock, the sole manager employed by the DC section of the Scheme, to take proactive votes against management where appropriate.

The Trustee recognises 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 DC section and AVC arrangements invest in. Accordingly, the Trustee continues to expect improvements over time (for example provision of complete voting and engagement information by the Scheme's AVC providers) in line with the increasing expectations on asset managers, and its significant influence, to generate positive outcomes for the DC section and AVC arrangements through considered voting and engagement.

Approved by the Trustee of the Scheme on 21 September 2021

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