

Axminster Carpets Group Retirement Benefits Plan ('the Plan') – Implementation Statement 6th April 2021 – 5th April 2022.

An Implementation Statement ('Statement') has been prepared in accordance with applicable legislation, taking into account guidance from The Pensions Regulator for the period from 6th April 2021 – 5th April 2022 ('the Plan Year').

The Statement sets out how, and the extent to which, the Trustee policy in relation to exercising voting rights has been followed during the year by describing the voting behaviour on behalf of the Trustee of the Plan.

The Trustee has used Minerva Analytics ('Minerva') to obtain voting and investment engagement information on the Plan's behalf.

This Statement includes Minerva's report on key findings on behalf of the Trustee over the Plan Year.

A summary of the key points are set out below.

LGIM

It was determined by Minerva that the Plan's holdings had no voting or engagement information to report due to nature of the underlying holdings.

BNY Mellon

Minerva confirmed that the manager's voting policy reflects a clear approach to corporate governance which aligns with good practice as set out by the International Corporate Governance Network (ICGN) Voting Guidelines Principles and good corporate governance practices. However, Minerva believed there were minor areas of divergence within audit & reporting, capital, remuneration and shareholder rights, but believe these are not material issues. Minerva determined BNY Mellon voting and engagement activity followed the Trustee's policies even though only summarised firm level information was provided. The Trustee sold the Real Return Fund during the year and so there will be no voting or engagement activity to report on going forward.

BlackRock

It was determined by Minerva that the Plan's holdings had no voting or engagement information to report due to nature of the underlying holdings.

It was determined that some of the Plan's holdings covering asset classes such as bonds and LDI had no voting or engagement information to report due to nature of the underlying holdings.

Spence & Partners Limited

Axminster Carpets Group Retirement Benefits Plan

**Implementation Statement (IS):
Voting & Engagement Information (VEI)**

**Reporting Period:
6th April 2021 to 5th April 2022**

26th August 2022

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1 SIP Disclosures

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year-end relating to the following:

- 1) Financially Material Considerations
- 2) Non-Financial Considerations
- 3) Investment Manager Arrangements

Stewardship - including the exercise of voting rights and engagement activities - is set out in the 'Voting and Engagement' section.

Source of Information: Axminster Carpets Group Retirement Benefits Plan
Statement of Investment Principles, June 2020

1.1 Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Plan for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes it is investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Plan's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Plan with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues; and
- Request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

1.2 Non-Financial Considerations

The Trustee has not considered non-financially material matters in the in the selection, retention and realisation of investments.

1.3 Investment Manager Arrangements

Incentives to align investment managers' investment strategies and decisions with the Trustee's policies

The Plan invests in pooled funds and so the Trustee acknowledges the funds' investment strategies and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund manager's incentive.

The Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial 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 selects managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustee also considers the managers' voting and ESG policies and how they engage with the company as it believes that these can factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the managers' engagement and voting activity on an annual basis as it believes this can improve long term performance. The Trustee expects its managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Plan.

The Trustee believes that the annual fee paid to the fund managers incentivises them to do this.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustee's policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustee's policies.

How the Trustee monitors portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

The duration of the arrangement with the investment managers

The Trustee plans to hold each of its investments for the long term but will keep this under review.

Changes in investment strategy or change in the view of the fund managers can lead to the duration of the arrangement being shorter than expected

2 Sourcing of Voting and Engagement Information

This section sets out the availability of the information Minerva initially requested from the Scheme's managers, to facilitate the preparation of this report:

Table 2.1: Summary of Available Information

| Fund / Product Manager | Investment Fund/Product | Voting Information | Significant Votes | Engagement Information |
|------------------------|---|------------------------|-------------------|------------------------|
| BlackRock | Aquila Connect Over 15 Years UK Gilt Fund | No Info to Report | No Info to Report | No Info to Report |
| | Aquila Connect Over 5 Years Index-Linked Gilts Fund | No Info to Report | No Info to Report | No Info to Report |
| BNY Mellon | Newton Real Return Fund | Partial Info Available | Info Available | Partial Info Available |
| LGIM | Active Corporate Bond - Over 10 Year Fund | No Info to Report | No Info to Report | No Info to Report |


Information Available

Partial Information Available

No Information to Report

No Information Provided

Awaiting Information

| | | |
|---|----------------------------|--|
|  Minerva Says | Voting Activity | There was voting information disclosed for the Scheme's investments in the following funds: <ul style="list-style-type: none"> BNY Mellon Newton Real Return Fund |
| | Significant Votes | There was 'Significant Vote' information disclosed for the Scheme's investments in the following funds: <ul style="list-style-type: none"> BNY Mellon Newton Real Return Fund |
| | Engagement Activity | The Scheme's platform provider, Mobius, did not provide any reportable engagement information for the BNY Mellon Real Return Fund. We did, however, locate some firm level engagement information on the manager's website |

3 Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee has used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This statement provides a summary of the key information and summarises Minerva's findings on behalf of the Scheme over the Scheme's reporting year.

3.1 Voting and Engagement Policy and Funds

The Trustee's policy on Voting and Engagement from the Scheme's SIP is set out below:

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest. If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment manager's policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.

The following table sets out:

- the funds and products in which the Scheme was invested during the Scheme's reporting period;
- the holding period for each fund or product; and
- whether each investment manager made use of a 'proxy voter', as defined by the Regulations:

Table 3.1: Scheme Investment/Product Information

| Fund / Product Manager | Investment Fund/Product | Investment Made Via | Fund / Product Type | Period Start Date | Period End Date | 'Proxy Voter' Used? |
|------------------------|---|---------------------|---------------------|-------------------|-----------------|---------------------|
| BlackRock | Aquila Connect Over 15 Years UK Gilt Fund | Platform | DB Fund | 06/04/21 | 23/03/22 | N/A |
| | Aquila Connect Over 5 Years Index-Linked Gilts Fund | Platform | DB Fund | 06/04/21 | 05/04/22 | N/A |
| BNY Mellon | Newton Real Return Fund | Platform | DB Fund | 06/04/21 | 23/03/22 | ISS |
| LGIM | Active Corporate Bond - Over 10 Year Fund | Platform | DB Fund | 06/04/21 | 05/04/22 | N/A |

Proxy Voter Identified

Proxy Voter Not Confirmed

Not Applicable (N/A)



**Minerva
Says**

As shown in the table above:

- Newton identified Institutional Shareholder Services ('ISS') as their 'Proxy Voter'
- The investments / products shown as grey shaded boxes have either no listed equity voting activity associated with them or the manager has stated that they have no formal voting policy in place, and so had no need for a proxy voter

4 Exercise of Voting Rights

The following tables show a comparison of each of the Scheme's relevant manager(s) voting activity versus the Trustee's policy (which in this instance is the manager's own policy).

4.1: BNY Mellon's Approach to Voting

| | | |
|---------------------------------------|--|---|
| Asset manager | BNY Mellon (Newton) | |
| Relevant Scheme Investment(s) | Newton Real Return Fund | |
| Key Points of Manager's Voting Policy | <p>Newton's Responsible Investment Policies and Principles of February 2021 states that when they assess a company's corporate governance, they take into account the individual circumstances of each company together with relevant governing laws, guidelines and established best practice. However, some overarching corporate governance principles exist that apply globally. Newton expect companies to comply with these principles, or to explain why they should not apply. The high-level areas of interest are set out below, and Newton recognize that some may not be formally recognized in certain markets:</p> | |
| | 1) Disclosure | 12) Dividend Policies |
| | 2) Boards | 13) Share Buybacks |
| | 3) Independence | 14) Related-party Transactions |
| | 4) Chair and Chief Executive Officer (CEO) | 15) Voting Rights |
| | 5) Senior Independent Director (SID) | 16) Schemes of Arrangements & Amendments to Articles of Association |
| | 6) Board Committees | 17) Anti-takeover Mechanisms/Poison Pills |
| | 7) Succession Planning | 18) Shareholder Rights |
| | 8) Board Diversity | 19) Capital Structure Alterations |
| | 9) Risk Management and Internal Controls | 20) Controlling and Influential Shareholders |
| | 10) Auditors | 21) Political Donations |
| | 11) Remuneration | |
| | Newton produces quarterly ' Responsible Investment ' reports disclosing their latest engagement and voting information. | |

Is Voting Activity
in Line with the
Scheme's Policy?

Yes

More details on Newton's voting activity are provided in Section 7 – Significant Votes



Minerva
Says

- Newton's published voting policy reflects a clear approach to corporate governance which aligns with good practice
- From the available information, we believe that the manager's voting approach is consistent with the Scheme's proxy voting expectations

5 Manager Voting Policy

As the current approach of the Scheme is to use the voting policy of the external asset managers, it is important that these policies are independently reviewed to ensure that they match current good practice and the general stewardship expectations set by the Trustee. Well-managed companies that operate in a commercially, socially and environmentally responsible manner are expected to perform better over the longer term, as the Trustee believes that adopting such an approach will allow each company's management to identify, address and monitor the widest range of risks associated with their specific business.

Set out in the following table is Minerva's independent assessment of the Scheme's managers' voting policies, in the context of current good practice as represented by the ICGN Voting Guidelines, whilst also bearing the Trustee's stewardship expectations in mind. This has been done for each manager where they have identified voting activity on behalf of the Scheme.

We have assessed each manager's policy individually, looking at it from Minerva's perspective of seven 'Voting Policy Pillars' that are at the core of our proxy voting research process, and which we have developed over the last 25 years. In using this well-tried approach, the Scheme can be sure that their investment managers voting policies are being carefully considered against current good practice.

More information on our approach can be found in the separate Report Methodology document that accompanied this report.

Table 5: Voting Policy Alignment

| Investment Manager | Manager Voting Policy Alignment with Current Good Practice | | | | | | |
|---------------------|---|---------|------------------|-------------------|------------------|--------------------|----------------|
| | Audit & Reporting | Board | Capital | Corporate Actions | Remuneration | Shareholder Rights | Sustainability |
| BNY Mellon (Newton) | Minor Divergence | Aligned | Minor Divergence | Aligned | Minor Divergence | Minor Divergence | Aligned |
| Comments | <p>Audit & Reporting: there was no public disclosure regarding the manager's approach towards audit fees or verification of internal audits. No specific details were available regarding their approach towards changing auditors or audit partner rotation.</p> <p>Capital: there was no public disclosure regarding the manager's approach towards the introduction of new share classes or shares issued under authority. The policy information available does not explicitly cover the issuance of shares without pre-emption rights.</p> <p>Remuneration: the policy does not explain the manager's approach towards malus or clawback measures, and there was no information surrounding annual bonuses and targets set in order to determine them. There is limited information available in relation to the manager's views on Long Term</p> | | | | | | |

| Manager Voting Policy Alignment with Current Good Practice | | | | | | | |
|---|---|---|---------|---|--------------|---|----------------|
| Investment Manager | Audit & Reporting | Board | Capital | Corporate Actions | Remuneration | Shareholder Rights | Sustainability |
| | <p>Incentive Plans (LTIP) and their associated time horizon. No public disclosures have been made about views on salary levels or service contracts – for both notice and severance.</p> <p>Shareholder Rights: the policy provides clear information on anti-takeover provisions and provides a basic disclosure on the manager’s approach to shareholder rights. However, the policy lacks information surrounding other key areas such as proxy access.</p> | | | | | | |
| Manager’s voting policy is aligned with this policy pillar of Good Practice | | Manager’s voting policy has some minor areas of divergence from Good Practice | | Manager’s voting policy is not aligned with this policy pillar of Good Practice | | Manager’s voting policy was not disclosed for analysis by Minerva | |



Minerva
Says

For the Scheme's manager that responded to our information requests by providing voting information:

- Newton’s public voting policy lacked information with regards their approach to certain aspects of corporate governance – but the information gaps are not sufficiently material to merit saying the policy is not ‘compliant’ with the Scheme’s requirements

6 Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour as disclosed by the each of the Scheme's managers:

Table 6: Manager Voting Behaviour

| Manager | Fund | No. of Meetings | No. of Resolutions | | | | |
|------------|---|---------------------|---------------------|------------------|-------------------|--------------------|-----------|
| | | Eligible for Voting | Eligible for Voting | % Eligible Voted | % Voted in Favour | % of Voted Against | % Abstain |
| BNY Mellon | Newton Real Return Fund | 98 | 1,476 | 99.2 | 83.9 | 16.1 | - |
| | Comments: | | | | | | |
| | <p>The manager provided a summarised voting record for the Real Return Fund, albeit for a slightly different timeframe than the Scheme's specific investment holding period (covering 01/04/21 to 31/03/22, rather than 06/04/21 to 23/03/22).</p> <p>From the summarised information provided, we can see that the manager has voted at almost all investee company meetings for the Fund, which is in line with the Trustee's expectations of its managers.</p> | | | | | | |

Information Disclosed

Partial Information Provided

Information Not Provided

Awaiting Information



**Minerva
Says**

From the limited voting information available, we believe that BNY Mellon (Newton) have followed the Scheme's requirements in relation to voting activity, as stated in the Scheme's SIP:

'The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.'

7 Significant Votes

Set out in the following section are 5 examples of the Scheme's manager(s) voting behaviour from the relevant fund(s) in which the Scheme was invested. A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

1. identified by the manager themselves as being of significance;
2. contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK);
3. is one proposed by shareholders that attracts at least 20% support from investors;
4. attracts over 10% dissenting votes from shareholders.

Where the manager has not provided sufficient data to identify 'Significant Votes' based on criteria 2-4 above, we have used manager-identified examples:

Table 7.1 BNY Mellon's (Newton's) 'Significant Votes'

| Manager | Fund | Company Name | Date of Vote | Summary of Resolution | For / Against / Abstain | Outcome of Vote | Why Significant? |
|--------------------------------------|------------------|---|--------------|---|-------------------------|--|---|
| BNY Mellon | Real Return Fund | AstraZeneca Plc | 11/05/21 | Elect Director x4, Approve Remuneration Policy, Amend Restricted Stock Plan | Against | 3.4%, 1.3%, 2%, 26% Against Elect Director, 39.8% Against Approve Remuneration Policy, 38.3% Against Amend Restricted Stock Plan | The level of shareholder dissent merits this vote as significant. |
| | | Vote Rationale: | | | | | |
| | | Votes were instructed against the remuneration policy, a new performance share plan, and members of the remuneration committee. Newton did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives. | | | | | |
| Relevance to Manager's Stated Policy | | 11) Remuneration | | | | | |
| Minerva Says: | | We believe this voting activity is consistent with the manager's stated policy, and so is also consistent with the Scheme's approach. | | | | | |

| Manager | Fund | Company Name | Date of Vote | Summary of Resolution | For / Against / Abstain | Outcome of Vote | Why Significant? |
|--------------------------------------|------------------|--|--------------|---|-------------------------|---|--|
| BNY Mellon | Real Return Fund | Medtronic Plc | 09/12/21 | Elect Director x6, Approve Auditors and Authorize Board to Fix Their Remuneration Auditors, Advisory Vote to Ratify Named Executive Officers' Compensation | Against | 7.3%, 2.9%, 3.8%, 2.2%, 1.4%, 15% Against Elect Directors, 6.6% Against Approve Auditors and Authorize Board to Fix Their Remuneration Auditors, 9.7% Against Advisory Vote to Ratify Named Executive Officers' Compensation. | Newton expect that shareholders will continue to increase their scrutiny of pay versus performance and reflect this in their voting decisions; as such, shareholder dissent may increase further and result in unnecessary media |
| | | Vote Rationale: | | | | | |
| | | Newton voted against the executive compensation arrangements and members of the compensation committee. A significant proportion of long-term compensation awards vest regardless of performance. In addition, and contrary to emerging best practice, non-executive directors were granted significant awards of stock options. | | | | | |
| | | Newton also voted against the appointment of the external auditor owing to the firm having served in this capacity for 58 consecutive years. | | | | | |
| Relevance to Manager's Stated Policy | | 11) Remuneration and 10) Auditors | | | | | |
| Minerva Says: | | We believe this voting activity is consistent with the manager's stated policy, and so is also consistent with the Scheme's approach. | | | | | |
| BNY Mellon | Real Return Fund | Alphabet Inc. | 02/06/21 | Elect Directors X4, Approve Omnibus Stock Plan, All Stock to Have One-vote per Share, Appoint Human Rights Expert to the Board, Link Executive Pay to Sustainable Criteria, Report on Takedown Requests, Report on Whistleblower Policies and Practices, Risk Report on Anti-Competitive Practices. | Against | 20.2%, 21.4%, 11.6%, 11.1% Against Elect Directors 16.1% Against Approve Omnibus Stock Plan 31.4% For all Stock to Have One-vote per Share 10.3% For Appoint Human Rights Expert to The Board 12.2% For Link Executive Pay to Sustainable Criteria 13.3% For Report on Takedown Requests 10.4% For Report on Whistleblower Policies and Practices | The company was subject to a high number of shareholder proposals surrounding both governance and social aspects where the company is well regarded by investors as requiring improvements. |

| | | | | | | 12.4% For Risk Report on Anti-Competitive Practices. | |
|---|------------------|---|--------------|---|-------------------------|---|--|
| | | Vote Rationale: | | | | | |
| | | Newton voted against the proposed compensation plan and members of the compensation committee. We were concerned with the lack of clarity surrounding the structure of executive pay arrangements, which appeared to provide an ability for executives to be rewarded significantly irrespective of performance achieved. We supported several shareholder resolutions that we considered would better serve the company's shareholders. These related to: shifting to a single-class share structure; a feasibility study for including sustainability as a performance measure for executive compensation; appointment of a board director with human-rights experience; whistleblowing; anticompetitive practices; and the process for taking down controversial content from the company's websites. We did not support two shareholders proposals. We considered that the company's disclosure of charitable contributions met our expectations, and the request for Alphabet to become a B Corporation (a public-benefit corporation) could be legally problematic. | | | | | |
| Relevance to Manager's Stated Policy | | 11) Remuneration, 19) Capital Structure Alterations, 9) Risk Management & Internal Controls, 6) Board Committees, | | | | | |
| Minerva Says: | | We believe this voting activity is consistent with the manager's stated policy, and so is also consistent with the Scheme's approach. | | | | | |
| Manager | Fund | Company Name | Date of Vote | Summary of Resolution | For / Against / Abstain | Outcome of Vote | Why Significant? |
| BNY Mellon | Real Return Fund | The Goldman Sachs Group, Inc. | 29/04/21 | Provide Right to Act by Written Consent, Mandatory Arbitration on Employment Related Claims | Against | 42.8% For Provide Right to Act by Written Consent, 53.1% For Mandatory Arbitration on Employment Related Claims | While support for shareholder proposals at US-based companies has been increasing over recent years, these votes are highlighted owing to the significant level of support that these attracted by the company's shareholders. |
| | | Vote Rationale: | | | | | |
| | | Newton supported a shareholder proposal requesting that the company provide shareholders with the right to act by way of written consent. This would enhance shareholders' rights, provide shareholders with the means to raise issues outside of AGMs, and is aligned with US best practice. Additional information on the company's policies regarding mandatory arbitration for harassment and discrimination cases was considered to have merit as it would provide insight into practices and could result in improved recruitment and retention, as well as allowing shareholders to better assess the risks associated with the company's use of arbitration agreement. | | | | | |
| | | Newton did not support two shareholder proposals. They considered that the company has been taking meaningful action in terms of racial and economic equality, and the request for Goldman Sachs to become a B Corporation (a public-benefit corporation) could be legally problematic. | | | | | |

| Relevance to Manager's Stated Policy | | 18) Shareholders Rights and 9) Risk Management & Internal Controls | | | | | |
|--------------------------------------|------------------|---|--------------|--------------------------|-------------------------|--|---|
| Minerva Says: | | We believe this voting activity is consistent with the manager's stated policy, and so is also consistent with the Scheme's approach. | | | | | |
| Manager | Fund | Company Name | Date of Vote | Summary of Resolution | For / Against / Abstain | Outcome of Vote | Why Significant? |
| BNY Mellon | Real Return Fund | Greencoat UK Wind Plc | 26/11/21 | Approve Capital Raisings | Against | 0.5% and 2.2% Against Approve Capital Raising. | Newton recognised this as a significant vote owing to the structure surrounding capital raisings that can mean existing shareholders' value is unnecessarily diluted. |
| | | Vote Rationale: | | | | | |
| | | Newton did not support two resolutions relating to a proposed share issuance. They were concerned with the discount to market price at which the shares would be issued, and that these shares would not necessarily be offered to existing shareholders. | | | | | |
| Relevance to Manager's Stated Policy | | 19) Capital Structure Alterations | | | | | |
| Minerva Says: | | We believe this voting activity is consistent with the manager's stated policy, and so is also consistent with the Scheme's approach. | | | | | |



Minerva
Says

The manager's reported 'Significant Vote' information appears to be consistent with their stated voting policy, and so is consistent with the Trustee's expectations of the Scheme's investment managers

8 Manager Engagement Information

The Trustee has set the following expectations in the Scheme's SIP in relation to investment managers' engagement activity:

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund manager to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment manager's policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee believes that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues. The following table(s) summarises the engagement activity of the manager(s):

Table 8.1: Summary of Engagement Information Provided

| Manager | Engagement Information Available? | Level of Available Information | Info Covers Scheme's Reporting Period? | Comments |
|---------------------|-----------------------------------|--------------------------------|--|---|
| BNY Mellon (Newton) | YES | FIRM | NO | The Scheme's platform provider, Mobius, did not provide any engagement information associated with the investment in the Real Return Fund in response to our information request. We did, however, source some <i>firm level engagement information</i> in quarterly Responsible Investment reports on the Newton website, albeit for the period from 01/04/21 to 31/03/22 rather than for the Scheme's specific investment holding period. |

BNY Mellon

| | | | | Breakdown of Engagement Topics Covered | | | | Outcomes | |
|---|---|------------|--------------------|--|--------|------------|-------|------------|------------|
| Fund | Period Start | Period End | No. of Engagements | Environmental | Social | Governance | Other | Resolved | Open |
| Newton Real Return Fund | 01/04/21 | 31/03/22 | 301 | 36.2% | 34.9% | 28.9% | - | Not Stated | Not Stated |
| Aspect of Engagement Activity | Details | | | | | | | | |
| Key Points of the Manager's Engagement Policy | <p>BNY states in its latest stewardship policy disclosure statement that each of the investment managers has its own unique engagement policy with issuers in all of the jurisdictions in which they invest. Accordingly, Newton's 'Responsible Investment Policies and Principles' report from April 2022 has the following to say with regards the manager's engagement approach:</p> <p><i>'We have long been active stewards of our clients' assets. Undertaking considered engagement activities and exercising voting rights globally are the primary drivers to being effective stewards.'</i></p> <p><i>Intrinsic to the understanding of the potential of an investment in a company, whether via equity or fixed income, is an appreciation of the quality of the company's management, its structure, the appropriateness of its internal controls and the assurance that ESG matters are managed in the creation of long-term investor value.</i></p> <p><i>We believe that responsibly managed companies should be better placed to achieve sustainable competitive advantage and provide strong long-term growth. With respect to investments in sovereign securities (typically government bonds), we consider factors such as whether the government's policy objectives can support ESG-focused initiatives and the sustainability of any expenditure plans.</i></p> <p><i>Our fundamental view is that a considered approach to ESG analysis enhances our investment process, and that this is particularly the case for corporate investments. This process includes identifying the ESG risks and opportunities faced by a company and ensuring that these challenges are well managed within the company's business strategy. Engagement can play a crucial role in helping achieve this understanding and to influence change'</i></p> <p>From Newton's most recent 'Responsible Investment and Stewardship' report the manager identified the following key engagement themes:</p> <ul style="list-style-type: none"> ▪ Environmental: Biodiversity / Carbon management / Climate change / Management systems / Pollution / Product life cycle / Water | | | | | | | | |

| | |
|---|--|
| | <ul style="list-style-type: none"> ▪ Social: Business ethics / Cybersecurity / Health and safety / Human capital management / Product access / Product suitability / Stakeholder relations / Supply chain ▪ Governance: Audit and internal controls / Board leadership / Related-party transactions / Remuneration / Shareholder communications / Shareholder rights / Strategy and risk / Tax |
| <p>Comparison of the Manager's Engagement Activity vs the Trustee's Policy</p> | <p>An example of a reported engagement for the Real Return Fund is:</p> <p><u>Q4 2021 - Diageo – Water Use Policy</u></p> <p><i>"We met the company's head of sustainability and investor relations team to discuss water as a material environmental risk for the business and the company's management of the use of water in its operations and the value chain. We found the company's approach to be thoughtful and demonstrative of its leadership in dealing with water-related dependencies.</i></p> <p><u>Operations in water-stressed areas</u></p> <p><i>Water, being a key material source, had been identified as a top priority and the company was among the first to develop an integrated water stewardship strategy in 2011. The strategy covers the value chain across four pillars: water use in supply chains, operations, communities, and water advocacy. As 30% of the water withdrawn was from water-stressed areas, the company had placed a heightened focus on these sites; a detailed map of the 44 sites in Latin America, sub-Saharan Africa, India and Indonesia had been published. Globally, the company aimed to achieve 30% water-use efficiency by 2030; a higher target of 40% was set for water-stressed areas. 13 priority basins had also been identified for collective action with multiple local stakeholders and scale-up efforts to meet the company's commitment to replenish more water than used by 2026 in these areas.</i></p> <p><u>Water use in supply chains</u></p> <p><i>Over 80% of the company's water footprint relates to agriculture supply chains, although most raw materials are rain-fed and do not require intense irrigation. Working with smallholder farmers, the focus has been on improving overall productivity and not just water management. Discussions have focused on yields, fertilisers, seed quality, WASH (water sanitation and hygiene) programmes, and farmer education on fertiliser and insecticide applications to improve livelihoods. On the possibility of reaching a point when the company would have to exit water-scarce regions entirely, the company agreed this was a consideration but its focus was on building climate resilience through water stewardship and collective action.</i></p> <p><u>Net water positive aspirations</u></p> <p><i>We asked if the company had considered a net water positive goal in its water strategy. The company shared a very detailed view on what it would mean to be net water positive for its business. In terms of understanding impact, there were three dimensions to consider: quality, accessibility and availability; the associated challenges include how to measure quality and accessibility, and how to attribute an activity or a company with impact on the three dimensions. While top-level key performance indicators could still be measured through impact on livelihoods or volume of water replenished, a greater challenge was to identify and address risks at the basin level, which could not be generic. Being a founding member of the industry-led Water Resilience Coalition (WRC), the</i></p> |

| | |
|---|---|
| | <p><i>company has been working with other members to define a science-based methodology to calculate new positive impact at the basin level. However, the work in progress requires another 12 months before it can be published.”</i></p> <p>Engagement Outcome: The manager did not explicitly state whether the engagement has been successfully concluded, or is ongoing</p> |
| Is Engagement Activity in Line with the Trustee's policy? | The engagement activity is consistent with the Manager's stated Engagement Policy, and so is also consistent with the Scheme's approach. |



**Minerva
Says**

- As can be seen from the previous table, the manager's reported engagement approach appears to be consistent with the Scheme's expectations of them in this stewardship area
- We were disappointed that the Scheme's platform provider, Mobius, did not provide any directly sourced engagement information in relation to the Scheme's investment in response to our request, and that we have to turn to the manager's website to find some details on firm-level engagement activity

9 Conclusion

9.1 Assessment of Compliance

In this report, Minerva has undertaken an independent review of the Scheme's external asset managers' voting and engagement activity. The main objective of the review is for Minerva to be in a position to say that the activities undertaken on the Scheme's behalf by its agents are aligned with its own policies.

Set out in the following table is Minerva's assessment of each manager's compliance with the Scheme's approach:

Table 9: Summary Assessment of Compliance

| Fund / Product Manager | Investment Fund/Product | Does the Manager's Reported Activity Follow the Scheme's Policy: | | | Use of a 'Proxy Voter?' | UK Stewardship Code 2020 Signatory? | Overall Assessment |
|----------------------------|---|--|------------------------------|-----------------------------------|-------------------------|-------------------------------------|--------------------|
| | | For Voting Activity | Significant Votes Identified | Engagement Activity | | | |
| BlackRock | Aquila Connect Over 15 Years UK Gilt Fund | N.I.R. | N.I.R. | N.I.R. | N/A | YES | N.I.R. |
| | Aquila Connect Over 5 Years Index-Linked Gilts Fund | N.I.R. | N.I.R. | N.I.R. | N/A | | N.I.R. |
| BNY Mellon | Newton Real Return Fund | YES | YES | YES | ISS | YES | COMPLIANT |
| LGIM | Active Corporate Bond - Over 10 Year Fund | N.I.R. | N.I.R. | N.I.R. | N/A | YES | N.I.R. |
| Full Information Available | | Partial Information Available (P.I.A) | | No Information to Report (N.I.R.) | | No Information Provided (N.I.P) | |
| | | | | | | Not Applicable (N/A) | |



**Minerva
Says**

Overall Assessment:

We believe that the Scheme's managers have broadly complied with the Scheme's Voting and Engagement requirements of them.

Notes

- 1) The preceding table shows that Minerva has been able to determine that:
 - From the Voting and 'Significant Vote' information we received from BNY Mellon (Newton), their voting approach seems to be in step with the Scheme's expectations
 - Having reviewed the available engagement information for BNY Mellon (Newton), their overall engagement approach also seems to be in step with the Scheme's expectations
- 2) All the Scheme's investment managers are signatories to the UK Stewardship Code 2020

About Minerva

Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting policy tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

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