ACCO Europe Pension Plan Implementation Statement (DC section)

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the ACCO Europe Pension Plan has followed the policies documented in its Statement of Investment Principles ("SIP") in relation to the DC Section during the year ended 5 April 2021 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and examples of the significant votes cast during the reporting year.

Latest review of the Statement of Investment Principles

During the reporting year, the Plan's SIP for the Defined Contribution ("DC") Section was reviewed and amended from September 2020, following new requirements in relation to Environmental, Social and Governance ("ESG") and voting issues. The new policies are as follows:

Updated policy in relation to the exercise of rights (including voting rights) attaching to investments and undertaking engagement activities in respect of the investments:

As the Plan invests in pooled funds, the Trustee acknowledges that it cannot directly influence the policies and practices of the companies in which the pooled funds invest. It has therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Platform Provider and Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of its decision-making processes. The Trustee requires the Platform Provider and Investment Managers to report on significant votes made on behalf of the Trustee.

If the Trustee becomes aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that it deems inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation and the investment mandate guidelines provided, then the Trustee may consider terminating the relationship with that Investment Manager.

New policy in relation to incentives to align Investment Managers' investment strategy and decisions with the Trustee's policies:

The Trustee considers the arrangements with the Investment Managers to be aligned with the Plan's overall strategic objective. Details of each specific mandate are set out in agreements and pooled fund documentation with the Investment Platform Provider and each underlying Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustee or governing the pooled funds in which the Plan is invested.

The Trustee will ensure that the Plan's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Plan's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria set out in in the Statement of Investment Principles.

Updated policy in relation to incentives for the Investment Manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term:

The Trustee encourages the Platform Provider and Investment Managers to make decisions in the long-term interests of the Plan. The Trustee expects engagement with the management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help the Platform Provider and Investment Managers to mitigate risk and improve long term returns. The Trustee also requires the Platform Provider and Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore makes decisions about the retention of the Platform Provider and Investment Managers, accordingly.

New policy in relation to how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies:

The Trustee receives quarterly performance monitoring reports for the Plan. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. The Investment Platform Provider will also attend Trustee meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly to ensure it is in line with the Trustee's policies and with fee levels deemed by the Trustee to be appropriate for the particular asset class and fund type.

New policy in relation to how the Trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range:

The Trustee requires the Platform Provider to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, including that within the underlying funds, how turnover compares with the range that the Platform Provider expects and the reasons for any divergence.

New policy in relation to the duration of the arrangement with the asset manager:

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Platform Provider and Investment Managers in accordance with its responsibilities.

The previous version of the SIP had been in existence since September 2019 meaning that both SIPs were in force at different times during the reporting year.

Investment-related activity during the reporting year

Platform Provider

During the Plan year, the Platform Provider took steps to tilt a number of funds to a lower carbon exposure and include a fund with a specific ESG focus.

The Platform Provider established long-term inflation linked (CPI+) return objectives for the Aon Managed and Managed Core Retirement Pathway Funds at the start of 2021. These objectives are linked to providing an adequate level of retirement income and will be used to determine the strategic asset allocation for the Default Funds and monitor performance.

Trustee training

Over the course of the reporting year, the Trustee received training on the new policies and wording required in the Statement of Investment Principles by 1 October 2020.

CMA Objectives

The Trustee received training on how it could monitor performance of the investment consultant against the objectives set by the Trustee and on the requirement for the Trustee to submit a compliance statement to the CMA.

The Trustee's investment policies

The Trustee's investment policies applicable to the Plan during the reporting year were as follows:

Policy	How the policy was followed[1]	The extent to which the policy was followed[2]
Kinds of investments to be held The Trustee's policy is to provide members with investment vehicles encompassing both real and monetary assets.	The range of investment options available incorporates both real and monetary assets.	The Trustee is satisfied that it followed the policy in full over the period.
Balance between different investments The amounts allocated to any individual asset class will be influenced by the choices made by the members. The Trustee's policy is to ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets.	Members are able to make their own investment choice from the range of options determined by the Trustee. The options available to members include equities, bond funds, a cash fund and a property and infrastructure fund.	The Trustee is satisfied that they followed this policy in full over the period.
Choosing investments The Trustee's policy is to regularly review the investments over which it retains control and to obtain written advice about them when necessary.	The Trustee receives quarterly investment reports which it uses to monitor the DC Section's investments. No investment decisions were taken which required written advice.	The Trustee is satisfied that it followed the policy in full over the period.
Risks (measurement and management) The Trustee has a number of policies in respect of risk management and measurement. The following policies were of relevance over the reporting year: *Market risk:* The Trustee's policy is to address the risk of exposure to volatile markets through the availability of non-equity orientated funds. *Manager risk:* The Trustee's policy is to monitor the performance of the investment managers against the individual fund benchmarks and objectives and to consider the approach to risk in order to highlight any unintended risk being taken.	The range of investment options made available to members includes bond funds, a cash fund and a property and infrastructure fund. The Trustee receives quarterly reporting from the Platform Provider	The Trustee is satisfied that it followed the policy in full over the period. The Trustee has only partially followed this policy as reporting does not cover the managers' approach to risk or provide the Trustee with the underlying exposures to monitor any unintended risk being taken.

Expected return The Trustee's policy is to make available a range of investment funds with different risk-reward characteristics that will allow members to maintain the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.	The Trustee made a range of investment options available to members which include lifestyle funds targeting cash, annuity or income drawdown. Standalone funds are also available for members who want to take more or less risk.	The Trustee is satisfied that it followed the policy in full over the period.
Realisation of investments The Trustee's policy is to monitor closely the extent to which any assets not readily realisable are held by the Investment Managers.	The Platform Provider provides reports and any updates on the funds to the Trustee which allows them to monitor if any assets are not readily realisable. The closure of the LF Woodford Equity Income Fund during the previous reporting period has led to some assets held by members not being readily realisable. The Trustee will monitor the progress of the liquidation of these assets.	The Trustee is satisfied that they followed the policy to a reasonable extent over the reporting period but acknowledges it has little control over the underlying funds selected by Aon as the Platform Provider.
ESG The Trustee's policy is to delegate the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's Investment Managers.	The Investment Managers have responsibility for the ongoing monitoring and management of ESG risks and those related to climate change.	The Trustee is satisfied that it followed the policy in full over the period.
Non-financial matters The Trustee's policy is to act in the best interests of the beneficiaries of the Plan when selecting, retaining or realising investments. It has neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues	The Trustee seeks professional advice in relation to the management of the assets of the Plan to ensure any decisions it makes are in the best interests of Plan beneficiaries.	The Trustee is satisfied that it followed the policy in full in relation to the investment decisions it took over the period.
Voting rights The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments	The underlying investment managers vote in accordance with their internal voting policies.	The Trustee is satisfied that it followed the policy in full over the period.

to the Platform Provider and Investment Managers.		
Stewardship/relationship with managers The Trustee has established various policies in relation to the stewardship of assets and the ongoing relationship with the investment manager as set out elsewhere in this statement	The Trustee has yet to engage in any meaningful way with the investment managers.	The Trustee acknowledges that the policy has not been followed during the reporting year but its engagement with the Investment Managers will be considered in conjunction with a wider review of the investment arrangements.

Voting

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers and its policy is to encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

All funds offered to members are from the Aon Managed Fund range, accessed via a life assurance policy issued by Scottish Equitable plc. The Aon Managed Funds invest in a range of underlying third party funds. The voting rights sit with the underlying investment managers.

The main asset class where the Investment Managers will have voting rights is equities. The Plan has exposure to public equities, in UK and overseas markets through equity funds and as part of the strategy for the Pathway and multi asset funds in which the Plan invests:

- Aon Managed Retirement and Managed Core Retirement Pathway Funds
- Aon Managed and Managed Core Initial Growth Phase Fund
- Aon Managed Active Global Equity Fund
- Aon Managed Active UK Equity Fund
- Aon Managed Property and Infrastructure Fund
- Aon Managed and Managed Core Diversified Asset Fund
- Aon Managed UK Equity (Legacy) Fund
- Aegon BlackRock UK Equity Index
- Aegon LGIM Ethical Global Equity Index

Aon Investment Limited (AIL), as the appointed investment manager for the Plan, appoints underlying asset managers to achieve the objective of the default strategy and each self-select fund. 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 using its four-tier ESG ratings criteria. This means that all the appointed asset managers are at least aware of potential ESG risks in the investment strategy and have taken some steps to identify, evaluate and potentially mitigate these risks.

AIL have provided the following statement of Manager Voting and Engagement Activity in relation to the Plan's holdings in the Aon Managed Funds.

Investment manager voting and engagement activity

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

Engagement Example: Passive Manager

Over the period, AIL's Engagement Programme maintained a dialogue with one of its leading global asset managers on behalf of many of Aon's schemes which invest with the manager, including the Plan through the default strategy. This culminated towards the end of the year in a discussion with their Global Head of Stewardship with respect to numerous areas of concern regarding stewardship, in particular the manager's ability to demonstrate commitment to publicly stated climate change goals. Discussions were helpful regarding the following:

- AIL's analysis of the manager's voting actions over the period showed that the manager had not been voting in a manner consistent with their public pledges nor rhetoric on the importance of sustainability issues. The manager acknowledged that there was a disconnect between voting decisions made in the first half of 2020, but that they had markedly changed their voting policies in the second half of 2020, and provided reassurance that, moving forward, voting decisions would better align with the manager's stated position on such ESG matters.
- AIL expressed concern that, given the level of potential influence the manager has, the manager was unable to bring shareholder resolutions to those companies with which it had reason to engage. Reasons for this are regulatory and concern regarding its investor classification status. The manager acknowledged AIL's concern and agreed to follow up with further detail. While the manager's situation has not yet changed, it is possible that regulatory restrictions may be eased in the future allowing the manager to use shareholder resolutions as a tool. The manager has since stated its intention to use its vote for shareholder resolutions brought by other organisations to greater effect.

The manager has since provided further information on how they are updating their policies in a manner consistent with their strategy of intensifying engagement on sustainability. For example, in areas such as the transition to the low carbon economy; diversity, equity and inclusion; and voting on shareholders proposals.

AIL welcome the improved stance on ESG issues from the manager and their proactive updating of their policies to more closely align with their responsible investment goals. AIL will continue to monitor and engage with the manager, scrutinising their voting and engagement actions. AIL is encouraged that manager plans to strengthen their influence with invested companies to better effect, especially the changed stance around supporting appropriate shareholder proposals.

Voting and Engagement

Equity Funds

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

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

Aon Managed Retirement Pathway Funds, Aon Managed Initial Growth Phase Fund and Aon Managed Diversified Asset Fund

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

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

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

Source: Aon Investments Limited, BlackRock, LGIM.

Aon Managed Core Retirement Pathway Funds, Aon Managed Core Initial Growth Phase Fund and Aon Managed Core Diversified Asset Fund

The Aon Managed Core Retirement Pathway Funds (available as a self-select option), Aon Managed Core Initial Growth Phase Fund (available as a self-select fund) and the Aon Managed Core Diversified Asset Fund (available as a self-select fund) invested in seven underlying passive equity funds over the period.

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

Underlying fund	% proposals voted	% votes cast against management	% votes abstained	Aon Managed Core Retirement Pathway Funds	Aon Managed Core Initial Growth Phase Fund	Aon Managed Core Diversified Asset Fund
BlackRock MSCI World Index Funds	90.7%	7.3%	0.7%	Yes	Yes	Yes
BlackRock UK Equity Index Fund*	98.8%	5.4%	1.9%	Yes	Yes	Yes
BlackRock US Equity Index Fund	100.0%	2.8%	0.1%	Yes	Yes	Yes
BlackRock European Equity Index Fund	76.8%	12.3%	0.8%	Yes	Yes	Yes
BlackRock Japanese Equity Index Fund	100.0%	2.0%	0.0%	Yes	Yes	Yes
BlackRock Pacific Rim Equity Index Fund	99.6%	9.9%	0.1%	Yes	Yes	Yes
LGIM Global Developed Four Factor Scientific Beta Index Fund	99.9%	18.0%	0.2%	Yes	Yes	Yes

Source: Aon Investments Limited, BlackRock, LGIM.

*Also available as a self-select fund

Voting example: Chevron Corporation (May 2020)

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

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

Engagement example: Proctor and Gamble

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

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

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

Aon Managed Global Impact Fund

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

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

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

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

Voting example: Oracle Corporation

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

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

Voting example: Linde Plc

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

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

Engagement example: Alphabet

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

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

Engagement example: Orpea

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

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

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

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

Engagement example: International Flavours & Fragrances

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

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

With regards to traditional sources of deforestation such as palm oil plantations, the company was able to disclose that IFF will reach 100% RSPO certified palm oil by the end of 2020. This is joined by a sustainable sourcing of palm oil policy, which was introduced in 2015, together with their 2020 goal. Beyond their current commitments the company is also looking to broaden some positions and are working with the Rainforest Alliance and The Union for Ethical Bio Trade, two

NGO's which focus on the impacts of sourcing on biodiversity among other things. The company will also be publishing new and updated policies and programs starting in 2021, which will take a more holistic approach to their deforestation commitments. Nordea encouraged the company to also expand their public policies to include the sourcing of soy given their future emphasis on the crop.

Aon Managed Active Global Equity Fund

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

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

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

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

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

Voting example: Liberty Global

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

Engagement example: CLP Holdings

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

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

Aon Managed Active UK Equity Fund

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

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

Underlying fund	% proposals voted	% votes cast against management	% votes abstained
BlackRock UK Equity Optimum Fund	98.8%	5.4%	2.0%
Majedie UK Equity Fund	97.4%	3.4%	0.7%
Lindsell Train UK Equity	94.0%	0.0%	0.3%
BlackRock UK Equity Index Fund	98.8%	5.4%	1.9%

Source: Aon Investments Limited, BlackRock, Majedie & Lindsell Train.

Voting example: Tesco (June 2020)

An example where Majedie voted against management related to Tesco in June 2020. Majedie voted against the Remuneration Report and notified management of their intent to do so before the vote took place. Majedie believed that amendments to the performance element of the report had enabled a significant amount of the award to vest, whereas use of the original comparator group would have led performance to be below the threshold target.

In order to seek a way forward on the issue, Majedie requested that the company maintain the executive post-employment shareholding requirement at 100% of the guideline over two years, instead of one (this was as a result of the CEO and CFO being due to leave the company in subsequent months). Majedie felt this would be an important change and would make them more comfortable to support the report. The company was unable to agree to this change and consequently Majedie voted against the report. The Remuneration Report was voted against by a majority of votes. Majedie will continue to engage with Tesco on their remuneration policy.

Engagement example: Pearson

In Q3 2020, Lindsell Train engaged with Pearson to better understand the remuneration package offered to the proposed new CEO ahead of the shareholder vote. Lindsell Train concluded that they would vote for the remuneration package, as they believed that the overall package was fair, for a very strong candidate (the Manager is trusting the Board that this is the case), and also aligns interests, given the heavy co-investment element.

Lindsell Train further discovered that the business-as-usual remuneration is in line with the company's current policy, and that Pearson also proposed a co-investment policy which falls outside their usual approach and requires shareholder approval. The candidate will spend 300% of their salary to purchase Pearson shares to create immediate alignment with shareholders and the Company will also match the candidate's investment at a 2.5 to 1 ratio. Lindsell Train was satisfied with this.

<u>LGIM Ethical Global Equity Index Fund</u>

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

Voting policy

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

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

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

Source: Aon Investments Limited, LGIM.

Engagement policy

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

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

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

Voting and engagement - Property and Infrastructure

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

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

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

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

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

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

Source: Aon Investments Limited, BlackRock, LGIM.

Direct property investments

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

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

Engagement - Fixed Income

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

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

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

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

The Aon Managed Bond Phase Fund (available as a self-select fund) invested in six underlying actively managed fixed income funds over the period. The Aon Managed Bond Phase Fund also invested in a passively managed fixed income strategy.

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

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

Further detail is provided in the table below.

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

Source: Aon Investments Limited.

Aon Managed Core Retirement Pathway Funds, Aon Managed Core Diversified Asset Fund and Aon Managed Core Bond Phase Fund

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

The Aon Managed Core Diversified Asset Fund and Aon Managed Core Bond Phase Fund (both available as self-select funds) invested in a single passively managed fixed income strategy.

Further detail is provided in the table below.

Underlying manager	Aon Managed Core Retirement Pathway Funds	Aon Managed Core Diversified Asset Fund	Aon Managed Core Bond Phase Fund
BlackRock (passive corporate bonds)	Yes	Yes	Yes
BlackRock (passive government bonds)	Yes	No	No
BlackRock (cash)	Yes	No	No

Source: Aon Investments Limited.

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

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

Engagement example: Exxon

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

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

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

Voting and engagement - Multi-Asset

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

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

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

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

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

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

Source: Aon Investments Limited, BlackRock.