

Engagement Policy Implementation Statement (“EPIS”)

Kuwait Petroleum Corporation Retirement Benefits Scheme for UK Locally Employed Staff (the “Scheme”)

Scheme Year End – 31 March 2024

The purpose of the EPIS is for us, the Trustees of the Kuwait Petroleum Corporation Retirement Benefits Scheme for UK Locally Employed Staff, to explain what we have done during the year ending 31 March 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 funds 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 believe the activities completed by our fund of funds managers Aon Investments Limited (“Aon”) and Russell Investments Group (“Russell”), to review the underlying managers’ voting and engagement policies, and activities, align with our stewardship expectations. We also believe our voting rights have been implemented effectively on our behalf.

Our engagement plan over the next 12 months will involve meeting with our investment managers, Aon Investments Limited, Russell Investment Group, Legal & General and Schroders, to continue to understand their voting practices and results, as well as their engagement with underlying managers and companies.

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 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 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.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustees by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required.

The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Manager engagement

We endeavour to meet with the 'Scheme's managers on an annual basis. In early 2024 we met with Aon Investments Limited ("AIL"), Russell Investments ("Russell"), Legal and General ("LGIM"), and Schroders. The managers provided an update on their respective funds as well as ESG considerations which are central to the Scheme's ESG policy as specified in the Statement of Investment Principles. The managers were able to provide specific examples of engagement activity relating to ESG.

The Scheme's stewardship policy can be found in the SIP:
<https://pensioninformation.aon.com/kuwait/>.

The Trustees' 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. Whilst LGIM provided a comprehensive list on fund-level engagements, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which we are invested, as per the Investment Consultants Sustainability Working Group ("ICSWG") best

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 and 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.

practice industry standard. Aon will continue to meet with LGIM to better understand its engagement practices.

2. Schroders did not provide fund-level engagement data for the UK Property Fund. Schroders stated that property managers are responsible for the day-to-day relationship with tenants and therefore difficult to quantify.

Whilst we acknowledge that engagement for property managers may be different to that of other asset classes, we still expect our manager to engage (where appropriate) and be able to report on its activity. Aon will remind Schroders of this expectation.

3. We will meet with our investment managers AIL and Russell to get a better understanding of how they are monitoring voting practices and engaging with underlying managers on our behalf, and how these help us fulfil our Responsible Investment policies.

Our investment managers' engagement activity

We invest some of the Scheme's assets in Aon's Managed Growth Strategy and Russell's Multi-Asset Growth Fund. These are fund of funds arrangements, where the investment managers select the underlying funds on our behalf. We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon and Russell.

We have reviewed the latest annual Stewardship Report from each of our investment managers and we believe it shows that they are using their resources to effectively influence positive outcomes in the funds in which they invest.

Aon's engagement

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.

During 2023, 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).

Aon also successfully renewed its signatory status 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.

Russell's engagement

Over 2023, Russell undertook numerous engagements. These focussed on natural capital management, climate change resilience, human capital, diversity & inclusion, board composition & accountability, and executive compensation.

Russell leverages third-party engagement initiatives to extend its reach across regions and markets. In 2023, Russell utilised Sustainalytics' engagement offering alongside its memberships with the Climate Action 100+ initiative, Net Zero Engagement Initiative ("NZEI"), and Nature Action 100 initiative.

Having committed to achieve net zero emissions by 2050 for its investment portfolio, Russell's activity has focused on:

- performing due diligence on target setting methodologies;
- continuously raising knowledge across teams through regular climate training;
- building capabilities for tracking progress against climate targets; and
- defining its approach for determining whether portfolios are aligned to a net zero by 2050 objective.

Russell is a signatory to the UK Stewardship Code and the Principles of Responsible Investment.

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. 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.

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
In Aon's Managed Growth Strategy:				
Legal & General Investment Management ("LGIM") – Multi-Factor Equity Fund	12,190	99.8%	21.1%	0.2%
UBS Global Asset Management ("UBS") – Global Emerging Markets Equity Climate Transition Fund	1,653	85.6%	20.7%	0.1%
UBS – Global Equity Climate Transition Fund	12,343	95.0%	12.4%	0.1%
Russell – Multi-Asset Growth Fund	13,580	95.0%	9.0%	0.0%

Source: Investment 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 adviser(s) (in the managers' own words)
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services ("ISS")'s '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.

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.

	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 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.
Russell	Russell Investments has documented Proxy Voting Policies and Procedures and maintains and develops custom Proxy Voting Guidelines. The Proxy Voting Committee and Proxy Voting Guideline Subcommittee meet regularly to ensure that our Proxy Voting Guidelines are aligned with current best practices regarding voting on ESG issues. An external service provider, Glass Lewis, serves as our proxy administrator and is responsible for applying our custom Guidelines when executing proxy votes.

Source: Investment 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.

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	
In Aon’s Managed Growth Strategy:			
LGIM – Multi-Factor Equity Fund	296	2,500	Environment - Climate Impact Pledge; Climate Change Social - Gender Diversity Governance - Remuneration; Board Composition
UBS – Global Emerging Markets Equity Climate Transition Fund	28	471	Environment - Climate Change Social - Human and Labour Rights; Human Capital Management Governance – Remuneration Strategy, Financial & Reporting - Capital Allocation
UBS – Global Equity Climate Transition Fund	183	471	Environment - Climate Change Social - Human Capital Management Governance - Remuneration; Brd Eff. - Independence/Oversight Strategy, Financial & Reporting - Capital Allocation
Abrdn – Climate Transition Bond Fund	101	2,008	Other - Climate; Environment; Corporate Governance; Labour Management; Corporate Behaviour
Aegon – European Asset Backed Securities (“ABS”) 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
LGIM – Active Corporate Bond Fund	62	2,500	Environment - Climate Change Governance - Remuneration; Board Composition; Nominations & Succession Other - Corporate Strategy
Russell – Multi-Asset Growth Fund	424	1,124	Environment - Natural Resource Use/Impact; Climate Change Social - Human Capital Management Governance - Remuneration Other - ESG Disclosure, UNGC Comp
Schroders – UK Property Fund*	Not provided	6,724	Environment - Decarbonising; Deforestation; Climate Risk, Oversight Governance - Boards and Management; Corporate Culture

Source: Investment Managers. *Schroders 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 we requested:

- LGIM did provide fund-level engagement information, but not in the industry standard Investment Consultants Sustainability Working Group (“ICSWG”) template.
- Schroders did not provide fund-level engagement data.

This report does not include commentary on the Scheme’s liability driven investments or cash 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	Apple Inc.
	Date of vote	28-Feb-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	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy
	How you voted?	Votes against 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 Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in Equal Employment Opportunity ("EEO") policies does not appear to be a standard industry practice.
	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?	Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
UBS – Global Emerging Markets Equity Climate Transition Fund	Company name	Ganfeng Lithium Group Co. Ltd.
	Date of vote	30-Nov-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Approve Adoption of the 2023 Employee Stock Ownership Plan
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Full details for the plan and associated proposals have not been disclosed.
	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.

UBS – Global Equity Climate Transition Fund	On which criteria have you assessed this vote to be most significant?	36% of shareholders voted against the plan and associated proposals.
	Company name	The Boeing Company
	Date of vote	18-Apr-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Report on Climate Lobbying
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Company not advised prior to meeting
	Rationale for the voting decision	The proposal would further enable shareholders to determine the strength of company policy, strategy and actions in regards to climate change.
	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?	Following the significant support for this proposal we shall be monitoring the next steps from the company.
	On which criteria have you assessed this vote to be most significant?	40% of votes cast were in support of this shareholder proposal.
Russell – Multi-Asset Growth Fund	Company name	Amazon.com Inc.
	Date of vote	24-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.0%
	Summary of the resolution	Shareholder Proposal Regarding Report on Working Conditions
	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	Section I.2.I. Shareholder Proposal related to Environment and Social issues will be referred for a case-by-case vote.
	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?	The Company's current efforts are not enough to stop continued high rates of worker injuries. Since the Company's policies and procedures evidence non-effectiveness, the proponents request for an independent audit report seems not only reasonable but most certainly in the best interests of shareholders. 35% of shareholders supported this proposal.
	On which criteria have you assessed this vote to be most significant?	Top Holding, Controversial Outcome, Vote Against Management, Social Shareholder Proposal.

Source: Investment Managers