

# Engagement Policy Implementation Statement (“EPIS”)

## Milk Pension Fund (the “Fund”)

Fund Year End – 31 March 2024

The purpose of the EPIS is for us, the Trustee of the Milk Pension Fund, 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 Fund’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 Fund’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.

## How voting and engagement policies have been followed

The Fund is invested mainly in pooled funds, and so the responsibility for voting and engagement is delegated to the Fund'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 Fund 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 Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon").

During the year, we received training on the updated guidance published by the DWP in relation to how it expects trustees to approach stewardship. Although there were no new requirements, this training allowed us to review our current position. This resulted in changes being made to the Fund's stewardship policy outlined in the SIP.

The Fund's stewardship policy can be found in the SIP: : [Milk Pension Fund \(aon.com\)](https://www.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. LGIM and BlackRock provided a comprehensive list of fund-level engagements, which we find encouraging, but these examples did not give as much detail as required by industry standard request template. They also did not provide firm-level engagement information. Our investment adviser, Aon, will continue to engage with these managers to encourage better reporting.
2. When we invite an investment manager to a meeting, we will discuss voting and engagement practices and how these are implemented in practice.

### 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 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 Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

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

### Voting statistics

The table below shows the voting statistics for each of the Fund'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
BlackRock - Dynamic Diversified Growth Fund	7,308	94.0%	3.7%	1.5%
Legal & General Investment Management ("LGIM") - RAFI Developed Multi-Factor Equity Fund	32,458	99.9%	23.1%	0.2%
LGIM - Dynamic Diversified Fund	98,900	99.8%	23.1%	0.2%

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 main managers describe their use of proxy voting as follows.

Managers	Description of use of proxy voting adviser(s) (in the managers' own words)
BlackRock	We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.
LGIM	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to vote electronically 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.

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 our behalf, we asked the Fund's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Fund's funds. A sample of these significant votes can be found in the appendix.

## 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 Fund'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 Fund.

Funds	Number of engagements		Themes engaged on at a fund/ firm level
	Fund level	Firm level	
BlackRock - Dynamic Diversified Growth Fund	414	3,768	Governance - Remuneration; Board composition & Effectiveness; Corporate Strategy; Business Oversight Environment - Climate Risk Management
Hayfin - Direct Lending Fund III	26	20	Social - Human Capital Management; Inequality; Conduct, Culture and Ethics Environment - Climate Change; Pollution, Waste
LGIM - RAFI Developed Multi-Factor Equity Fund	612	2,500	Other - Corporate Strategy Environment - Climate Impact Pledge; Climate Change
LGIM - UK Buy and Maintain Credit	154	2,500	Governance - Remuneration; Board Composition; Nominations & Succession Environment - Climate Change; Climate Impact Pledge
LGIM - Dynamic Diversified Fund	1,911	2,500	Governance - Remuneration Social - Ethnic Diversity Environment - Climate Impact Pledge; Climate Change; Deforestation
PIMCO - Diversified Income Fund Duration Hedged	204	1,355	Governance - Board effectiveness - Diversity; Board effectiveness - Independence/Oversight; Board effectiveness - Other; Leadership - Chair/CEO Environment - Climate Change
Schroders Property - Segregated Multi Manager and Real Income Fund	86	6,724	Environment - Climate Change; Pollution, Waste Strategy, Financial and Reporting - Strategy/purpose; Capital allocation; Financial performance

Source: Managers.

## Data limitations

At the time of writing, LGIM and BlackRock provided comprehensive lists of their fund-level engagements, which we find encouraging, but these examples did not give as much detail as required in the industry standard data request template.

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions (“AVCs”) because of the relatively small proportion of the Fund’s assets that are held as AVCs.

## Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Fund'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:

<b>BlackRock - Dynamic Diversified Growth Fund</b>	<b>Company name</b>	Broadcom Inc.
	<b>Date of vote</b>	03 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>	Advisory Vote to Ratify Named Executive Officers' Compensation
	<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>	We endeavour 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.
	<b>Rationale for the voting decision</b>	Pay is not aligned with performance and peers.
	<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>	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.
	<b>On which criteria have you assessed this vote to be most significant?</b>	BIS did not support Broadcom's say-on-pay proposal which sought approval of pay policies that we did not consider to be aligned with the interests of long-term shareholders. We remained concerned about the disproportionate focus on short-term goals and the insufficient transparency in relation to compensation.
<b>LGIM - RAFI Developed Multi-Factor Equity Fund</b>	<b>Company name</b>	Glencore Plc
	<b>Date of vote</b>	25 May 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.2
	<b>Summary of the resolution</b>	Shareholder resolution "Resolution in Respect of the Next Climate Action Transition Plan"
	<b>How you voted?</b>	Votes supporting resolution

LGIM - Dynamic Diversified Fund	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting.
	<b>Rationale for the voting decision</b>	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition.
	<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 Engagement: LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change.
	<b>Company name</b>	Public Storage
	<b>Date of vote</b>	2 May 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.2
	<b>Summary of the resolution</b>	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal
	<b>How you voted?</b>	Votes for resolution
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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.
	<b>Rationale for the voting decision</b>	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
	<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 monitor the board's response to the relatively high level of support received for this resolution.
	<b>On which criteria have you assessed this vote to be most significant?</b>	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Source: Managers