

CELLTECH PENSION AND LIFE ASSURANCE SCHEME

APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

The Engagement Policy Implementation Statement (‘EPIS’) has been prepared by Celltech Pension Trustees Limited (the ‘Trustee’), as Trustee of the Scheme, and covers the Scheme year 1 October 2023 to 30 September 2024.

The EPIS has been prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Introduction

The purpose of the EPIS is for us, the Trustee of the Celltech Pension and Life Assurance Scheme, to explain what we have done during the year ended 30 September 2024 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, and the activities completed by our managers align with our stewardship expectations.

We delegate the management of some of the Scheme’s assets to our fiduciary manager, Aon Investments Limited (‘Aon’). We believe the activities completed by our fiduciary manager to review the underlying managers’ voting and engagement policies, and activities align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

Where management is not delegated to our fiduciary manager, we monitor the stewardship activities of the relevant managers through our investment adviser.

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How voting and engagement policies have been followed

The Scheme is invested in pooled funds for the majority of the Growth assets with Aon Investments Limited and Legal & General Investment Management, and a segregated mandate with Schroders which contains the hedging (or Liability Driven Investment) assets (consisting of leveraged UK Government bonds, called Gilts, and Cash) assets and some global synthetic equities which have a protection overlay (using Derivatives). The Gilts and equity derivatives in the Schroders segregated mandate do not carry voting rights and there is limited scope for engagement with these assets. In terms of the Growth assets, the responsibility for voting and 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, including those underlying the AIL pooled funds, carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and 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. In particular, we received quarterly ESG ratings from our investment adviser for the funds the Scheme is invested in, where available.

The Scheme’s stewardship policy can be found in the SIP: <https://pensioninformation.aon.com/celltech/documents.aspx>

We will continue to meet and discuss responsible investment matters with our investment adviser and investment managers, as required, to ensure they are using their resources to effectively influence positive outcomes in our relevant funds.

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

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Our fiduciary manager’s engagement activity

We invest some of the Scheme's assets in Aon's Managed Growth Strategy and Low Risk Bonds Strategy. These are fund of funds arrangements, where 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.

During the Scheme year, Aon continued to work to implement its commitment 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). This included the production of net zero implementation plans by Aon’s portfolio managers and the publication of their first Aon Investments Limited TCFD Entity report, which outlines the steps they will take to manage climate-related risks and opportunities.

Aon is a current signatory to the UK Stewardship Code, which is a voluntary code established by the Financial Reporting Council that sets high standards on stewardship for asset owners, investment managers and service providers.

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 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. 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 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

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Voting statistics

The table below shows the voting statistics for each of the Scheme’s material funds with voting rights for the year to 30 September 2024 - this includes Legal & General Investment Management (LGIM) and UBS (which is a manager in the AIL Managed Growth Fund).

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM – Multi-Factor Equity Fund (Hedged & Unhedged)	11,623	99.6%	20.8%	0.4%
UBS Global Asset Management ('UBS') - Global Equity Climate Transition Fund*	12,185	93.2%	8.1%	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. *Invested via AIL Managed Growth Fund

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.

Use of proxy voting advisers (continued)

Managers	Description of use of proxy voting advisers (in the managers’ 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.
UBS*	UBS Asset Management retains the services of ISS for the physical exercise of voting rights and for supporting voting research. UBS retains full discretion when determining how to vote at shareholder meetings.

Source: Managers.

*Invested via AIL Managed Growth Fund

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, which includes funds underlying the AIL Managed Growth and Low Risk Bond funds.

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.

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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. 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 level
	Fund level	Firm level	
LGIM – Multi-Factor Equity Fund296 (Hedged & Unhedged)		2,500	Environment - Climate Impact Pledge; Climate Change, Circular Economy and Deforestation Social - Gender Diversity, Income Inequality, Human Rights Governance - Remuneration; Board Composition, Combined Chair & CEO.
UBS – Global Equity Climate Transition Fund**	183	471	Environment - Climate Change, Pollution, Waste Social - Human Capital Management, Inequality, Public Health Governance - Remuneration; Board effectiveness - Independence/Oversight, Shareholder Rights, Inequality Strategy, Financial & Reporting - Capital Allocation
Abrdn – Climate Transition Bond Fund***	101	2,008	Other - Climate; Environment; Corporate Governance; Labour Management; Corporate Behaviour
Aegon Asset Management ('Aegon') – European Asset Backed Securities Fund***	127	528	Environment - Climate Change Governance - Board effectiveness - Diversity; Leadership - Chair/CEO; Remuneration Other - General Disclosure
Robeco - Sustainable Development Goals ('SDG') Credit Income Fund**	17	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Board effectiveness - Other Other - SDG Engagement
Royal London Asset Management ('RLAM') – Absolute Return Government Bond Fund***	24	667	Environment - Climate Transition Risk Social - Just Transition; Financial Inclusion; Human and Labour Rights Strategy, Financial & Reporting - Strategy/Purpose

Source: Managers.

*Abrdn stated that they do not split their engagements into the specific categories above however they provided sufficient examples of engagements that fall into the categories of Environmental, Social and Governance themes.

Invested vi AIL Managed Growth Fund *Invested via AIL Low Risk Bonds Fund

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Data limitations

At the time of writing, LGIM did provide a comprehensive list of fund-level engagements but not in the industry standard ICSWG template. We will, via our investment adviser, encourage them to complete the provided ICSWG template for future reporting.

This report does not include commentary on certain asset classes such as those contained in the segregated mandate, including UK Gilts (including Index Linked Gilts), Cash, or Equity Derivatives because of the lack of voting rights and 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, in the managers own words:

LGIM - Multi-Factor Equity Fund (Hedged & Unhedged)	Company name	Wells Fargo & Company
	Date of vote	30 April 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.5
	Summary of the resolution	Resolution 7: Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Labour rights: A vote in favour is applied as LGIM supports proposals that are set to improve human rights standards and employee policies because we consider this issue to be a material risk to companies.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market- level progress.
	On which criteria have you assessed this vote to be most significant?	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

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Appendix – Significant Voting Examples (continued)

UBS – Global Equity Climate Transition Fund	Company name	Orica Ltd.
	Date of vote	13 December 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	Not provided
	Summary of the resolution	Approve Advisory Vote on Climate Action Report
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	The proposal would further enable shareholders to determine the strength of company policy, strategy and actions in regard to climate change.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We are not planning future steps in regard to the outcome, as the scheme was approved by a majority of shareholders.
	On which criteria have you assessed this vote to be most significant?	92% of shareholders voted in support of the proposal.

Source: Managers