

Engagement Policy Implementation Statement (“EPIS”)

Landis Grinding Systems Pension Fund

Fund Year End – 5 April 2023

The purpose of the EPIS is for us, the Trustees of the Landis Grinding Systems Pension Fund (the “Fund”), to explain what we have done during the year ending 5 April 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Fund’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Fund’s material investment managers were able to disclose good evidence of voting and engagement activity, and the activities completed by our managers align with our stewardship expectations.

During the Fund year, we appointed a new fiduciary manager. As part of this, we delegate the management of some of the Fund’s assets to our fiduciary manager, Aon Investments Limited (“Aon”). We believe the activities completed by our fiduciary manager to review the underlying managers’ voting and engagement policies, and activities align with our stewardship expectations.

How voting and engagement policies have been followed

During the Fund year, we changed our fiduciary manager from Schroders to Aon. Given the change which occurred, we have focused on the voting and engagement policies for our new fiduciary manager and the underlying managers within this.

The Fund is invested in pooled funds, and so the responsibility for voting and engagement is delegated to the Fund's investment managers, which is in line with the Trustees' policy. We reviewed the stewardship activity of the material investment managers carried out over the Fund year and in our view, most of the investment managers were able to disclose adequate evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis. Following the appointment of our new fiduciary manager, we received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). We will receive quarterly Environmental Social Governance ("ESG") ratings from Aon for the funds that the Fund is invested in where available.

Each year, we review the voting and engagement policies of the Fund's investment managers to ensure they align with our own policies for the Fund and help us to achieve them.

The Fund's stewardship policy can be found in the SIP: <https://www.landis.yourpremier.co.uk/explore#document-centre>

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have noted the following, along with proposed action, where appropriate:

1. CB Richard Ellis, North Rock, Millennium, Orchard, Tritax and Schonfield did not provide information on their engagement activity. Although, as at Fund year end, each fund represented <5% of Fund level assets and we are in the process of disinvesting from these assets. As such, we have decided not to engage further with these managers at the current time.
2. Whilst Legal and General Investment Management ("LGIM") did provide fund-level engagement information, this was not in as much detail as required by the ICSWG best practice industry standard. We will request our fiduciary manager, Aon, to meet with the fund manager to encourage better reporting.
3. We will invite our fiduciary manager to a meeting to get a better understanding of how it is monitoring voting practices and engaging with underlying managers on our behalf, and how these help us fulfil our Responsible Investment policies.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our fiduciary manager's engagement activity

We delegate the management of the Fund's defined benefit assets to our fiduciary manager, Aon. Aon manages the Fund's assets in a range of funds which can include multi-asset, multi-manager and liability matching funds. Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity, and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars, and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Fund's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for the Fund's material equity fund with voting rights for the year to 31 March 2023, which broadly matches the Fund year.

| | Number of resolutions eligible to vote on | % of resolutions voted | % of votes against management | % of votes abstained from |
|--|---|------------------------|-------------------------------|---------------------------|
| LGIM Developed Balanced Factor Equity Index Fund (Hedged and Unhedged) | 11,712 | 99.82% | 20.20% | 0.13% |

Source: Manager

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Fund's equity fund manager uses proxy voting advisers.

| | Description of use of proxy voting adviser(s) (in the managers' own words) |
|------|---|
| LGIM | LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. |

Source: Manager

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Fund's material equity investment manager to provide a selection of what they consider to be the most significant votes in relation to the Fund's funds. A sample of these significant votes can be found in the appendix.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Fund's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e., is not necessarily specific to the funds invested in by the Fund.

| Funds | Number of engagements | | Themes engaged on at a fund-level |
|--|-----------------------|------------|--|
| | Fund specific | Firm level | |
| Leadenhall Insurance Linked Life Fund | 24 | 321 | Environment – Climate change |
| | | | Social - Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) |
| | | | Governance – Board Effectiveness – Diversity, Board effectiveness – Independence or Oversight, Leadership – Chair/CEO, Remuneration, Shareholder rights |
| LGIM Developed Factor Index Fund | 210 | 1,224 | Strategy, Financial and Reporting – Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting), Financial performance, Strategy/purpose, Risk management (e.g., operational risks, cyber/information security, product risks) |
| | | | Environment - Climate change |
| | | | Social - Human and labour rights (e.g., supply chain rights, community relations), Human capital management (e.g., inclusion & diversity, employee terms, safety), Inequality, Public health |
| Aegon Asset Management European Asset Backed Securities Fund | 132 | 441 | Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration |
| | | | Strategy, Financial and Reporting – Reporting (e.g., audit, accounting, sustainability reporting), Strategy/purpose |
| | | | Environment – Climate change, Natural resource use/impact (e.g., water, biodiversity), Pollution and waste |
| | | | Social – Conduct, culture and ethics (e.g., tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health |
| | | | Governance – Board effectiveness – Independence or Oversight, Leadership – Chair/CEO, Remuneration, Shareholder rights |
| | | | Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting) |

| Funds | Number of engagements | | Themes engaged on at a fund-level |
|---|-----------------------|------------|--|
| | Fund specific | Firm level | |
| T.Rowe Price Dynamic Global Bond Fund | 16 | 778 | Environment – Climate Change, Pollution, Waste |
| | | | Social – Human Capital Management (e.g. supply chain rights, community relations), Public health |
| | | | Governance – Board effectiveness – Diversity, Board effectiveness – Independence or Oversight, Remuneration, Shareholder rights |
| | | | Strategy, Financial and Reporting – Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose |
| LGIM Global Diversified Credit SDG Fund | 79 | 1,224 | Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) |
| | | | Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health |
| | | | Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration |
| | | | Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose |

Source: Managers.

- Aegon did not provide fund level themes; themes provided are at a firm-level. Given the nature of the investment mandates within the fund managed by Aegon, the Trustees, supported by Aon, are of the view that this does not require further engagement.
- Millennium, North Rock, Schonfeld, CB Richard Ellis, Tritax and Orchard did not provide any engagement information. These are assets which the Trustees plan to redeem from.

Data limitations

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Fund's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

| | | |
|---|---|--|
| LGIM Developed Factor Index Fund | Company name | Eli Lilly and Company |
| | Date of vote | 02/05/2022 |
| | Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio) | 0.93% |
| | Summary of the resolution | Require Independent Board Chair |
| | How you voted | LGIM voted in favour of the shareholder resolution (management recommendation: against) |
| | Where you voted against management, did you communicate your intent to the company ahead of the vote? | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics. |
| | Rationale for the voting decision | Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair. |
| | Outcome of the vote | Failed |
| | Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome? | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. |
| | On which criteria have you assessed this vote to be "most significant"? | LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). |

Source: LGIM