Engagement Policy Implementation Statement ("EPIS")

Shanks Group Pension Scheme

Scheme Year End – 5 April 2023

The purpose of the EPIS is for us, the Trustees of the Shanks Group Pension Scheme (the "Scheme"), 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 Scheme'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 Scheme's material investment managers were able to disclose good evidence of voting and/or engagement activity;
- The activities completed by our managers align with our stewardship expectations;
- The activities completed by our fiduciary manager to review the underlying managers' voting and engagement policies and activities align with our stewardship expectations; and
- Our voting rights have been implemented effectively on our behalf.

We delegate the management of the Scheme's assets to our fiduciary manager, Aon Investments Limited ("Aon"), and we are comfortable with the management and the monitoring of ESG integration and stewardship of the underlying managers that has been carried out on our behalf.

We will engage with the managers, as set out in our engagement plan, to encourage them to provide detailed and meaningful disclosures about their engagement and voting activities, and learn how they consider financially material Environmental, Social and Governance ("ESG") factors into their voting policies. We expect that as part of the Aon's management of the Scheme's assets, the manager will:

1. Ensure that (where appropriate) underlying asset managers exercise the Trustees voting rights in relation to the Scheme's assets
2. Report to the Trustees on stewardship activity by underlying asset managers as required.

How voting and engagement policies have been followed

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

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon. In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Scheme is invested in where available.

Aon have undertaken a considerable amount of engagement activity over the period and held several Environmental, Social and Governance ("ESG") focussed meetings during the reporting year with the underlying managers across its strategies. Aon discussed ESG integration and voting and engagement activities undertaken by the investment managers, allowing Aon to form opinions on each manager's relative strengths and areas for improvement. Aon continues to execute on their ESG integration approach and engage with managers.

We also receive annual stewardship reports on the monitoring and engagement activities carried out by our fiduciary manager, which supports us in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Scheme's stewardship policy can be found in the SIP: This can be found via the following link: [Shanks Group Pension Scheme (psgovernance.com)]

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 Engagement Action Plan

Based on the work we have done for the EPIS; we have decided to take the following steps over the next 12 months:

1. While Legal & General Investment Management ("LGIM") and BlackRock provided comprehensive lists of their fund-level engagements, which we find encouraging, these examples did not give as much detail as required by the industry standard engagement data request template. Our fiduciary manager will continue to engage with these managers to encourage better reporting.

2. 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.

3. We will undertake more regular meetings with our fiduciary manager if required, to ensure our fiduciary manager is using its resources to effectively influence positive outcomes in our relevant funds.

Our fiduciary manager's engagement activity

We delegate the management of the Scheme's assets to our fiduciary manager, Aon. Aon manages the Scheme'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 underlying 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. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

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

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

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights. The voting information provided is for the year to 31 March 2023 which broadly matches the Scheme year.

	Number of resolutions eligible to vote on	**% of resolutions voted**	**% of votes against management**	**% of votes abstained from**
LGIM – Multi-Factor Equity Fund	11,712	99.8%	20.2%	0.1%
BlackRock – Emerging Markets Equity Fund	33,350	97.0%	11.0%	3.0%

Source: Managers

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.

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.

The table below describes how the Scheme's managers use proxy voting advisers.

	Description of use of proxy voting advisers *(in the manager's own words)*
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) '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.
BlackRock	While we subscribe to research from the proxy advisory firms ISS and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

Source: Managers

Significant voting examples

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

Our underlying 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 Scheme'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 fund invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM – Multi-Factor Equity Fund	279	1,224	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 Governance – Board Effectiveness - Diversity, Board Effectiveness - Other, Remuneration Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
BlackRock – Emerging Markets Equity Fund	450	3,886	Environment – Climate Risk Management, Environmental Impact Management, Operational Sustainability Social - Human Capital Management, Social Risks and Opportunities Governance - Board Composition and Effectiveness, Business Oversight/Risk Management, Corporate Strategy, Executive Management, Governance Structure, Remuneration
BlackRock – Absolute Return Bond Fund	391	3,886	Environment – Climate Risk Management, Operational Sustainability, Environmental Impact Management Social – Human Capital Management, Social Risks and Opportunities Governance – Board Composition and Effectiveness, Remuneration, Corporate Strategy, Business Oversight/Risk Management, Sustainability Reporting
Aegon Asset Management ("Aegon") – European Asset Backed Securities Fund	132	441	Environment – Climate change Social – Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying) Governance – Board effectiveness – Diversity Other – Proprietary ESG assessment
Robeco – SDG Credit Income Fund	11	252	Environment – Climate change, Pollution, Waste Social – Human and labour rights (e.g. supply chain rights, community relations) Governance – Board effectiveness – Other

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
			Other – SDG Engagement
Aberdeen ("Abrdn") – Climate Transition Bond Fund	44	2,484	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) Other – Climate, Environment, Human Rights & Stakeholders, Corporate Behaviour, Corporate Governance

Source: Managers

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM and BlackRock provided fund-level engagement information but not in the industry standard engagement data request template and as such their examples did not give as much detail as is required by the industry standard engagement data request template.

This report does not include commentary on the Scheme's liability driven investments or cash, etc because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme'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 – Multi-Factor Equity Fund	**Company name**	Eli Lilly and Company
	Date of vote	2-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	~0.9%
	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? (Please add additional comments in the space below)	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 eg 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).
BlackRock – Emerging Markets Equity Fund	**Company name**	Grupo Mexico S.A.B. de C.V.
	Date of vote	28-Apr-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	*Not provided*
	Summary of the resolution	Elect or Ratify Chairmen and Members of Board Committees
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	We endeavor to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions

	reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.
Rationale for the voting decision	BlackRock determined that it is in the best interests of our clients as long-term shareholders to not support the director bundled ballot election at the 2022 AGM. The company has not updated their sustainability-related reporting, and in particular, their climate-related disclosures since the release of their “2020 Sustainable Development Report.” In addition, the company has not addressed shareholder concerns, including BlackRock’s, regarding the quality and effectiveness of their Board of Directors.
Outcome of the vote	Passed
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock’s approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.
On which criteria have you assessed this vote to be "most significant"?	See Vote Bulletin; BlackRock periodically publishes Vote Bulletins on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. Our vote bulletins can be found here: https://www.blackrock.com/corporate/about-us/investment-stewardship#vote-bulletins.

Source: Managers