



Engagement Policy Implementation Statement

Stanplan F – Acrastyle Limited

This paper has been produced for Entrust Pension Limited as Trustee of Stanplan F – Acrastyle Limited (the “Scheme”), as the Trustee prepares its Engagement Policy Implementation Statement (“EPIS”).

Introduction

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

- Explain how and the extent to which they have followed the engagement policy, which is outlined in the Statement of Investment Principles (“SIP”).
- Describe the voting behaviour by, or on behalf of the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the Scheme year and state any use of the services of a proxy voter during that year.

This Statement has been commissioned by Entrust Pension Limited (the “Trustee”) as Trustee of Stanplan F – Acrastyle Limited (the “Scheme”).

As set out in the Scheme’s Statement of Investment Principles (the “SIP”), the Trustee invests the Scheme’s assets in Aon’s Delegated Consulting Service. Under this arrangement, the implementation of the Scheme’s investment strategy is delegated to Aon Investments Limited (“AIL”), acting within parameters set by the Trustee.

The Scheme assets may be invested in a combination of return-seeking strategies, including the Managed Growth Strategy, the Diversified Liquid Credit Strategy, and four “Fruition” strategies which contain growth assets and liability matching assets. The strategic allocation to each strategy is determined by the target level of return, and target hedging of interest rates and inflation.

This document sets out the actions undertaken by the Trustee, AIL and the underlying investment managers selected by AIL, to implement the stewardship policy as set out in the SIP. This document includes voting and engagement information that has been gathered from the investment managers by AIL.

The Trustee has used a combination of information covering the year to 31 January 2022.

Prepared for: Entrust Pension Limited
Prepared by: Aon Solutions UK Limited
Date: 8 July 2022

The Scheme's stewardship policy

The relevant extract of the SIP covering the Scheme's voting and engagement policy is as follows:

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

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

Relevant Scheme activity

Responsible Investment (RI) policy development

The Trustee's RI policy was created following an exercise to collate the individual views of the Trustee's team with respect to different RI issues. The Trustee reviewed the conclusions from this exercise alongside the features of the Scheme and its investment arrangements to help it formally establish its RI views, beliefs and objectives. This exercise resulted in the establishment of a stand-alone RI policy by the Trustee. Throughout the year, the Trustee ensured the RI policy remained relevant and up to date.

Ongoing monitoring

The Trustee receives regular updates on RI matters from its investment adviser, Aon.

The Trustee is a member of Aon's Responsible Investment Network, which provides the Trustee with access to regular, interactive events focused on RI and regular updates on RI market innovations and developments.

Sponsor consultation

The Trustee believes that the views of the sponsor, where applicable, should be aligned to the Scheme's RI policy and objectives. The sponsor is consulted with any amendments to the SIP.

Engagement - Fiduciary Manager

The Trustee has delegated the management of the Scheme's assets to its fiduciary manager, AIL. AIL manage 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 investment managers to manage the investments on behalf of the Trustee.

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

AIL has undertaken a considerable amount of engagement activity over the period. AIL held several Environmental, Social and Governance ("ESG") focussed meetings during the reporting year with equity, fixed income and alternative managers in which the Scheme is invested. At these meetings, AIL discussed ESG integration, voting and engagement activities undertaken by the investment managers, allowing AIL to form opinions on each managers' relative strengths and areas for improvement. AIL have provided feedback to managers following these meetings with the goal of continuing to lift the standard of ESG integration across portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon Solutions UK Limited ("Aon") also actively engage with investment managers and this is used to support AIL in its fiduciary services. Aon launched its Engagement Programme in 2020, 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 the Scheme's investments in mind.

In Q3 2021, Aon and AIL were confirmed as a signatory to the UK Stewardship Code. With one-third of applicants failing to be awarded signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by Aon and AIL.

Engagement Example: Aon

In June 2021, Aon engaged with an underlying equity manager through the Aon Engagement Programme (EP) regarding its progress to date on stewardship activities. Aon found that the manager had set a high bar for stewardship activities and as a passive manager had set a leading standard in the current environment for manager investment stewardship. Aon now expects the manager to report on progress towards product level engagement reporting and for it also to work towards the facilitation of split voting for clients invested in the pooled funds. The latter is a stretch goal and is likely to play out over the medium term. Aon will continue monitoring this progress.

Engagement example – Fixed income manager

In October 2021, Aon's EP engaged with an underlying fixed income manager.

The manager has already set up effective models to analyse various ESG data points, identify securities which are outliers or associated with controversial activity which Aon finds encouraging. The manager also shares a number of instances of engagement activity and literature on ESG issues, however, Aon identified that there was a need to translate those thoughts into detailed policies like, for example, policies aligned to the Paris goals which would act as a driver for clear outcome focussed engagement decisions.

Aon hopes to see progression towards a focus on thematic engagement and greater formalisation for climate risk engagement from the manager.

The manager is also yet to acquire signatory status to the UK stewardship code, the main reasons resulting from an incorrect submission style and a lack of explicitly naming issuers the manager engaged with. During discussions, Aon shared its awareness of the common themes' other managers have had for not attaining signatory status, including the importance of outcome-oriented reporting of decision useful information. Aon would like to see the manager submit to the Financial Reporting Council for UK Stewardship Code 2020 Enlistment and publish a report by early 2022.

Voting and Engagement – Underlying Managers

The Scheme is invested in a number of equity, fixed income and liquid alternative funds within the Managed Growth Strategy. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material managers over the reporting period.

Equity

The material equity investments held in the Managed Growth Strategy over the year were:

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

Voting statistics for the equity managers are noted in Appendix 1.

LGIM Multi Factor Equity Fund

Voting

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 do 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 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, if engagements with the company have provided additional information.

Voting example:

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer (“CEO”) of retailer Target Corporation to the additional role of Chair of the company’s board. 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 does not expect a CEO or Non-Executive Director to hold too many board positions to ensure they can undertake their duties effectively. 93.4% 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
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: Antimicrobial Resistance

Over 2021, LGIM engaged with a number of 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 the uncontrolled release of antimicrobial agents 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.

LGIM believes it is important to promote an enhanced and standardised approach to antimicrobial resistance through influencing the regulatory landscape. As such, it is also working with its peers in the Investor Action on Antimicrobial Resistance initiative.¹

¹ A coalition between the Access to Medicine Foundation, the FAIRR Initiative, the Principles for Responsible Investment and the UK Government Department of Health and Social Care to galvanise investor efforts to address global antimicrobial resistance

BlackRock Emerging Markets Equity Fund

Voting

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ("BIS"), which consists of three regional teams – Americas, Asia-Pacific and Europe, Middle East and Africa. The analysts in each team determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS with input from investment colleagues as required, in accordance with BlackRock's global principles and custom market-specific voting guidelines.

BlackRock subscribes to research from the proxy advisory firms ISS and Glass Lewis. It is one of many inputs into its voting analysis process, and BlackRock does not routinely follow recommendations from ISS or Glass Lewis on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can identify companies where additional research and engagement would be beneficial. Other sources of information BlackRock uses include the company's own reporting (such as their proxy statement and website), BlackRock's engagement and voting history with the company, and the views of its active investors, public information and ESG research.

Voting Example: Huadian Power International

Voting Example

In June 2021, BlackRock voted against a proposal from the management of Chinese energy company Huadian Power International ("Huadian International"). BlackRock voted against the proposal to reorganise its wind and solar power portfolio by transferring all related assets into a dedicated renewable energy entity. The majority of this renewable energy entity is controlled by its parent company Huadian Group, and 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. This 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.

Despite BlackRock voting against the proposal, the overall outcome of the vote was passed.

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. The BIS team'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>

BlackRock was unable to provide engagement examples. The Trustee's fiduciary manager AIL has engaged with BlackRock on this topic to encourage it to report on its engagement activities in line with its peers. AIL and the Trustee expect to see improvements in BlackRock's stewardship reporting in the next reporting year.

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 a vested interest on the part of debt issuers is 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.

Some examples provided by the most material fixed income funds the Scheme invests in are outlined below for Robeco, BlackRock and Aegon who manage fixed income allocations within the Managed Growth and Global Fixed Income Strategies.

Robeco Institutional Asset Management ("Robeco")

The Managed Growth Strategy invested in two fixed income funds with Robeco over the period, a multi-asset credit and a short-dated credit fund.

Robeco's engagement programme focuses on financially material sustainability themes and the elimination of severe breaches in the areas of human rights, labor, environment and bribery & corruption. It carries out extensive baseline research, measuring changes in company performance relative to engagement objectives. Any cases closed unsuccessfully are considered for exclusion. Engagements typically run for three years.

Engagement Example: Barclays

Robeco engaged with Barclays bank regarding 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 engagement started in 2017 and in 2020 Robeco decided to extend the engagement program by another year, as events, such as widespread problems around money laundering and ongoing regulatory investigations, had slowed down progress.

The culture and behaviour at Barclays were key areas of focus for improvement. Much work has been undertaken by Barclays to change its culture, with the bank now continuously reporting on the importance of behavioural aspects along with reinforcing an open culture. When it comes to combatting money laundering and financial crimes it seems that Barclays is largely in line with the approaches of the other European banks in its peer group. Robeco closed this engagement successfully with Barclays in Q4 2021.

BlackRock

BlackRock's Fixed Income credit analysts frequently partner with members of the Investment Stewardship team for joint engagement meetings with companies. In addition, BlackRock's Global Fixed Income ESG (GFI-ESG) team may partner with the BIS team both to communicate ESG related topics from GFI investors as well as to attend or host engagement meetings on certain highlighted ESG flagged holdings. BlackRock also explore how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company's business operations.

Aegon Asset Management ("Aegon") European Asset Backed Securities ("ABS") Fund

Aegon believes that actively engaging with companies to improve ESG performance and corporate behaviour is generally more effective than excluding companies from its investment universe. Aegon's preference is for its engagements with portfolio companies to remain private to encourage a more open discussion. Engagement dialogues are conducted by investment managers, research analysts and its responsible Investment team.

When engaging with portfolio companies, Aegon considers the UK and Dutch Stewardship Codes and the Principles for Responsible Investment. Aegon also seeks to strengthen its investor voice in engagement by actively participating in collaborative engagement platforms such as the Principles for Responsible Investment, UK Investor Forum, and Institutional Investors Group on Climate Change.

Aegon engages ABS issuers regularly through ESG questionnaires specific for consumer loan ABS. It then follows up with meetings to discuss the answers, companies ESG goals and areas where Aegon would like to see improvement.

Engagement Example: Collateralized Loan Obligations (CLO)

In 2021 Aegon engaged with Brignole (Italian Consumer ABS) regarding climate change. The objective of this engagement was to create and improve ESG awareness among ABS issuers.

The focus of the engagement was to get more insight in the loan purpose of the consumer loans that were originated by the company, so that it would be able to assess whether the loans would have an impact from an environmental angle (i.e., green purposes like the financing of solar panels). Furthermore, Aegon suggested to the company to increase the origination volumes of loans with a green purpose by offering the borrowers a discount if the loan purpose has an environmental impact.

The portfolio managers conducted the engagement via sending the ABS issuers its ESG questionnaire specific for consumer loan ABS. After receiving the answers, it had several meetings with C-suite to discuss the answers to the questionnaire, its ESG goals and areas in which it would like to see improvement/development or more ESG awareness.

As an outcome of this engagement, the result was twofold:

The company gave Aegon more insight into the loan purposes, which benefited its ability to make a thorough ESG analysis.

The company embraced its recommendation to issue loans with a green loan purpose for which the borrowers receive a 50bps discount in the interest rate.

Aegon stated it will pursue similar engagements with other consumer loan originators.

Alternative Investments

The Trustee recognises that the investment processes of alternative investments, such as those held within the Managed Growth Strategy, mean that stewardship is potentially less applicable or may have a less tangible financial benefit.

Nonetheless, the Trustee still expects that the managers engage with external parties should they identify concerns that may be financially material.

Leadenhall Capital Partners ("Leadenhall") Insurance Linked Securities

Leadenhall assesses adherence to ESG principles by considering specific factors including:

Environmental impact including pollution prevention and remediation, reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards.

Social impact including human rights, welfare and community impact issues.

Governance issues including board structure, remuneration, accounting quality and corporate culture.

Leadenhall perform a detailed review of its investment counterparties' policies and controls including their ESG and Corporate Social Responsibility frameworks. Where appropriate, Leadenhall will make recommendations to avoid investment counterparties who are not aligned with its 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 its investment manager was able to disclose strong evidence of voting and engagement activity where appropriate.

The Trustee acknowledges that stewardship may be less applicable to certain asset classes such as fixed income and alternative investments, but generally would still expect to see responsible investment policies and processes formalised and developed over time.

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

Appendix 1: Equity Manager Voting Statistics

1 January 2021 – 31 December 2021	LGIM Multi Factor Equity Fund	BlackRock Emerging Markets Equity Fund
% resolutions voted on for which the fund was eligible	99.98%	100.00%
% that were voted against management	19.14%	9.00%
% that were abstained from	0.07%	4.00%

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