

The Alterian Pension Scheme

Trustees' Report

Implementation Statement

For the year ending 31 March 2022

1. Introduction

The Trustees are required to make publicly available online a statement (“the Implementation Statement”) for the Alterian Pension Scheme (the “Scheme”), regarding its policies on the exercise of voting rights and engagement.

This Implementation Statement covers the Scheme for the year from 1 April 2021 to 31 March 2022 (the “Scheme year”). It is not designed to restate the contents of the Statement of Investment Principles (“SIP”), but to focus on adherence to stated policies and also to comment on changes during the reporting period, including any reviews of the investment strategy. A description of engagement and voting behaviour during the year, either by or on behalf of the Trustees, and if proxy voting was used, is included within this statement. There were no changes to the SIP during the year to 31 March 2022.

This statement should be read in conjunction with the SIP dated 1 October 2020, a copy of which can be found at: <https://www.rws.com/alterian-pension-scheme/>

2. Investment Objectives and Activity

The objective of the Scheme is to implement an investment strategy which, over the long term, meets the perceived needs of the membership, especially in light of the freedom and choice in pensions reforms. Recognising that individual members have different investment needs, the Trustees have put in place a default investment lifestyle strategy and a range of investment options that they believe will achieve appropriate returns consistent with the level of risk chosen by the member.

The aim is to ultimately ensure that members of the Scheme are able to retire on a reasonable level of pension taking into account the contributions paid into their individual accounts and the timescale over which those contributions were invested.

The Trustees regularly discuss the current and future investment design of the Scheme, and the investment options available to members including the default investment strategy, and have the practice of commissioning a formal investment strategy review where appropriate.

The Trustees are required to formally review the default investment strategy at least every three years or immediately following any significant change in investment policy or the member profile of the Scheme. When investing in, or changing, any funds/managers, the Trustees obtain formal investment advice in order to fulfil their legal duties. A review of the overall investment strategy has not been conducted for some time. The Trustees have however signalled their intention to wind-up the Scheme in the next twelve months.

In terms of the balance between different investments, the Trustees have constructed a default lifestyle strategy and a self-select range which diversifies risk for members across asset classes and over time, predominantly using multi asset, long dated gilts and cash funds. The risk and return characteristics of these investments are designed to change over a five year period to accommodate members' reduced appetite for risk towards retirement age.

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2. Investment Objectives and Activity (continued)

The approach taken towards the measuring and monitoring of other risks is laid out in the SIP, and includes the use of pooled investment funds at the dedicated investment manager and professional custodianship. The Scheme predominantly uses passive funds, and active investment is used only where justified. Target objectives for each fund used, and the associated performance, is regularly monitored by the Trustees via an annual report provided by the Trustees' advisers.

3. Asset Manager Monitoring, ESG, Stewardship and Climate Change

The SIP includes policies on the monitoring of the Scheme's investments, including the Trustees policy on ESG factors, stewardship and climate change. This policy sets out the processes followed by the Trustees in relation to voting rights and stewardship.

The Scheme is managed via investment platform provider Legal & General Investment Management ("LGIM"; the "Investment Manager"). The Trustees have a rolling contract with LGIM, which is reviewed in line with the overall investment strategy. As noted above, the Trustees regularly monitor the performance of the underlying funds (via an annual report provided by the Trustees' adviser) and take advantage of the manager research capabilities of their investment adviser to ensure that the performance objectives of the Investment Manager remain consistent with the roles it carries out within the investment strategy. The Trustees are satisfied that the performance and risk levels of the Scheme, and particularly the default strategy, were within the parameters outlined in SIP over the Scheme year.

The Trustees also use their investment adviser to monitor the appropriateness of the remuneration and incentives offered to the Investment Manager's key personnel, as well as how they are incentivised to invest and engage in a medium-to-long-term manner with the Trustees' investments. In the same way, the Trustees monitor the cost-effective realisation of investments, transaction costs and value for money offered by the manager via their annual Chair's Statement, compiled with the investment adviser, and encourages their manager to use the Cost Transparency Initiative template in order to make these costs clearer.

The Trustees have committed to reviewing LGIM's ESG policies as part of a commitment to understanding how the Investment Manager incorporates financially material considerations into its processes, focusing on the default lifestyle funds. The Trustees do so via their investment adviser's monitoring of these aspects of the Investment Manager's ESG philosophy and approach. Among the information sought by the investment adviser on the Trustees behalf were; the Investment Manager's firmwide philosophy on Responsible Investment and ESG, the extent to which ESG factors are integrated into the Investment Manager's processes and investment decision making, whether ESG risks are considered as part of the core investment decision or only in the form of an overlay from an ESG team, whether third-parties are used for ESG assessment, whether the Investment Manager has the discretion to disregard the views of the ESG specialists, be they internal or external, and how the Investment Manager evaluates and monitors compliance with its overall ESG policy. Where the Trustees are not happy with the approach taken, they will take this into account and, together with their investment adviser, considering carrying out a formal review of the Investment Manager. While the Trustees acknowledge that there is less flexibility for the Investment Manager where passive, index-tracking investments are concerned, the Trustees are satisfied that the Investment Manager has taken significant measures to embed ESG considerations into the overall investment philosophy and approach.

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4. Voting and Engagement

The Trustees are keen that its Investment Manager is a signatory of the UK Stewardship Code and UN Principles of Responsible Investment, which the Trustees can confirm is the case.

All of the Trustees' holdings are within pooled funds held via the LGIM platform and the Trustees have delegated to its Investment Manager the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees have not used direct proxy voting services over the year.

During the accounting year, the Scheme's funds were:

- LGIM Multi-Asset Fund
- LGIM Over 15 Year Index-Linked Gilts Index Fund
- LGIM Cash Fund

The Trustees were unable to include voting data for the underlined funds as they do not hold physical equities.

5a. Description of Legal & General Investment Management's voting processes

LGIM's voting and 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. Their voting policies are reviewed annually and take into account feedback from their clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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 they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

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5a. Description of Legal & General Investment Management's voting processes (continued)

To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

They retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any issues they have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of their formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

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5b. Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	LGIM
Fund name	Multi-Asset
Approximate value of Trustees' assets	c.£10.6 million (31/03/2022)
Number of equity holdings at year end	6,367
Number of meetings eligible to vote	8,842
Number of resolutions eligible to vote	88,739
% of resolutions voted	99.77%
% of resolutions voted with management	78.74%
% of resolutions voted against management	20.47%
% of resolutions abstained	0.79%
% of meetings with at least one vote against management	69.99%
% of resolutions voted contrary to the proxy adviser recommendation	12.51%

The high levels of voting activity detailed in the above tables demonstrate the Investment Manager's ongoing commitment to engaging with the investee companies.

5c. Most significant votes over the year

LGIM define their process for determining the "most significant" votes as follows:

"As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM have regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

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5c. Most significant votes over the year (continued)

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;

- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We will provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications."

If you have any additional questions on specific votes, please note that LGIM publicly disclose their votes for the major markets on their website. The reports are published in a timely manner, at the end of each month and can be used by clients for their external reporting requirements. The voting disclosures can be found by selecting 'Voting Report' on the following page: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

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5c. Most significant votes over the year (continued)

Examples of Significant Votes for the LGIM Multi-Asset Fund

Company name	Apple Inc.	Microsoft Corporation
Date of vote	2022-03-04	2021-11-30
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.5	0.4
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella
How you voted	For	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.	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	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.
Outcome of the vote	53.6%	94.7%
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.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes.