

Engagement Policy Implementation Statement (“EPIS”)

AWE Pension Scheme (the “Scheme”)

Scheme Year End – 31 March 2023

The purpose of the EPIS is for us, the Trustee of the AWE Pension Scheme, to explain what we have done during the year ending 31 March 2023 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 Scheme’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 our stewardship policy as set out in the SIP has been implemented effectively.

In our view, most of the Scheme’s investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our expectations regarding stewardship, and that our voting rights have been exercised effectively on our behalf.

However, some of our investment managers were unable to provide us with complete information to allow us to fully review the engagement activity carried out on our behalf. We (with the support of our investment advisers) will engage with these managers as per our engagement action plan to encourage improvements in future reporting and transparency.

How our voting and engagement policies have been followed

The Scheme invests in pooled funds, where the responsibility for voting and engagement is delegated to the Scheme's investment managers. The Scheme is also invested in three segregated mandates for whom the voting rights have been delegated to the investment manager (as per the stewardship policy as set out in the SIP).

We have reviewed the stewardship activity carried out by the investment managers over the Scheme 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 Scheme's investment managers can be found in the following sections of this report.

Manager Monitoring

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Scheme is invested in, where available.

During the year, we received training on ESG and stewardship topics, and agreed our policies in relation to these.

We receive a bespoke ESG dashboard from our investment adviser twice a year. This identified areas of concern with two of the Scheme's managers relating to the competitiveness of carbon intensity and a drop in the managers' overall carbon intensity figure. As an outcome we, with the support of our investment adviser, engaged with both managers and were satisfied with both responses.

Each year, we review the voting and engagement policies of the Scheme's investment managers to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme's stewardship policy can be found in the SIP [here](#).

Task Force on Climate Related Financial Disclosures ("TCFD")

We are currently completing a project to meet the requirements as set out by the TCFD. The TCFD establishes a set of eleven clear, comparable, and consistent recommended disclosures about the risks and opportunities presented by climate change.

The increased transparency encouraged through the TCFD recommendations is intended to lead to useful information and therefore better-informed decision-making on climate-related financial risks.

The Scheme's first TCFD report will be published in October 2023.

Principle for Responsible Investment ("PRI")

We have decided to subscribe to become a signatory of the PRI and are in the process of completing the reporting requirements for our first-year submission.

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 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

Once signatory status has been approved, we will be required to commit to an annual submission in order to retain status and to publicly demonstrate our commitment to investing responsibly.

Manager Appointments

We did not appoint any new managers over the year.

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. We, with the support of our investment adviser, will engage with the managers that were unable to provide fund-specific engagement information, to better understand the engagement carried out regarding the Scheme's investments.
2. We will continue to assess the Scheme's managers via our ESG dashboard.

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. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

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

Voting statistics

The table below shows the voting statistics for the Scheme's equity managers, Fidelity and Lazard, with voting rights for the year to 31 March 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Fidelity - Institutional Emerging Markets Equity Fund*	758	99.7%	6.0%	1.0%
Lazard - Global Listed Infrastructure Equity Fund	378	95.0%	2.8%	0.0%

Source: Fidelity, Lazard

*The voting statistics provided by Fidelity suggests that abstained votes are also counted as votes against management.

Use of proxy voting adviser

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 Scheme's equity managers, Fidelity and Lazard, uses proxy voting adviser.

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.

Description of use of proxy voting adviser

Wording provided directly by manager

Fidelity International
("Fidelity")

Fidelity's voting instructions are generally processed electronically via our proxy voting agent Institutional Shareholder Services (ISS). Our proxy voting agent provides general meeting notifications, processes our voting instructions, and records this activity for subsequent reporting purposes. Additionally, we subscribe to a number of corporate governance and voting advisory services. We have a set of customised policies with our voting agent, but all eventual voting decisions are always made in accordance with Fidelity's policies and voting guidelines.

**Lazard Asset
Management Ltd**
("Lazard")

Lazard currently subscribes to advisory and other proxy voting services provided by Institutional Shareholder Services Inc. ("ISS") and Glass, Lewis & Co. ("Glass Lewis"). These proxy advisory services provide independent analysis and recommendations regarding various companies' proxy proposals. While this research serves to help improve our understanding of the issues surrounding a company's proxy proposals, Lazard's Portfolio Manager/Analysts and Research Analysts (collectively, "Portfolio Management") are responsible for providing the vote recommendation for a given proposal except when the Conflicts of Interest policy applies. ISS provides additional proxy-related administrative services to Lazard. ISS receives on Lazard's behalf all proxy information sent by custodians that hold securities on behalf of Lazard's clients and sponsored funds. ISS posts all relevant information regarding the proxy on its password-protected website for Lazard to review, including meeting dates, all agendas and ISS' analysis.

The Proxy Administration Team reviews this information on a daily basis and regularly communicates with representatives of ISS to ensure that all agendas are considered, and proxies are voted on a timely basis. ISS also provides Lazard with vote execution, recordkeeping and reporting support services. Members of the Proxy Committee, along with members of the Legal & Compliance Team, conducts periodic due diligence of ISS and Glass Lewis consisting of an annual questionnaire and, as appropriate, on-site visits.

Source: Fidelity, Lazard

Significant voting example

To illustrate the voting activity being carried out on our behalf, we asked Fidelity and Lazard to provide a selection of what they consider to be the most significant votes in relation to their funds. A sample of their responses 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 Scheme's 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 fund invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Fidelity Institutional Emerging Markets Equity Fund	45	2,118	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Other, Remuneration, Shareholder rights Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
Lazard Global Listed Infrastructure Equity Fund	16	1,320	Environment - Climate change, Pollution, Waste Social - Human and labour rights (e.g. supply chain rights, community relations), Inequality Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Capital allocation
Partners Group Global Infrastructure 2009	<i>Not provided</i>	>100	Environment - Climate change Social - Human capital management (e.g. inclusion and diversity, employee terms, safety) Strategy, Financial and Reporting - Strategy/purpose
Partners Group Global Infrastructure 2012	<i>Not provided</i>	>100	Environment - Climate change Social - Human capital management (e.g. inclusion and diversity, employee terms, safety) Strategy, Financial and Reporting - Strategy/purpose
Partners Group Global Infrastructure 2018	<i>Not provided</i>	>100	Environment - Climate change Social - Human capital management (e.g. inclusion and diversity, employee terms, safety) Strategy, Financial and Reporting - Strategy/purpose
Partners Group Global Real Estate 2011	<i>Not provided</i>	>100	Environment - Climate change Social - Human capital management (e.g. inclusion and diversity, employee terms, safety) Strategy, Financial and Reporting - Strategy/purpose
Partners Group Global Value Real Estate 2019	<i>Not provided</i>	>100	Environment - Climate change Social - Human capital management (e.g. inclusion and diversity, employee terms, safety) Strategy, Financial and Reporting - Strategy/purpose
Schroders UK property Portfolio (segregated mandate)	16	>2,800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness – Diversity, Board effectiveness - Independence or Oversight

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
			Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting)
Townsend Global Core Real Estate Fund	<i>Not provided. The manager states that it has not tracked this historically but will do so in future</i>		Environment - Climate Change - Use of Climate Risk Software, Net Zero Carbon Commitments, Pollution, Waste, Water. Social Strategy, Financial and Reporting - Risk management, Reporting
DRC UK Whole Loan Fund	15-20	150	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness – Other, Leadership - Chair/CEO, Board effectiveness - Independence or Oversight Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting)
M&G Debt Opportunities Fund IV	<i>Not provided</i>	157	Environment - Climate change Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Independence or Oversight, Remuneration Strategy, Financial and Reporting - Strategy/purpose
Chorus Capital Credit Fund IV	<i>Not provided</i>	13	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness - Independence or Oversight, Board effectiveness – Other, Leadership - Chair/CEO Other - Concerns around borrowers operating in jurisdictions where governance and sanction risks were high.
JP Morgan Hedge Fund (segregated mandate, fund of funds)	<i>Not provided</i>	3,277	Climate change - Disclosure and climate reporting, Engaging users of energy; Natural capital and ecosystems - Engaging on water stewardship Social stakeholder engagement – Cybersecurity, Supply chain management; Human capital management – labour, Workforce diversity Governance - Board Diversity and Board Composition, Strategy alignment with the long term - Executive Compensation Plan, Capital allocation,
Ninety-One Emerging Market Debt (Blended)	83	387	Environment - Climate change, Pollution, Waste Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Independence or Oversight, Remuneration Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting)
Barings Global High Yield Credit Strategies	476	760	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness – Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
CVC Credit Partners EU Direct Lending 2021 Fund	<i>Not provided</i>	<i>Not provided</i>	<i>Not provided</i>
Chorus Capital Credit Fund V	<i>Not provided</i>	13	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness - Independence or Oversight, Board effectiveness – Other, Leadership - Chair/CEO Other - Concerns around borrowers operating in jurisdictions where governance and sanction risks were high.

Source: Managers. The following managers did not provide fund level themes; themes provided are at a firm-level:

- Partners Group
- Townsend
- M&G
- Chorus Capital
- JP Morgan
- Ninety-One

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- CVC did not provide any engagement information requested, stating that the nature of the strategy means that it will not be able to provide this information. However, the manager did provide information on its ESG policy which sets out how it approaches ESG considerations as part of its investment process.
- Partners Group, M&G, Chorus Capital, and JP Morgan did provide firm-level engagement information, but the managers did not provide any fund-level engagement information.
- Ninety-One did not provide fund-level engagement themes.
- Townsend did not provide engagement data as they have not tracked this historically but will do so in future. However, they did provide firm-level engagement themes.

For the illiquid funds, Townsend and CVC for example, we recognise that the opportunities for engagement with the underlying assets are not as extensive as they are for other investments. However, we still expect the investment managers of these funds to demonstrate and report on some level of engagement. For example, by engaging with tenants and the local community to address potential issues and drive change, as per the guidance issued by the Pension and Lifetime Saving Association (“PLSA”).

We also recognise that for the Scheme’s hedge fund investments (JP Morgan), the nature of this fund means that it is not directly involved in markets and so is not in a position to engage directly with the management of underlying companies.

Our investment advisers will engage with the managers on our behalf to encourage improvements in reporting.

This report does not include commentary on the Scheme's liability driven investments or cash investments because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Example

In the table below is an example of a significant vote provided by Fidelity and Lazard. 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, this is outlined in the example below.

Fidelity - Institutional Emerging Markets Equity Fund	Company name	ANTA Sports Products Limited
	Date of vote	11-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Authorize Reissuance of Repurchased Shares
	How you voted	Against management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes
	Rationale for the voting decision	We voted against a proposal seeking authority to allow the reissuance of repurchased shares. The re-issuance mandate poses dilution risks and is deemed unnecessary considering the general mandate we supported already confers ample capital raising flexibility to the company.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue to monitor the company's governance practices.
	On which criteria have you assessed this vote to be "most significant"?	Material level of dissent

Source: Fidelity

Lazard - Global Listed Infrastructure Equity Fund	Company name	CSX Corporation
	Date of vote	04-May-2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.8
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	How you voted	Against management
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Lazard has approved specific proxy voting guidelines regarding various common proxy proposals, which determine whether a specific agenda item should be voted 'For,' 'Against,' or is to be considered on a case-by-case basis. It is not routine policy for Lazard to communicate its decision to vote against management ahead of the vote, but as we meet regularly with companies owned in our fundamental portfolios it is typically the case that we would have expressed any material concerns to management during these meetings.
	Rationale for the voting decision	The committee used discretion for the second consecutive year to increase the CEO's annual incentive payout. While

	<p>the FY20 adjustment was clearly explained and related to the COVID-19 pandemic, this year's proxy provided limited rationale regarding the committee's decision to again use discretion to increase payouts. Further, FY20 bonuses remained below target opportunities, while the FY21 adjustment increased the payout to maximum-level. This also came in the same year as an increase to the CEO's salary and bonus target. Many investors may question the decision to use discretion to adjust payouts in consecutive years, particularly with limited rationale.</p>
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<p>As active managers, outcomes stemming from voting decisions and engagement are incorporated into our investment process, further enhancing long-term value for clients and beneficiaries. We believe the most effective shareholder engagement is undertaken by analysts who can contextualise the information that arises from the dialogues which is reflected in our voting decisions and then incorporated into our investment process. We engage with companies on a regular basis and in the case where we have voted against management we would typically follow up.</p>
On which criteria have you assessed this vote to be "most significant"?	<p>Considers any management proposals where we voted against management to be significant.</p>

Source: Lazard