

Engagement Policy Implementation Statement (“EPIS”)

The Carlton Tower Pension Scheme (the “Scheme”) Scheme Year End – 31-Dec-2023

The purpose of the EPIS is for us, the Trustee of the Carlton Tower Pension Scheme, to explain what we have done during the year ending 31-Dec-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 adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations.

This EPIS also includes information on the three funds that were divested from during the reporting year, namely the Walter Scott Global Equity Fund, Barings Global Loan Fund and Barings Global High Yield Credit Strategies Fund. These have been included on the grounds of materiality since they were held for most of the reporting year.

Summary of ‘Our Engagement Action Plan’

We will write to those investment managers who were not able to meet our expectations for disclosure and request an improvement for reporting for 2024. When we meet with an investment manager, we will discuss voting and engagement policies and how these are implemented in practice.

How voting and engagement policies have been followed

The Scheme is entirely invested in pooled funds, and so the responsibility for engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in our SIP. 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 adequate 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 Investments Limited ("Aon"). In particular, we received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available.

The Trustee's stewardship policy can be found in the SIP: [Carlton Tower Pension Scheme \(aon.com\)](#)

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. Barings provided the number of engagements across its Public Fixed Income Platform rather than the separate mandates. In September 2023, the Scheme divested from the Barings Global Loan Fund and the Global High Yield Credit Strategies Fund, therefore we will not be undertaking any further engagements with the manager.
2. ICG Longbow provided firm level engagement information but did not provide any information on a fund level. We will engage with ICG Longbow to encourage improvements in its reporting and get a better understanding of its engagement practices.
3. Townsend did not provide much information on engagement themes both at firm level and fund level. We will engage with Townsend to encourage improvements in its reporting and get a better understanding of its engagement practices.

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

Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the 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 manager to responsibly exercise its voting rights.

Voting statistics

The table below shows the voting statistics for the Scheme's material fund with voting rights for the year to 31 December 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Walter Scott - Global Equity Fund	782	100.0%	3.1%	0.0%

Source: Manager. Please note the above voting statistics have been included on the grounds of materiality, since the fund was held over most of the reporting year. The statistics are quoted as at 31 December 2023, however the Trustee notes that it divested its holdings from the fund in September 2023.

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 manager uses proxy voting advisers.

	Description of use of proxy voting adviser(s) (in the manager's own words)
Walter Scott & Partners Ltd ("Walter Scott")	Walter Scott receives third party research from Institutional Shareholder Services (ISS) for information purposes. However, the recommendations from any intermediary have no bearing on how Walter Scott votes.

Source: Manager.

Significant voting example

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager to provide a selection of what it considers to be the most significant votes in relation to the Scheme's fund. A sample of it can be found in the appendix.

Why is voting important?

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

Source: UN PRI

Why use a proxy voting adviser?

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

Our managers' engagement activity

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

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
Barings - Global Loan Fund & Global High Yield Credit Strategies Fund	276*	536	Environment - Climate Change; Natural Resource Use/Impact Governance - Board Effectiveness – Diversity Strategy, Financial and Reporting - Reporting; Strategy/Purpose
Chorus Capital - Credit Fund	12	12	Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste Social - Conduct, Culture and Ethics; Human and Labour Rights
ICG Longbow - Real Estate Debt Fund V	<i>Not provided</i>	>455	Environment - Climate Change; Pollution, Waste Social - Human and Labour Rights Other - Sustainable Travel; Green Buildings Certifications
PIMCO - Absolute Return Bonds	152	>1,355	Environment - Climate Change Governance - Board, Management & Ownership Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Strategy/Purpose
Townsend - Real Estate Alpha Fund III	>5	>100	Environment - Energy Savings and Eco Material Usage
Walter Scott - Global Equity Fund	4	15	Environment - Climate Change; Carbon Footprint Governance - Remuneration; Leadership/Board Independence

Source: Managers.

* Indicates number of engagements across Barings Public Fixed Income Platform (i.e. not fund specific).

Data limitations

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

- Barings provided the number of engagements across its Public Fixed Income Platform rather than the separate mandates.
- ICG Longbow provided firm level engagement information but did not provide any information on a fund level.
- Townsend did not provide much information on engagement themes both at firm level and fund level.

This report does not include commentary on certain asset classes such as liability driven investments 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 Example

In the table below is an example of a significant vote as provided by Walter Scott. 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 example below, in the manager's own words:

Walter Scott - Global Equity Fund	Company name	O'Reilly Automotive
	Date of vote	18 May 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.1%
	Summary of the resolution	Require Independent Board Chair
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	The board has discretion to select a temporary chairman, we consider an Independent Board Chair to be best practice
	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?	All significant votes are reviewed and approved by the Proxy Voting and Engagement Group. Any potential learnings from our significant votes are then taken into account for periodic reviews of our Proxy Voting Policy.
	On which criteria have you assessed this vote to be "most significant"?	Vote against management

Source: Manager.