Engagement Policy Implementation Statement

Biddle Pension & Life Assurance Plan (the "Plan")

The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustees and covers the Plan year 6th April 2021 to 5th April 2022.

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 Trustees produce an annual statement which outlines the following:

- Explain how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").

- Describe the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Plan year and state any use of third party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustees and their investment managers, the Trustees believe that the stewardship policy has been implemented effectively. The Trustees note that their fiduciary manager and most of their investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement. In particular, the Trustees expect improvements from LGIM on their reporting of fund level engagement examples. The Trustees' fiduciary manager, AIL, will continue to engage with the manager to pursue improvements in their disclosures.

Plan stewardship policy

The below bullet points summarise the Plan's stewardship policy in force over the majority of the Plan year to 5th April 2022.

- The Trustees recognise the importance of their role as a steward of capital and the need to promote the highest standards of governance and corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long-term financial value for the Plan and its beneficiaries.
- Management of the Plan's assets has been delegated to their fiduciary asset manager, Aon Investments Limited ("AIL"). The Trustees annually review the stewardship activity of AIL to ensure the Plan's stewardship policy is being appropriately implemented in practice. As part of AIL's management of the Plan's assets, the Trustees expect AIL to:
  - Ensure that (where appropriate) underlying investment managers exercise the Trustees' voting rights in relation to the Plan's assets; and
  - Report to the Trustees on stewardship activity by underlying investment managers as required.
- The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Plan members on request.
- The Trustees may engage with AIL, who in turn is able to engage with underlying investment 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 Trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Plan.

The latest version of the SIP can be found here: https://www.biddle-air.co.uk/uploads/uk/documents-uk/biddle-sip-november-2021-final.pdf

Plan stewardship activity over the year

Ongoing Monitoring

Over the year, the Trustees received updates from their investment advisor, Aon Solutions UK Limited ("Aon"), at trustee meetings. These updates covered a number of areas including performance, strategy and risk.

Aon also report their ESG ratings for all buy rated investment strategies within the portfolio on a quarterly basis and highlight any areas of concern, or where action is required. The ESG rating system is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Engagement activity – Fiduciary manager

The Trustees have delegated the management of the Plan's assets to their fiduciary manager, AIL. AIL manages the Plan'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 investment managers on behalf of the Trustees.

The Trustees have reviewed AIL's latest Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

AIL has carried out a considerable amount of engagement activity over the year. AIL held a number Environmental, Social and Governance ("ESG") focussed meetings with the underlying managers across all its strategies. At these meetings, AIL discussed ESG integration, voting and engagement activities undertaken by the investment managers. This allowed AIL to form an opinion on each manager's strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of improving the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon also actively engages with investment managers and this is used to support AIL in its fiduciary services. Aon's Engagement Programme is a cross asset class initiative which brings together Aon's manager research team and Responsible Investment specialists to promote manager engagement with the needs of Aon's clients in mind.

In Q3 2021, Aon and AIL were confirmed as signatories to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by Aon and AIL on behalf of its clients.

Engagement Example – Fixed income manager

In September 2021, Aon engaged with an underlying manager to understand why the manager's submission for the UK Stewardship Code ("the Code") 2020 was not accepted. The Code is a set of high stewardship standards for asset owners and asset managers. The Code is maintained and assessed by the Financial Reporting Council ("FRC"). The underlying manager was previously a signatory to the 2012 UK Stewardship Code.

At a meeting, Aon and the manager discussed the feedback from the FRC on why the manager was not accepted as a signatory to the Code. The rejection was thought to be due to the format rather than the substance of the submission. The manager resubmitted in October 2021 and was accepted.

Voting and Engagement Activity – Underlying Investment Managers

Over the period, the Plan was invested in a number of equity, fixed income and liquid alternative funds through its investment with AIL. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material underlying managers.

Voting and Engagement activity – Equity

Over the year, the Plan was invested in the AIL Managed Growth Strategy Fund. The material equity investments to which the Plan had exposure over the year were:

- Legal and General Investment Management (LGIM) Multi Factor Equity Fund
- BlackRock Emerging Markets Equity Fund

In this section there are examples of significant voting activity from each of the Plan's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant.

Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale

The Trustees consider a significant vote as one which the voting manager deems to be significant.

LGIM – Multi Factor Equity Fund

Voting

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. LGIM also receives research from the Institutional Voting Information Service ("IVIS"). This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics for LGIM's Multi-Factor Equity Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	11,660
% of resolutions voted on for which the fund was eligible	99.8%
Of the resolutions on which the fund voted on, % that were voted against management	19.1%
Of the resolutions on which the fund voted, % that were abstained	0.2%

Source: Manager
Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 31 March 2022. This broadly matches the Plan year.

Voting Example

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer ("CEO") of retailer Target Corporation to the role of Chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or non-executive director not to hold too many board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:
1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. It's top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients.

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.

At the time of writing, LGIM had not provided fund-level engagement examples. The Trustees' fiduciary manager, AIL, has engaged with LGIM to encourage it to report on its engagement activities at a fund level, in line with its peers. AIL and the Trustees expect to see improvements in LGIM's reporting next year. The example provided below is at a firm level, i.e. it is not specific to the fund the Plan is invested in.

Engagement Example (firm level)

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

BlackRock – Emerging Markets Equity Fund

Voting

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. Blackrock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

The table below shows the voting statistics for BlackRock's Emerging Markets Equity Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	28,828
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted on, % that were voted against management	9.0%
Of the resolutions on which the fund voted, % that were abstained	4.0%

Source: Manager
Please note that managers generally collate voting information on a quarterly basis. The voting information provided above is for the year to 31 March 2022. This broadly matches the Plan year.

Voting Example

In June 2021, BlackRock voted against a proposal from the management of Huadian Power International ("Huadian International"), a Chinese energy company. The proposal sought to reorganize its wind and solar power portfolio by transferring all related assets into a dedicated renewable energy entity, which the majority is controlled by its parent company, Huadian Group. In exchange Huadian International would receive a minority stake in the renewable energy entity.

BlackRock voted against the proposal because it was concerned about the conflict of interest between Huadian International and its parent company. The proposal would prevent Huadian International from investing in wind or solar power projects, to avoid it being in competition with the majority shareholder, Huadian Group. In BlackRock's view, the transaction would disadvantage the minority shareholders of Huadian International by preventing them from participating in China's renewable energy market. The proposal passed with a majority vote.

Engagement

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

Engagement Example

At a strategy level, BlackRock has engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed approximately 270 people. Tailings dams are used to store water and waste that are by products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and 2) the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock's engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. BlackRock also discussed the company's sustainability disclosures and carbon emissions reduction targets.

Engagement – Fixed Income and Alternatives

The Trustees recognise that stewardship may be less applicable or have a less tangible financial benefit for fixed income and alternative mandates compared to equity mandates. Nonetheless, the Trustees still expect their non-equity managers to engage with external parties if they identify concerns that may be financially material.

Fixed income managers, in particular, have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so it is in debt issuers' interests to make sure that investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

The following section demonstrates some of the engagement activity being carried out by the Plan's fixed income and alternative managers over the year.

Robeco Asset Management ("Robeco") – Global Credit Short Maturity fund

Engagement

Robeco actively uses its ownership rights to engage with companies on behalf of its clients. Robeco believes improvements in sustainable corporate behaviour can result in an improved risk-return profile of its investments. Robeco engages with companies worldwide, in both their equity and credit portfolios.

Robeco carries out three types of engagement with the companies in which it invests:
- Value engagement;
- Enhanced engagement; and
- Sustainable development goals engagement.

Robeco aims to improve a company's behaviour on ESG issues to improve the long-term performance of the company and ultimately the quality of investments for its clients.

Engagement Example

Robeco engaged with the British bank, Barclays, about its culture and risk governance over several years. The purpose was to gain a better understanding of the risks banks face by analysing the most material governance issues of the banking system.

The culture at Barclays was a key area for improvement and Barclays did a lot of work to improve this. For example, the bank regularly reports the importance of behaviours to its staff and tries to foster an open culture. The bank's approach to financial crime is also now largely in line with other European banks. Robeco closed this engagement successfully in Q4 2021.

Leadenhall Capital Partners LLP ("Leadenhall") – Insurance Linked Securities

Engagement

Leadenhall performs a detailed review of its investment counterparties' ESG policies and controls. Where appropriate Leadenhall will avoid investment counterparties who are not aligned with its own ESG policies. Leadenhall assesses its investment counterparties' alignment with its own ESG principles by considering specific factors including:

- Environmental impact such as pollution prevention, reduced carbon emissions, and adherence to environmental safety standards.
- Social impact including human rights, welfare and community impact issues.
- Governance issues including board structure, remuneration, accounting quality and corporate culture.