

# Engagement Policy Implementation Statement (“EPIS”)

## Stanplan F – Earl Haig Fund Scotland (the “Scheme”) Scheme Year End – 31 March 2024

The purpose of the EPIS is for Entrust Pension Limited, the Trustee of the Scheme, to demonstrate the actions taken during the Scheme Year to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”).

The contents of this EPIS includes:

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

### Trustee Conclusion

**Based on the activity undertaken during the year, the Trustee is of the view that the policies set out in the SIP have been implemented effectively.**

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

The Trustee delegates the management of some of the Scheme’s assets to its fiduciary manager, Aon Investments Limited (“AIL”). The Trustee believes the activities completed by AIL to review the underlying managers’ voting and engagement policies, and activities align with the Trustee’s stewardship expectations. The Trustee believes its voting rights have been implemented effectively on its behalf.

The Trustee expects LGIM and HSBC to improve their disclosures over time. AIL will continue to engage with these investment managers and communicate the Trustee’s expectations of improved disclosure going forwards.

### **Summary of the Trustee Engagement Action Plan**

Not all underlying investment managers were able to provide all the engagement information requested by AIL and AIL will continue to engage with these managers to encourage improvements in their reporting. These issues are set out in the Trustee Engagement Action Plan.

## 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, which is in line with the policies set out in the SIP. The Trustee does not directly engage or cooperate with managers or other institutional investors on ESG issues. The Trustee delegates this responsibility to AIL to engage with fund managers as part of portfolio construction.

The Trustee has reviewed the stewardship activity of the material underlying investment managers over the Scheme year and in its 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.

### **Responsible Investment (RI) policy development**

The Trustee's RI policy was created following an exercise to collate the individual views of the Trustee's team with respect to different RI issues. The Trustee reviewed the conclusions from this exercise alongside the features of the Scheme and its investment arrangements to help it formally establish its RI views, beliefs and objectives. This exercise resulted in the establishment of a stand-alone RI policy by the Trustee. Throughout the year, the Trustee ensured the RI policy remained relevant and up to date. This included, for example, a review of the RI beliefs in December 2023 where the Trustee considered updating its collective RI beliefs.

### **Ongoing monitoring**

The Trustee receives in depth portfolio updates from AIL at quarterly Trustee meetings, covering investment performance, portfolio positioning and topical updates, including ESG-related updates.

Each year, usually at one of its quarterly Trustee meetings, the Trustee reviews the annual stewardship report provided by AIL. This sets out detailed voting and engagement commentary for each underlying investment manager within the fiduciary investment portfolio and, alongside this EPIS, allows the Trustee to assess the actions taken by the AIL-appointed investment managers over the year.

### **Sponsor consultation**

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

The Scheme's stewardship policy can be found in the SIP: [Statement of Investment Principle Stanplan F – The Earl Haig Fund Scotland - Gateley \(gateleyplc.com\)](#)

## 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 Environmental Social Governance ("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*

## Trustee Engagement Action Plan

Based on the work have done for the EPIS, the Trustee has decided to take the following steps over the next 12 months:

1. While Legal and General Investment Management Limited (“LGIM”) did provide a comprehensive list on fund-level engagements, which is encouraging, they did not provide detailed engagement examples specific to the funds in which the Scheme is invested, as per the Investment Consulting Sustainability Working Group (“ICSWG”) industry standard engagement reporting template. AIL will continue to engage with LGIM to encourage improvements in their engagement reporting.
2. HSBC did not provide the fund level data requested by AIL. The explanation for this being that the fund is an investment in a bond referencing a portfolio of loans and the special purpose vehicle (SPV) that hold the loans has no staff, no BOD, no procedures nor place of work. AIL will continue to engage with HSBC to encourage improvements in their engagement reporting.
3. The Trustee will invite its fiduciary manager to a meeting to get a better understanding of how it is monitoring voting and engagement practices, and how these help the Trustee fulfil its Responsible Investment policies.
4. The Trustee will continue to undertake an annual review of the AIL stewardship report and evaluate how the underlying investment managers’ Responsible Investment policies align with those of the Trustee.

### What is the Engagement Action Plan?

In preparing the Engagement Policy Implementation Statement, AIL and the Trustee have discovered specific areas where they would like to see improvement over time.

The Engagement Action Plan sets out specific issues that AIL and the Trustee will look to address over the forthcoming year, as well ongoing commitments around ESG monitoring and reporting.

## Fiduciary manager's engagement activity

As set out in the Scheme's SIP, the Trustee invests the Scheme's assets in AIL's fiduciary management platform. Under this arrangement, the implementation of the Scheme's investment strategy is delegated to AIL, acting within parameters set by the Trustee.

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

The underlying investment managers within each selected fund are appointed by AIL, based on AIL's best ideas and due diligence processes.

The Trustee delegates monitoring of ESG integration and stewardship of the underlying managers to AIL. The Trustee has reviewed AIL's latest annual Stewardship Report, and believes it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

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

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

In 2021, AIL 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).

AIL 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.

## 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. The Trustee believes 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 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. The Trustee expects the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 March 2024.

| Funds  | Number of resolutions eligible to vote on | % of resolutions voted | % of votes against management | % of votes abstained from |
|--|---|------------------------|-------------------------------|---------------------------|
| LGIM – Multi Factor Equity Fund                        | 12,190                                    | 99.8%                  | 21.1%                         | 0.2%                      |
| UBS Emerging Market Equity Climate Transition Strategy | 1,653                                     | 85.6%                  | 20.7%                         | 0.1%                      |
| UBS Global Equity Climate Transition Strategy          | 12,343                                    | 95.0%                  | 12.4%                         | 0.1%                      |

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

### 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 Scheme's managers use proxy voting advisers.

| Managers                                     | Description of use of proxy voting advisers (in the managers' own words)  |
|--|---|
| Legal & General Investment Management (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. |
| UBS Global Asset Management                  | UBS AM retains the services of ISS for the physical exercise of voting rights and for supporting voting research. UBS retain full discretion when determining how to vote at shareholder meetings.  |

Source: Managers

### 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.

## Significant voting examples

To illustrate the voting activity being carried out on the Trustee's behalf, AIL 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.

## 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 funds invested in by the Scheme.

| Funds  | Number of engagements |            | Themes engaged on at a fund/ firm level   |
|--|-----------------------|------------|---|
|  | Fund level            | Firm level |   |
| ASI Climate Transition Fund                            | 101                   | 2,008      | Other - Climate; Environment; Corporate Governance; Labour Management; Corporate Behaviour  |
| Aegon European ABS                                     | 127                   | 528        | Environment - Climate Change<br>Governance - Board effectiveness - Diversity; Leadership - Chair/CEO; Remuneration<br>Other - General Disclosure  |
| Barings Active Short Duration                          | 276                   | 536        | Environment - Climate Change; Natural Resource Use/Impact<br>Strategy, Financial & Reporting - Reporting; Strategy/Purpose; Risk Management   |
| HSBC Global Investment Grade Securitised Credit Bond   | <i>Not provided</i>   | 2,310      | Strategy, Financial & Reporting* - Financial Performance; Capital Allocation; Strategy/Purpose; Reporting; Risk Management  |
| LGIM – Multi Factor Equity Fund                        | 296                   | 2,500      | Environment - Climate Impact Pledge; Climate Change<br>Social - Gender Diversity<br>Governance - Remuneration; Board Composition  |
| Robeco SDG Credit Income                               | 17                    | 319        | Environment - Climate Change; Natural Resource Use/Impact<br>Social - Human and Labour Rights<br>Governance - Board effectiveness - Other<br>Other - SDG Engagement                                   |
| UBS Emerging Market Equity Climate Transition Strategy | 28                    | 471        | Environment - Climate Change<br>Social - Human and Labour Rights; Human Capital Management<br>Governance - Remuneration<br>Strategy, Financial & Reporting - Capital Allocation                       |
| UBS Global Equity Climate Transition Strategy          | 183                   | 471        | Environment - Climate Change<br>Social - Human Capital Management<br>Governance - Remuneration; Board effectiveness. - Independence/Oversight<br>Strategy, Financial & Reporting - Capital Allocation |

Source: Managers.

\*HSBC did not provide fund level themes; themes provided are at a firm-level:

## Data limitations

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

- LGIM did provide fund-level engagement information but not in the industry standard template.
- HSBC did not provide fund level engagement data.

This report does not include commentary on the Scheme's investment in gilts and cash because of the limited materiality of stewardship to these asset classes. Further, this report does not cover any additional voluntary contributions ("AVCs")

## Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. the Trustee considers a significant vote to be one which the relevant investment manager deems significant, based on its own criteria. Investment managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

|   |   |   |
|---|---|---|
| <b>LGIM – Multi Factor Equity Fund</b>                        | <b>Company name</b>   | The Toronto-Dominion Bank   |
|   | <b>Date of vote</b>   | 20 April 2023   |
|   | <b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>  | 0.04  |
|   | <b>Summary of the resolution</b>  | Resolution 9 - Disclose Transition Plan Towards 2030 Emission Reduction Goals   |
|   | <b>How you voted?</b>   | Votes supporting resolution   |
|   | <b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>                                | LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.  |
|   | <b>Rationale for the voting decision</b>  | We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company. |
|   | <b>Outcome of the vote</b>  | Fail  |
|   | <b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | LGIM will continue to engage with the company and monitor progress.   |
|   | <b>On which criteria have you assessed this vote to be most significant?</b>  | Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.  |
| <b>UBS Emerging Market Equity Climate Transition Strategy</b> | <b>Company name</b>   | Ganfeng Lithium Group Co. Ltd.  |
|   | <b>Date of vote</b>   | 30 November 2023  |
|   | <b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>  | Not provided  |
|   | <b>Summary of the resolution</b>  | Approve Adoption of the 2023 Employee Stock Ownership Plan  |
|   | <b>How you voted?</b>   | Votes against resolution  |
|   | <b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>                                | No  |
|   | <b>Rationale for the voting decision</b>  | Full details for the plan and associated proposals have not been disclosed.   |



|  |   |  |
|--|---|--|
| <b>UBS Global Equity Climate Transition Strategy</b> | <b>Outcome of the vote</b>  | Pass   |
|  | <b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | We are not planning future steps in regard to the outcome, as the scheme was approved by a majority of shareholders.                           |
|  | <b>On which criteria have you assessed this vote to be most significant?</b>  | 36% of shareholders voted against the plan and associated proposals.   |
|  | <b>Company name</b>   | The Boeing Company   |
|  | <b>Date of vote</b>   | 18 April 2023  |
|  | <b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>  | Not provided   |
|  | <b>Summary of the resolution</b>  | Report on Climate Lobbying   |
|  | <b>How you voted?</b>   | Votes supporting resolution  |
|  | <b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>                                | Company not advised prior to meeting   |
|  | <b>Rationale for the voting decision</b>  | The proposal would further enable shareholders to determine the strength of company policy, strategy and actions in regards to climate change. |
|  | <b>Outcome of the vote</b>  | Fail   |
|  | <b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | Following the significant support for this proposal we shall be monitoring the next steps from the company.                                    |
|  | <b>On which criteria have you assessed this vote to be most significant?</b>  | 40% of votes cast were in support of this shareholder proposal.  |

Source: Managers