

Samuel Smith Southern Retirement Benefits Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 September 2023

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees has been followed during the year to 30 September 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended, and the guidance published by the Pensions Regulator.

Trustees' Investment Objective

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all financially relevant factors in making investment decisions on behalf of the Scheme. However, they may also consider any non-financial factors, for example the views of members.

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated appropriately.

The Scheme's SIP includes the Trustees' policies on ESG factors, stewardship and climate change and the Trustees keep these policies under regular review. The SIP has not been changed over the Scheme Year and the SIP dated 30 September 2020 remained in force over the year.

A copy of the latest SIP is available at the following link:

<https://v3.merceroneview.co.uk/SSSRBS/pensions>

The Trustees recognise that the Scheme's assets are invested on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change. Nonetheless, the Trustees can confirm that they have acted in accordance with the SIP in relation to voting and engagement activities over the year under review.

Scheme's Investment Structure

The Scheme's only investment is a Trustee Investment Policy (TIP) with Mobius Life Limited ("Mobius"). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

All the underlying funds are managed by Legal & General Investment Management (LGIM), which are accessed through the Mobius platform. As such, the Trustees do not have a direct relationship with LGIM. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Trustees' Engagement

Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Scheme is invested. These scores reflect Mercer's view on how the LGIM incorporates ESG factors into the management of its funds and help the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees monitor the development of these scores over time, and also consider Mercer's ESG scores when undertaking an investment strategy review and considering new investment funds, as was done when the investment strategy was revised.

The Trustees are satisfied that Mercer's ESG scores for the funds invested in are satisfactory in the context of the mandates of the funds and note Mercer's view that LGIM is market leading on ESG issues amongst passive investment managers.

As the Trustees have no direct relationship with the LGIM, engagement initiatives are driven by LGIM, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

The Trustees take reassurance from the information in the Appendix that LGIM engaged with a large number of investee companies on a wide range of issues.

Further information on LGIM's approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following link: <https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

The Trustees note that LGIM has been a signatory of the UK Stewardship Code since 2021 (source FRC website).

Taking all the above into consideration, the Trustees are satisfied that responsible investment and engagement with the investee companies is embedded in LGIM's approach to investing as far as is appropriate given the passive nature of the funds held.

Voting Activity

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, they will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's members.

Over the Scheme year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

As noted earlier, the Scheme has no direct relationship with LGIM, and invests solely in pooled funds through the Mobius platform. Therefore the Trustees have no voting rights in relation to the Scheme's underlying investments and no direct ability to influence LGIM. As a result, the Trustees do not directly use the services of a proxy voter as this is not relevant.

Nevertheless, the Appendix sets out a summary, of key voting activity for the pooled funds in which the Scheme is invested.

The DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" to be adopted in all Engagement Policy Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

- A significant vote is defined as one that is linked to the Scheme's stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;
- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustees have identified that climate change & carbon neutrality is their most important stewardship priority. The significant votes shown in this statement relate to this.

The Appendix sets out a summary of the key voting activity over the financial year of the pooled funds in which the Scheme's assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

It shows those significant votes supplied by the investment manager which the Trustees determine to be a significant vote – i.e. those that are in relation to climate change & carbon neutrality. Given the number of significant votes supplied, the Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.25% or more of the specific fund.

Again, the Trustees have no direct ability to influence LGIM, but are satisfied that the approach taken by LGIM to determine a significant vote is appropriate. Information on this is included in the Appendix.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will continue to take on board industry activity in this area before the production of next year's statement.

Summary

Taking into consideration the information in this Statement, the Trustees are satisfied that the voting and engagement policies set out in the SIP have been followed over the Scheme year.

Appendix: Summary of Voting and Engagement Activity

Engagement activity

This table sets out a summary of the key voting and engagement activity of the pooled funds in which the Scheme's assets are ultimately invested.

Fund	Total Engagements	Climate Change Engagements
L&G Life N UK Equity Index Fund	371	51
L&G Life DB World Equity Index Fund	851	136
L&G Life EB Investment Grade Corporate Bond All Stocks Index Fund	219	63
L&G Life AA All Stocks Gilts Index Fund	24	17
L&G Life AP Over 5 Year Index-Linked Gilts Index Fund	-	-

Sourced by Mobius from the investment manager

Voting

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and LGIM does not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. This approach enables LGIM to vote widely across their investee companies, without outsourcing strategic voting decisions.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation. This includes, but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;

- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

A summary of the voting undertaken over the year to 30 September 2023 is provided below.

LGIM – World Equity Index Fund

- LGIM was eligible to vote in 2,980 meetings. In these meetings, LGIM was eligible to vote on 37,361 resolutions.
- LGIM participated in 99.91% of the resolutions. In 79.00% of these votes, LGIM voted with management, while voting against on 20.86% of the resolutions and abstaining or withholding 0.14% of the time.

The table below sets out those significant votes provided by LGIM which the Trustees also consider to be significant. These are all determined to be significant by the Trustees because they relate to climate change and carbon neutrality and the holding constitutes more than 0.25% of the fund.

Holding details	Resolution details	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote
Chevron Corporation Approximate size of holding as at date of the vote: 0.50%	Summary of resolution: Elect Director Michael K. (Mike) Wirth Date of vote: 31/05/2023	Against (against management recommendation)	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. LGIM will continue to engage with the company and monitor progress. 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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	The resolution passed.
Broadcom Inc. Approximate size of holding as at date of the vote: 0.45%	Summary of resolution: Elect Director Henry Samueli Date of vote: 03/04/2023	Against (against management recommendation)	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. LGIM will continue to engage with the company and monitor progress. 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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.	The resolution passed.

<p>Shell Plc</p> <p>Approximate size of holding as at date of the vote:</p> <p>0.35%</p>	<p>Summary of resolution:</p> <p>Approve the Shell Energy Transition Progress</p> <p>Date of vote:</p> <p>23/05/2023</p>	<p>Against (against management recommendation)</p>	<p>Climate change: A vote against is applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p> <p>LGIM continues to undertake extensive engagement with Shell on its climate transition plans</p> <p>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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.</p>	<p>The resolution passed.</p>
<p>Toyota Motor Corp.</p> <p>Approximate size of holding as at date of the vote:</p> <p>0.29%</p>	<p>Summary of resolution:</p> <p>Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement</p> <p>Date of vote:</p> <p>14/06/2023</p>	<p>For (Against Management Recommendation)</p>	<p>LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p>LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.</p>	<p>The resolution failed.</p>
<p>Exxon Mobil Corporation</p> <p>Approximate size of holding as at date of the vote:</p> <p>0.73%</p>	<p>Summary of resolution:</p> <p>Shareholder resolution calling for a Report on Asset Retirement Obligations Under IEA Net Zero Emissions Scenario</p> <p>Date of vote:</p> <p>31/05/2023</p>	<p>For (Against Management Recommendation)</p>	<p>Together with CBIS, LGIMA has co-filed a shareholder resolution asking for more transparency on the retirement costs of Exxon's asset base. In LGIM's view, this is a highly relevant and financially material matter, and by filing this proposal they are seeking greater clarity into the potential costs Exxon may incur in the event of an accelerated energy transition.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p>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.</p>	<p>The resolution failed.</p>
<p>JPMorgan Chase & Co.</p>	<p>Summary of resolution:</p> <p>Shareholder resolution to report on Climate Transition</p>	<p>For (Against Management Recommendation)</p>	<p>LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market</p>	<p>The resolution failed.</p>

<p>Approximate size of holding as at date of the vote:</p> <p>0.70%</p>	<p>Plan Describing Efforts to Align Financing Activities with GHG Targets</p> <p>Date of vote:</p> <p>16/05/2023</p>		<p>(the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p>LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.</p>	
<p>Wells Fargo & Company</p> <p>Approximate size of holding as at date of the vote:</p> <p>0.26%</p>	<p>Summary of resolution:</p> <p>Shareholder resolution to Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets</p> <p>Date of vote:</p> <p>25/04/2023</p>	<p>For (Against Management Recommendation)</p>	<p>LGIM generally supports resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p>LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.</p>	<p>The resolution failed.</p>

LGIM – UK Equity Index Fund

- LGIM was eligible to vote in 660 meetings. In these meetings, LGIM was eligible to vote on 10,239 resolutions.
- LGIM participated in 99.98% of the resolutions for which it was eligible. In 94.30% of these votes, LGIM voted for management, whilst voting against on 5.70% of the resolutions and abstaining or withholding 0.00% of the time.

The table below sets out those significant votes provided by LGIM which the Trustees also consider to be significant. These are all determined to be significant by the Trustees because they relate to climate change and carbon neutrality and the holding constitutes more than 0.25% of the fund.

Holding details	Resolution details	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote
<p>Shell Plc</p>	<p>Summary of resolution:</p>	<p>Against (against management recommendation)</p>	<p>A vote against is applied, though not without reservations. LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the</p>	<p>The resolution passed.</p>

<p>Approximate size of holding as at date of the vote: 6.96%</p>	<p>Approve the Shell Energy Transition Progress</p> <p>Date of vote: 23/05/2023</p>		<p>upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p> <p>LGIM continues to undertake extensive engagement with Shell on its climate transition plans.</p> <p>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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.</p>	
<p>BP Plc</p> <p>Approximate size of holding as at date of the vote: 3.82%</p>	<p>Summary of resolution: Re-elect Helge Lund as Director</p> <p>Date of vote: 27/04/2023</p>	<p>Against (against management recommendation)</p>	<p>A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM notes concerns around the governance processes leading to the decision to implement such amendments.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p>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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.</p>	<p>The resolution passed.</p>
<p>SSE Plc</p> <p>Approximate size of holding as at date of the vote: 0.85%</p>	<p>Summary of resolution: Approve Net Zero Transition Report</p> <p>Date of vote: 20/07/2023</p>	<p>For (in line with management recommendation)</p>	<p>A vote FOR 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.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p>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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.</p>	<p>The resolution passed.</p>
<p>Aviva Plc</p> <p>Approximate size of holding as at date of the vote: 0.48%</p>	<p>Summary of resolution: Approve Climate-Related Financial Disclosure</p> <p>Date of vote: 04/05/2023</p>	<p>For (in line with management recommendation)</p>	<p>A vote FOR is warranted, having reviewed the disclosures LGIM considers the report is aligned with LGIM's climate expectations.</p> <p>LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.</p> <p>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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.</p>	<p>The resolution passed.</p>

Note: The information in the tables above has been provided by the LGIM and covers 12 months to 30 September 2023.