Engagement Policy Implementation Statement

Persimmon PLC Pension & Life Assurance Scheme

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement called an Engagement Policy Implementation Statement ("EPIS") which:

- Explains how and the extent to which the Trustee has followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").

- Describes the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and states any use of third party provider of proxy voting services.

The EPIS has been prepared by the Trustee and covers the Scheme year 1 January 2021 to 31 December 2021.

Executive summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that most of its investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year to 31 December 2021.

The full SIP can be found here: https://www.persimmonhomes.com/corporate/sustainability/policies-and-statements/pensions-governance/

- The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

- The Trustee regularly reviews the suitability of the Scheme's appointed fund managers and takes advice from its investment advisor with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed fund managers. If an incumbent asset manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager and seek a more sustainable position but may look to replace the fund manager.

- The Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's fund managers and ensure their fund managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

- The Trustee expects transparency from its fund managers on their voting and engagement activity. Where voting is concerned, the Trustee expects fund managers to, where relevant, provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action, the ultimate outcome and the processes for escalating unsuccessful engagements.

- From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders.

Scheme stewardship activity over the year

Training

In March 2021, the Persimmon Investment Committee received a training session from Aon's investment manager equity research team on the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance ('ESG') factors in investment decision making.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee 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.

The two funds that Aon does not buy-rate (Aon Investments Limited and Troy Asset Management) were still monitored closely over the year, as the Investment Committee reviewed additional voting and engagement activity information from those managers.

Manager Meetings

Over the year, the Investment Committee received presentations from a number of existing managers including Troy, whose presentation included updates on ESG integration, as well as information on its ESG fund, the Trojan Ethical Fund.

Manager Appointments

In November 2021, the Investment Committee received presentations from a number of potential managers for global listed infrastructure and global equity investments, which were under consideration by the Investment Committee. These presentations included information on the managers' respective stewardship programmes and ESG integration, which was considered by the Investment Committee as part of the manager selection process.

Voting and Engagement activity – Equity and multi-asset funds

Over the year, the Scheme was invested in the following funds which held equity exposure:

- Aon Investments Limited – Global Active Equity Fund
- Lindsell Train - UK Equity Fund
- Ninety One - 4factor Global Dynamic Equity Fund
- Epoch Investment Partners - Global Equity Shareholder Yield Fund
- Baillie Gifford & Co - Long Term Global Growth Fund
- Troy Asset Management - Troy Trojan Fund

All managers use the services of proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution.

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. Please see Appendix II for voting statistics for each strategy the Scheme is invested in. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal;
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting;
- a vote that is connected to wider engagement with the company involved;
- a vote that demonstrates clear and considered rationale;

The Trustee considers a significant vote as one which the voting manager deems to be significant.

Aon Investments Limited ("AIL")

The Trustee invests the Scheme's assets in a fund of fund arrangement with AIL. The voting and engagement activities of the most material funds held within this arrangement can be found in the Appendix I. The voting statistics for all underlying managers can be found in Appendix II.

AIL have undertaken a considerable amount of engagement activity over the period. AIL held several Environmental, Social and Governance ("ESG") specific "deep-dive" meetings during the reporting year. At these meetings, AIL discussed ESG integration, voting and engagement activities undertaken by the investment managers, allowing AIL to form opinions on each managers' relative strengths and areas for improvement. AIL have provided feedback to managers following these meetings with the goal of continuing to lift the standard of ESG integration across portfolios. AIL continues to execute on their ESG integration approach and engage with managers.

Aon Solutions UK Limited ("Aon") also actively engage with investment managers and this is used to support AIL in its fiduciary services.

In Q3 2021, Aon was confirmed as a signatory to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken on behalf of the Trustee by Aon and AIL.

<u>Engagement example:</u>

In May 2021, Aon's Engagement Programme ("EP") engaged with an underlying equity manager in which the Scheme is invested.

The manager has continued to progress its stewardship efforts. While still in the early beginnings of building out processes, Aon welcomes the work being done. Currently, the manager offers only limited transparency as regards to its stewardship activities and intentions. However, Aon expects this to improve with the launch of its sustainable website pages which will showcase its engagement activities and hopefully make public its responsible investment policies.

Reporting of stewardship actions on a granular basis remains a challenge for the industry. The manager currently reports on aggregated voting statistics and is aware of the need to report on a more granular basis in order to furnish clients with more decision useful material.

Aon plans to have more discussion around the manager's approach to deciding what constitutes a significant vote in the next engagements.

Lindsell Train

Voting

Lindsell Train utilises the proxy voting services of Glass Lewis. It will give consideration to Glass Lewis' own voting recommendations but will not necessarily support them if they are not in the best interests of its clients. Lindsell Train maintains final decision-making responsibility for all votes, based on its detailed knowledge of the companies in which it invests. Lindsell Train will vote against any agenda item that threatens the economic value of its investments. Some of the areas of particular interest are inappropriate management remuneration or incentives, general corporate governance matters, environmental and social issues, changes in capital structure and mergers or acquisitions which are seen as detrimental to the creation of business value.

Voting example:

In May 2021, Lindsell Train abstained from a vote regarding executive compensation for the company Mondelez. When considering executive compensation, Lindsell Train assesses companies' compensation policies and focuses more on how incentives are structured rather than the actual amount of compensation. It can be comfortable with large rewards provided that the incentives are aligned with shareholders' interests and Lindsell Train's principles.

In this case, Lindsell Train abstained its vote because it does not believe the company's compensation policy is aligned with the long-term interests of shareholders. Lindsell Train recognises the significant effort that Mondelez's management made throughout the past two years in explaining its rationale for its compensation policies.

Engagement

More than 90% of Lindsell Train's engagement activities are with corporates, but it has also engaged with regulators, the Financial Reporting Council ("FRC"), industry bodies, and Japan's Ministry of Economy, Trade and Industry ("METI"). The manager's focus is on encouraging positive change at issuer level, which it believes will ultimately result in positive change for the industry, market and planet. In 2021, it conducted 27 engagements with 17 companies on a product level.

Its engagement objectives can be broad. For example, it encourages corporate reporting in line with the Sustainability Accounting Standards Board ("SASB"), Task Force on Climate-Related Financial Disclosures ("TCFD"), and alignment with the Sustainable Development Goals ("SDGs"). The objectives may also relate to the success or failure of specific matters, upon which it would engage with management or the specific company.

If Lindsell Train does not believe that raising its concerns with companies through constructive dialogues is having the desired effect, it will, where appropriate and if possible, use its voting rights. As the manager's holdings in individual companies tend to be large, its votes often carry significant weight.

Engagement example:

Lindsell Train engaged with the management and investor relations of Yakult and several other companies throughout 2021. This was regarding their strategies to reduce the amount of plastic packaging, and improve their recycling practices, to protect the environment and specifically the oceans, to help achieve SDG 14 – Life Below Water.

With regards to Yakult, Lindsell Train had concerns that the company's progress in terms of its environmental policies had been slow, in particular its unambitious Green House Gas reduction targets, plastic recycling and water consumption reduction targets. It believes that if these problems are not addressed, the brand could be tarnished. Yakult was quick to respond to these concerns, with management conveying that climate change, reducing plastic packaging, and water-related issues are of enormous strategic importance. Yakult wanted to ensure that any areas of concern Lindsell Train had were properly addressed. Yakult went on to provide a detailed overview of its recycling infrastructure, as well as the various recycling techniques that are currently practiced. Lindsell train believes the company will face tough decisions in terms of the future of its production strategy and the material it uses to bottle its product. Lindsell Train will continue to monitor the company's actions closely.

Ninety One

Voting

Ninety One uses Institutional Shareholder Services ("ISS") to produce custom research reports only. These reports include vote recommendations (not instructions) that arise from applying Ninety One's voting guidelines. The vote decision is then reached by the relevant investment teams in accordance with the investment philosophy, supported by the Engagement and Voting team. Through this rigorous voting process, Ninety One can be certain voting decisions taken are in the best interest of its clients.

Some clients may have their own policy which differs from that of Ninety One – in this situation clients are expected to opt out of Ninety One's stewardship policy so that an alternative system can be put in place that accommodates the clients own guidelines. Ninety One publicly discloses its voting decisions on a quarterly basis on their website.

Voting example:

In November 2021, Ninety One voted in favour of a shareholder resolution put forward to the board of directors at Microsoft. This resolution urged the board to release a transparency report to shareholders assessing the effectiveness of the company's workplace sexual harassment policies. Ninety One voted in favour of this resolution because the company was facing controversies related to workplace sexual harassment and gender discrimination. Additional information on the company's sexual harassment policies and the implementation of these policies would help shareholders better assess how the company is addressing such risks. The majority of shareholders voted in favour of the resolution, and it was therefore passed.

Engagement

Investment teams at Ninety One initiate engagements based on their investment processes and priorities. The ESG team provides engagement advice and targets material ESG themes and specific holdings that are significant to Ninety One and its clients. The team is accountable to executive leadership through the Investment Governance Committee for policy implementation and engagement on a quarterly basis. Ninety One's engagements are broadly categorised into three areas:

- Strategic – to bring about change and enhance return.
- ESG communications – to improve information, reinforce voting rights and communicate voting decisions.
- Theme-based – to focus on specific themes to reduce risk, improve information and link to the manager's advocacy efforts.

Ninety One will seek to involve the media as a last resort if direct engagement with the board and management team has failed. Comments to the press will be through nominated spokespeople, recognising that the manager will not always have the opportunity to ensure that its viewpoint is communicated correctly and within context.

Engagement example:

Ninety One engaged with one of its investee companies, Metronic Inc, in September 2021 regarding a lack of turnover on its board. While the company had stated that two of the five directors in question would step down ahead of the next Annual General Meeting, the remaining three currently have a tenure of over 10 years. The company assured Ninety One that they are working extensively to refresh the remaining members of the board.

Epoch Investment Partners, Inc. ("Epoch")

Voting

Epoch uses the proxy voting service of ISS. In the event that Epoch's judgment differs from that of ISS, or that investment teams within Epoch wish to vote differently with respect to the same proxy in light of their specific strategy, Epoch will document the reasons supporting that judgement and retain a copy of those records for the firm's files. The compliance department will periodically review the voting of proxies, to ensure that votes which have diverged from the judgement of ISS were consistent with Epoch's fiduciary duties.

Voting example:

In April 2021, Epoch voted for a shareholder proposal at Lockheed Martin Corporation regarding a report on Human Rights Due Diligence. The company is exposed to the controversial activity of weapons manufacturing. Epoch voted for this proposal as it believed additional information regarding policies the company had implemented regarding human rights risks in its operations, including the sale of its products, would allow shareholders to better gauge how well Lockheed Martin is managing related risks. The vote did not pass. Epoch did not report any follow up action with the company but stated it will continue to monitor proxy proposals on a case-by-case basis, and, where beneficial, it may increase its levels of communication with management regarding its proxy voting decisions.

Engagement

The majority of Epoch's engagement activities are with corporate entities. Its engagement activities seek positive change at the companies held in Epoch's strategies. Additionally, it works with other stakeholders including industry led groups to promote the continued improvement of the function of financial markets. For Epoch, escalation of an unsuccessful engagement may include tools such as writing letters to a Board or supporting/filing resolutions. When appropriate, exiting a position is another form of escalation.

Engagement example:

In December 2021, Epoch initiated an engagement with Phillip Morris, a producer of smoke-free products which it claims are a better alternative to cigarettes. The objective of the engagement was to better understand how the company is marketing its products responsibly, reducing the health impact of its products and helping customers to switch to these products from cigarettes. Epoch believes that social issues, including the public health impact of tobacco products are increasingly important for modern companies and can materially impact investments. It also believes companies have an obligation to use their power responsibly, whether through their own corporate activity or their influence on policymakers through lobbying. Epoch will continue to monitor the company's efforts to reduce social harm through growing the reduced risk product side of the business.

Baillie Gifford & Co. ("Baillie Gifford")

Voting

Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. It utilises research from proxy advisers (ISS and Glass Lewis) for information purposes only and does not delegate or outsource any of its stewardship activities or follow or rely upon proxy advisers' recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines. It believes that voting should be investment led because it is part of the long-term investment process. Baillie Gifford endeavour to vote in relation to every one of its clients' holdings in all markets.

Voting example:

In October 2021, Baillie Gifford voted against a shareholder resolution of Tesla, Inc. requesting the company to undergo additional reporting in its diversity and inclusion efforts. Baillie Gifford believed the company was continuing to make good progress in relation to its diversity, equality and inclusion approach and reporting, and therefore did not believe the proposal warranted support. Baillie Gifford stated that Tesla had been responsive to its feedback on the topic to date. Even so, the shareholder resolution was passed. Baillie Gifford considered this a significant vote because it was submitted by shareholders and received greater than 20% support.

Engagement

According to its 2021 Governance and Sustainability Principles and Guidelines, Baillie Gifford focuses on stewardship through long-term value creation, board effectiveness, sustainable remuneration targets, fair treatment of stakeholders and longevity of business practices. It states that the UN Sustainable Development Goals have been central to benchmarking its progress in pursuing ESG considerations.

Baillie Gifford integrates governance and sustainability into its investment process through researching individual companies on their long-term prospects and negative screening/positive selection processes. Baillie Gifford engage through regular meetings with management and board members to monitor performance, with many of these meetings being attended by its Governance and Sustainability team. Baillie Gifford then sets objectives when engaging with these companies and states that its strategy to steer change is through active encouragement and engagement rather than immediate disinvestment. This may take the form of approaching the company with its concerns, meetings with management, or voting against management. It states that disinvestment or a reduction in holdings may occur if the company continues to fall short of ESG friendly practices and goals.

When Baillie Gifford has a continued issue with a company and the progress through its traditional engagement channels has stalled, it may decide to escalate its engagement through several ways including writing letters to the chair and join collaborative initiatives with other asset managers and asset owners. In extreme circumstances, Baillie Gifford may make public statements or decide to sell out of its holding.

Engagement example:

From 2019 to 2021, Baillie Gifford engaged with Netflix in relation to its board effectiveness and shareholder rights.

In these engagements, Baillie Gifford has focused on fact finding to better understand the company's corporate governance approach and more recently on supporting Netflix to maintain a structure which is supportive of growth. Netflix has one of the most actively engaged boards of all Baillie Gifford's portfolio companies, focusing the senior management on long term value creation, content creation and the importance of maintaining their innovative culture. Netflix recognises that, as the business matures, its governance practices must evolve to remain appropriate. However, the board believes existing practices, such as a classified board and supermajority voting requirements, protect the business from short-term market pressures. Specifically, Baillie Gifford believes it is fulfilling its fiduciary duties by rejecting pressure to conform to a prescriptive list of best practices that it does not consider supportive of growth. As a result of the knowledge gained during these meetings, Baillie Gifford voted against a resolution to eliminate supermajority voting both in 2020 and 2021, as it believed the company's existing provisions were appropriate.

Baillie Gifford's research and engagement indicate that Netflix's governance is pragmatic and supportive of the long-term strategy. It continues to hold Netflix and it will continue to engage with the company to ensure its governance practices remain appropriate.

Troy Asset Management ("Troy")

Voting

Troy conducts analysis of each management or shareholder resolution ahead of voting. It does not outsource voting decisions, proxy voting policy or engagements to any third party. Troy uses ISS's proxy research to help inform the decision-making process and combines this and other inputs with its own understanding of the companies in which Troy's portfolios invest. Votes are then cast in line with what it deems to be in the best long-term interest of shareholders. Environmental and social sustainability are considered alongside governance factors in this analysis.

Voting decisions are made on a ballot-by-ballot basis following completion of its own proprietary research and any associated engagement. This is supported by a set of voting guidelines which reflect Troy's default view on a range of ESG issues. In particular, these guidelines provide support in the consideration of issues that are specific to the corporate governance codes of particular jurisdictions.

Voting example:

In January 2021, Troy voted against an advisory vote to ratify named Executive Officers' compensation at Becton, Dickinson and Company ("BD"), a medical device company. Troy viewed the long-term incentive plan proposed as being overly generous given company specific issues, and therefore voted against the vote. The shareholders approved, on an advisory, non-binding basis, the compensation of BD's named executive officers. Troy deemed this as a significant vote as it was a governance factor and it voted against management. Troy will continue to vote in the best interests of investors and monitor future Annual General Meeting resolutions.

Engagement

The majority of Troy's engagements are focused on corporates. It integrates the consideration of ESG risks into its fundamental stock research, and also conducts thematic research to better understand and respond to systemic risks. Over the past years, Troy has evolved its collaboration with wider stakeholders and industry groups, aiming to promote well-functioning markets. It has expanded its membership of collaborative engagement and policy-focused organisations.

Where the management teams of companies in which it invests do not address Troy's concerns, Troy may seek other shareholder support via a collaborative engagement or escalate the engagement within the corporate structure. It may also seek to exercise voting rights on behalf of the underlying investors to vote against management on certain items or may consider the partial or complete sale of the holding.

In 2020, Troy collaborated with other investors, non-governmental organisations and government departments to sponsor the development of an industry standard on plastics. This collaboration was launched in July 2021 and is now publicly available for industry use. Troy will continue to actively track the adoption of this standard and use it as a platform for further engagement.

Engagement example:

In May 2021, Troy engaged as part of an ongoing discussion with Experian about remuneration on a call with the Chief Executive Officer ("CEO") to urge the company to consider incorporating corporate social responsibilities ("CSR") into executive remuneration. Specifically, Troy expressed its support for incorporating Experian's expanded CSR agenda, including climate and Diversity & Inclusion targets, into employee remuneration targets.

During the engagement, Experian confirmed that incentive metrics will evolve, but Experian wants to make sure that incorporation of CSR is done in a way that does not distort internal behaviour. Troy engaged again in December to encourage the inclusion of ESG metrics into employee incentive schemes and for greater equity ownership among employees, with longer duration vesting periods. The company was receptive and open to evolving its incentives although it noted complications in adopting ESG metrics. Troy will review the new incentives once they are set and engage if necessary.

Engagement activity – fixed income funds

Whilst voting rights are not applicable to non-equity mandates, the Trustee recognises that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

Over the year, the Scheme invested in two fixed income funds with Barings:

- European Loan Fund
- Global High Yield Credit Strategies

<u>Engagement</u>

Barings' engagements involve interactions between the investor and current or potential investees on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

Through engagement, Barings aims to enhance the performance of its investments for the benefit of its clients. Barings does not, however, attempt to impose an inflexible approach that ignores local norms and contexts. Barings believes that value is derived from transparent communication with the entities in which it invests, coupled with the expertise and discretion of its experienced investment professionals. As Barings invests in multiple asset classes, when appropriate approaches to and priorities for engagements differ, it gives its investment teams the flexibility to choose when to engage with investments. This is supplemented with general top-down guidance and assistance.

Barings will monitor controversies and escalate any issues that are not aligned with its ESG philosophy and approach as they occur. Escalation will involve articulating its ESG concerns primarily through private meetings with management teams. In cases where the company has significantly failed to improve, Barings will divest from the company at the earliest possibility.

The majority of engagements in 2021 were directly with issuers and companies in which Barings invests. A key focus in 2022 will be to enhance Barings' stewardship reporting processes based on Barings' relevant data to increase transparency against these reporting questions.

<u>Engagement example</u>:

In Q4 2021, Barings engaged with a soft drinks manufacturer. Barings met with senior management to encourage the company to improve its supply chain monitoring regarding key imported food ingredients, to better promote recycling in its end markets and improve the mix of recycled materials in its production processes. During the initial engagement, the company was open to feedback and subsequently entered into a collaboration to produce polyethylene furanoate (“PEF”) bottles that are plant-based and recyclable and co-initiated an industry platform to improve transparency and traceability for sustainable juice products. The engagement was partially successful as Barings believes ongoing monitoring is required for the engagement to be determined fully successful. As a result of the company's involvement in the industry collaboration, Barings increased its internal ESG outlook rating to Improving. The three categories for ESG outlook scores are Deteriorating, Stable and Improving.

Summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that most of its investment managers were able to disclose adequate evidence of voting and engagement activity, but there was room for improvement with some managers. In particular, Arrowstreet (one of the underlying managers within the AIL Active Global Equity Strategy) does not currently track significant votes. Aon has opened a dialogue with Arrowstreet to assist it in improving its policy for reporting on significant votes.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

Appendix I: Voting and engagement – AIL Underlying Managers

GQG Partners (“GQG”) Global Equity Fund

Voting

As a signatory of the United Nations Principles for Responsible Investment (“PRI”), GQG aims to cast all votes at shareholder meetings held by its portfolio companies when it is deemed to be in the best interest of its shareholders. To augment this process, GQG use ISS as an additional source of information. While it finds itself voting in line with ISS on the majority of the proxies, it does not blindly follow their lead and will vote against their recommendations on occasion. Upon request, clients can take responsibility for voting their own proxies, or can give GQG written instructions on how to vote their respective shares. It is also able to provide clients quarterly proxy voting reports upon request.

GQG has chosen to vote in accordance with the UNPRI’s responsible investment principles alongside other UNPRI signatories and other similarly aligned investment managers.

Significant Voting Example – Glencore Plc

In April 2021, GQG voted against the proposal to approve the climate action transition plan for Glencore Plc. The rationale behind this decision was that following the expiry of its 2020 GHG intensity target, the company had not set any further near-term emissions targets. There are also no clear commitments around thermal coal which is said to represent 10-15% of earnings before interest, taxes, depreciation, and amortization (EBITDA) in the medium term. The company has also not set targets approved by the Science Based Targets Initiative. The proposal was passed.

Engagement

GQG states that it will engage with company management if it believes such an engagement will maximise shareholder value in the long term. Engagement activities may be carried out via individual engagements, thematic engagement and collaborative engagement. If the responses to the thematic engagement questionnaires indicates a company’s practices are inadequate or falling short relative to peers, it may lead to additional individual engagement by GQG’s investment team.

Engagement example – Occidental Petroleum

In September 2021, GQG engaged with Occidental because it considers the company to be a significant contributor to GQG’s firm-level weighted average carbon intensity (“WACI”), and because it has a high ESG risk rating according to third-party providers. The engagement helped GQG gain detail on the company’s carbon strategy. It learned how the company could apply its expertise and infrastructure to gain a competitive advantage in carbon capture, utilisation and storage (“CCUS”). During a follow-up engagement call, the company provided information about a specific regulatory order related to the decommissioning of an offshore oil rig.

Arrowstreet Captial (“Arrowstreet”) Global Developed Equity Fund

Voting

Arrowstreet engages ISS to provide proxy-voting services for client accounts, including vote analysis, execution, reporting and certain recordkeeping services. ESG principles are taken into account in the service provider’s standard proxy voting policies. In addition, Arrowstreet makes enhanced ESG specific proxy voting services available upon request. Proxy voting services are monitored periodically by Arrowstreet's Client Operations team.

Arrowstreet generally follows the recommendations of its proxy provider but may override an ISS decision in circumstances where ISS discloses a material conflict of interest and Arrowstreet determines that doing so would be in the best interests of its clients. The voting service is reviewed regularly to ensure proxy voting recommendations are based on current and accurate information and to address any conflicts of interest or other areas of concern from the service provider.

Arrowstreet does not currently track significant votes. AIL have opened a dialogue with Arrowstreet to assist it in improving its policy for reporting on significant votes.

Engagement

Since AIL's engagement with Arrowstreet regarding its investment strategy not suiting traditional engagement, Arrowstreet has recognised that engagement is increasingly important to some of its investors and as a result has partnered with Sustainalytics, a leader in responsible investing to provide that service. All engagement activities are fully outsourced through Sustainalytics, offering an established, standardised and systematic engagement framework with a global investor base.

The engagement framework is incident and compliance based, driven to remediate and mitigate violations of international norms and standards involving labour, environment, business ethics and human rights. Historically, Arrowstreet did not engage with companies, and due to the timing of this new partnership with Sustainalytics have not been able to provide engagement data for the requested time period but hope to be able to accommodate future requests.

Appendix II – Voting Statistics

	% resolutions voted on for which the fund was eligible	**% that were voted against management**	**% that were abstained from**
Aon Investments Limited Active Global Equity Strategy			
Sands Capital Global Growth Strategy	98.1%	6.2%	0.0%
Harris All Cap Global Equity Fund	100.0%	1.6%	5.0%
GQG Partners Global Equity Fund	99.4%	9.3%	2.2%
Longview Global Equity Fund	96.2%	5.9%	0.0%
Arrowstreet Global Developed Equity Fund	96.5%	8.8%	0.8%
Lindsell Train UK Equity Fund	100.0%	0.0%	0.2%
Ninety One 4factor Global Dynamic Fund	88.0%	5.0%	1.0%
Epoch IP Global Equity Shareholder Yield Fund	97.7%	5.6%	0.1%
Baillie Gifford Long Term Global Growth Fund	100.0%	2.4%	0.2%
Troy Trojan Fund	100.0%	4.9%	0.3%