

Edinburgh Fund Managers Group plc Retirement and Death Benefits Plan

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 30 June 2024. 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, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

Investment Objectives of the Plan

The objective adopted by the Trustee over the lifetime of the Plan and included in the SIP is as follows:

To ensure that we can meet our obligations to the beneficiaries of the Plan.

Policy on ESG, Stewardship and Climate Change

The Trustee keeps its policies under regular review (with the SIP subject to review on an annual basis).

During the August 2023 Trustee meeting, the Trustee received training on the latest guidance from DWP in relation to requirements for Implementation Statements and Voting Policies, specifically relating to significant votes. Following these discussions, the Trustee outlined the following stewardship themes and priorities which it will apply and use when monitoring the investment manager and determining significant votes. Given that the majority of the assets are invested in an annuity contract; the Trustee has decided it is no longer relevant to adopt a specific policy on these issues but do monitor voting activity based on the following ESG beliefs.

In addition, given there are no voting rights attached to the annuity contract, the control of the corporate governance issues has been largely ceded by the Plan to L&G.

Environment

Whilst climate change is the most material consideration the Trustee expects its investment manager to consider other factors too. The Trustee supports the objective of Net Zero greenhouse gas emissions and believes this is relevant to the Plan's members and beneficiaries given its impact on the world in which they live. The Trustee will though focus in particular on the low-carbon transition and physical damages resilience.

Social

The Trustee believes that its investment managers must take account of social issues throughout the investment cycle and has identified the following areas of focus:

- modern slavery;
- pay & safety in the workforce and supply chains

Governance

The Trustee believes that good Governance is more likely to be delivered through inclusive & diverse decision-making and wishes its investment manager to support these beliefs through their engagement and voting practices.

The Trustee has reviewed the engagement of the investment manager relating to the residual assets which are invested in the Diversified Growth Fund.

Engagement

The Trustee has reviewed their investment manager's compliance with the principles of the UK Stewardship Code as part of this statement and will continue to do so annually. The Plan's investment manager confirmed that they are signatories of the current UK Stewardship Code. The Trustee will continue to engage with their manager on the UK Stewardship Code and its relevance.

The Plan's investment performance is reviewed by the Trustee at each of their meetings. Where the manager may not be rated from an ESG perspective, the Trustee continues to monitor the manager. The investment performance review includes how the investment manager is delivering against their specific mandates.

The Trustee also receives a written update from the investment manager's Responsible Investment team from time to time and requests details of relevant engagement activity for the year from the Plan's investment manager.

- The Plan's manager provided examples of instances in which they had engaged with companies the Plan is invested in. These engagement initiatives were driven mainly through regular engagement meetings with the companies that the manager invests in or by voting on key resolutions at companies' Annual General Meetings.
- The Plan's investment manager engaged with companies over the year on a wide range of different issues, including but not limited to strategy and performance, risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery and corruption.

Voting Activity

The Trustee has delegated its voting rights as necessary within the Diversified Growth Fund to the investment manager.

Currently, when the investment manager presents to the Trustee, the Trustee asks the manager to highlight key and significant voting activity and the impact on the portfolio.

Over the 12 months to 30 June 2024, the key voting activity on behalf of the Trustee was as follows:

- abrdn Investments Limited Plc (“abrdn”) directly engages with companies and does not use a third party to vote on its behalf
- The key voting activity for the fund was as follows:

Fund	Votable meetings attended	Percentage of resolutions voted on	Percentage of meetings with vote against, withheld or abstained	Number of votes against management
ASI Diversified Growth Fund	604	98%	14%	1,052

- Over the 12 months to 30 June 2024, the Trustee did not challenge the manager on its voting activity.

Significant Votes

DWP released a set of 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 Implementation Statements for schemes with year ends 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; and
- Trustees are to include details on why a vote is considered significant and rationale for the voting decision.

The Trustee’s key themes which it has prioritised in the selection of significant votes are: **climate change, modern slavery, pay & safety in the workforce and inclusive and diverse decision-making.**

The significant votes highlighted below are those which align with the Trustee's key themes and votes deemed significant by abrdn as they are either;

- Votes on shareholder ESG proposals where abrdn have engaged with the proponent or company on the resolution
- Votes on management-presented ESG proposals
- Votes that focus on shareholder proposals where abrdn have voted contrary to management recommendations

Diversified Growth Fund - Significant Votes:

- Mitsubishi UFJ Financial Group, Inc. Annual Meeting on 27th June 2024
 - Key Topics - Climate Change
 - Outcome of vote – Fail
 - Holding size at date of vote – 0.02%
 - Shareholder proposal on the requirement of Environmental/Social Issue Qualifications for Director Nominees
 - Abrdn voted for this shareholder proposal as they are supportive of the disclosure the company has taken to indicate the areas considered when selecting directors. They believe it would be beneficial if the company also disclosed if climate related knowledge was considered as this is an area impacting across both the bank and its clients. It should be noted that such skills should not be a prerequisite for directors' appointment and there should not be a reliance on one director for any specific area of expertise.
- Mitsubishi UFJ Financial Group, Inc. Annual Meeting on 27th June 2024
 - Key Topics - Climate Change
 - Outcome of vote – Fail
 - Holding size at date of vote – 0.02%
 - Shareholder proposal on the addition of a provision on the Assessment of Clients' Climate Change Transition Plans
 - Abrdn voted against this shareholder proposal as they state the company already has clear measures in place to support its clients' climate transition plans including commitments to various external standards such as the Net Zero Banking Alliance. The bank has clearly set out its strategy in its carbon neutrality declaration and has defined interim emission targets for five high emitting sectors. Abrdn concluded the resolution is onerous and a vote against is warranted.
- MetLife, Inc. Annual Meeting on 18th June 2024
 - Key Topics – Social Issues
 - Outcome of vote – Fail
 - Holding size at date of vote – 0.01%
 - Shareholder proposal on the conduction and reporting of a 3rd party Racial Equity Audit
 - Abrdn voted against this shareholder proposal as they concluded MetLife appeared well-placed to manage its racial impacts with diversity, equity and inclusion initiatives and commitments. They quoted the board further states that it monitors progress towards its DEI objectives using benchmarking

surveys executed by third parties. Abrdn had concerns that the requested report may be overly prescriptive considering existing efforts and disclosures therefore a vote against was warranted.

- Toyota Motor Corp. Annual Meeting on 18th June 2024
 - Key Topics – Climate Change
 - Outcome of vote – Fail
 - Holding size at date of vote – 0.04%
 - Shareholder proposal on the amendment of articles to report on Corporate Climate Lobbying Aligned with Paris Agreement
 - Abrdn voted against this shareholder proposal. Abrdn are supportive of disclosure on climate lobbying however they noted the company has taken significant steps year on year to bolster its approach, including engagement with the proponent, increasing the number of reviews carried out and receiving a third-party evaluation. They noted that the company has clear commitments to support the climate transition including to achieve net zero by 2050 and is the only Japanese company that issues a report on climate lobbying activities. In light of the steps already taken by the company abrden concluded the resolution is onerous and a vote against was warranted.
- Mastercard Incorporated Annual Meeting on 18th June 2024
 - Key Topics – Human Rights
 - Outcome of vote – Fail
 - Holding size at date of vote – 0.08%
 - Shareholder proposal on the production of a report on Congruency of Company's Privacy and Human Rights Policies with its Actions
 - Abrdn voted against this shareholder proposal. Abrdn are supportive of the appropriate disclosure on human rights policies and approaches however noted the company had already quite extensive reporting in this area including detail of the oversight and application of policies that address human rights. Considering existing reporting the company has in place, a vote against the resolution was warranted.

Approved by Aberdeen Pension Trustees Limited, Trustee of Edinburgh Fund Managers Group plc Retirement and Death Benefits Plan, for the annual Trustee Report & Accounts for the year ending 30 June 2024

12 December 2024