

# Engagement Policy Implementation Statement (“EPIS”)

## Milk Pension Fund (the “Fund”)

### Fund Year End – 31 March 2025

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 2025 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 activities 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.

We delegate the management of some of the Fund’s assets to Aon Investments Limited (“AIL”). We believe the activities completed by AIL 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.

## How voting and engagement policies have been followed

The Fund is invested mostly in pooled funds and in a segregated mandate, 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").

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. Whilst L&G provided all information required, there were some issues with the way in which this was reported in comparison to industry peers. We will engage with the manager via AIL in order to encourage better transparency and reporting practices going forwards.
2. When we invite an investment manager, including AIL, to a meeting we will discuss voting and engagement practices, and how these help us fulfil our Responsible Investment policies.

## 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.

*Source: UN PRI*

## AIL's engagement activity

We invest some of the Fund's assets in AIL's Managed Growth Strategy. This is a fund of funds arrangement, where AIL selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to AIL. We have reviewed AIL's latest annual Stewardship Report and we believe 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 strategies. AIL discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. AIL 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 engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

AIL has a net zero commitment to deliver UK delegated investment portfolios and default strategies which have a net zero carbon emissions profile by 2050.

AIL also successfully renewed its signatory status to the 2020 UK Stewardship Code, a set of high stewardship standards for asset owners and asset managers which is maintained and assessed by the Financial Reporting Council.

## 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 responsibly exercise 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 2025.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Legal and General Asset Management ("L&G") - Multi-Factor Equity Fund <sup>1</sup>	11,446	99.8%	20.8%	0.4%
UBS Global Asset Management ("UBS") - Global Equity Climate Transition Fund <sup>1</sup>	12,234	93.0%	8.1%	0.1%

Source: Investment managers. Notes: (1) Underlying fund within AIL's Managed Growth Strategy. 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 Fund's material investment managers use proxy voting advisers.

Managers	Description of use of proxy voting adviser(s) (in the managers' own words)
L&G	L&G's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G 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: Investment 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 investment 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	
Aberdeen - Climate Transition Bond Fund <sup>1</sup>	104	1,868	Environment - Climate; Other Environment Related Social - Human Rights & Stakeholders; Labour Management Governance - Corporate Governance; Corporate Behaviour
Aegon Asset Management ("Aegon") - European Asset Backed Securities ("ABS") Fund <sup>1</sup>	115	422	Environment - Climate Change Social - Human and Labour Rights; Public Health Governance - Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting) Other - General Disclosure
Robeco - Credit Income Fund <sup>1</sup>	12	324	Environment - Climate Change Social - Human and Labour Rights Governance - Shareholder Rights; Board Effectiveness - Other
L&G - Multi-Factor Equity Fund <sup>1</sup>	682	4,399	Environment - Climate Impact Pledge; Climate Change Social - Human Rights; Gender Diversity Governance - Capital Management; Remuneration Other - Corporate Strategy
UBS - Global Equity Climate Transition Fund <sup>1</sup>	174	425	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Remuneration; Board Effectiveness - Other; Leadership - Chair/CEO Strategy, Financial & Reporting - Capital Allocation
Hayfin - Direct Lending Fund III	1	20	Environment - Climate Change Governance - Ethics and Compliance
L&G - UK Buy and Maintain Credit Fund	383	4,399	Environment - Climate Impact Pledge; Climate Change Social - Human Rights Governance - Capital Management; Remuneration Other - Corporate Strategy
Schroders – Segregated Property Multi-Manager Fund	11	4,713	Environment - Climate Change; Pollution, Waste Social - Human Capital Management Governance - Shareholder Rights Strategy, Financial & Reporting - Reporting; Strategy/Purpose

Source: Investment managers. Notes: (1) Underlying fund within AIL's Managed Growth Strategy.

## Data limitations

At the time of writing, L&G has provided firm level engagement information, however, the reporting methodology for the number of engagements is out of line with what we view as industry best practice and as compared to peers.

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 investment 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:

<b>L&amp;G - Multi-Factor Equity Fund</b>	<b>Company name</b>	Wells Fargo & Company
	<b>Date of vote</b>	30 April 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.5%
	<b>Summary of the resolution</b>	Resolution 7: Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining Rights
	<b>How you voted?</b>	L&G voted supporting resolution
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. Our policy is 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 - Labour rights: A vote in favour is applied as L&G 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.
	<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>	L&G will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	<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.
<b>UBS - Global Equity Climate Transition Fund</b>	<b>Company name</b>	Bank of America Corporation
	<b>Date of vote</b>	24 April 2024
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	<i>Not provided</i>
	<b>Summary of the resolution</b>	Report on Clean Energy Supply Financing Ratio
	<b>How you voted?</b>	UBS voted supporting 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>	UBS will support proposals that seek to promote greater disclosure and transparency in corporate environmental policies as long as: a) the issues are not already effectively dealt with through legislation or regulation; b) the company has not already responded in a sufficient manner; and c) the proposal is not unduly burdensome or overly prescriptive.
	<b>Outcome of the vote</b>	Fail

**Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?**

Given strong shareholder support, UBS shall monitor further developments.

**On which criteria have you assessed this vote to be most significant?**

Aggregate percentage of votes in support of resolution exceeded 25% of votes cast.

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*Source: Investment managers*