

# Engagement Policy Implementation Statement (“EPIS”)

## AWE Pension Scheme (the “Scheme”)

### Scheme year end – 31 March 2024

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 2024 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 the policies set out in the SIP have 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 stewardship expectations, and that our voting rights have been exercised effectively on our behalf.

Over the reporting year, there were improvements in the level of engagement data that two of our investment managers, Townsend and JP Morgan, were able to provide.

However, some of our investment managers were still unable to provide us with complete information to allow us to 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 voting and engagement policies have been followed

The Scheme is invested in a number of pooled funds, in which the responsibility for voting and engagement is delegated to the Scheme's investment managers. The Scheme is also invested in some segregated mandates in which engagement has been delegated to the investment manager (as per our stewardship policy as set out in the SIP).

We reviewed the stewardship activity carried out by the material investment managers carried out 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.

Twice a year, we receive a bespoke ESG dashboard from our investment adviser. Following this exercise, we identified four areas of concern with three of the Scheme's underlying managers which called for engagement. We engaged with one manager regarding the high proportion of emissions it was estimating compared to the benchmark and for a progress update on its engagement strategy. We engaged with the other two managers regarding minimal reporting of ESG ratings and unavailability of carbon emissions. We were overall satisfied with the responses received following engagement.

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")

Over the year, we completed 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 increase in 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 is available [here](#).

We are currently working towards producing our second TCFD report which is expected in October 2024.

## What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## **Manager Appointments**

We did not appoint any new managers over the year.

The Scheme has recently appointed an Outsourced Chief Investment Officer (OCIO), but as the EPIS represents the reporting period from 31 March 2023 to 31 March 2024, the OCIO appointment will be reflected in the next iteration of the EPIS.

## **Our/Aon's Engagement Action Plan**

Based on the work done for the EPIS, we, with support from our investment adviser, Aon, will take the following steps over the next 12 months:

1. Aon 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. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the 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 International ("Fidelity") and Lazard Asset Management Ltd ("Lazard") to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for the Scheme's funds with voting rights for the year to 31 March 2024.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
<b>Fidelity – Institutional Emerging Markets Equity Fund<sup>1</sup></b>	838	96%	8%	2%
<b>Lazard – Global Listed Infrastructure Equity Fund<sup>2</sup></b>	420	95%	4%	0%

Source: Fidelity and Lazard

1. The voting statistic provided suggests that abstained votes are also counted as votes against management.

2. Most recent data available is as at 31 December 2023.

3. Fidelity and Lazard have been fully redeemed during the first quarter of 2024.

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's equity-owning managers, Fidelity, and Lazard, use proxy voting advisers.

### 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(s)**  
*(in the managers' own words)*

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**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.

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**Lazard**

Lazard currently subscribes to advisory and other proxy voting services provided by 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.

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*Source: Fidelity and Lazard*

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's equity-owning managers, Fidelity, and Lazard, to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the [Appendix](#).

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material 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 funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund/firm-level
	Fund specific	Firm level	
<b>Fidelity Institutional Emerging Markets Equity Fund</b>	80	1,758	Environment – Climate change, natural resource use/impact, pollution, waste Social – Human and labour rights, human capital management Governance – Board effectiveness – other, remuneration, shareholder rights Strategy, Financial and Reporting – Strategy / purpose
<b>Lazard Global Listed Infrastructure Fund</b>	12	1,240	Environment – Climate change, natural resource use/impact, pollution, waste Social – Inequality Governance – Leadership - Chair / CEO, remuneration Strategy, Financial and Reporting – Strategy / purpose
<b>Partners Group Global Infrastructure 2009</b>	<i>Not provided</i>	>100	Environment – Climate change Social – Human capital management Strategy, Financial and Reporting – Strategy / purpose
<b>Partners Group Global Infrastructure 2012</b>	<i>Not provided</i>	>100	Environment – Climate change Social – Human capital management Strategy, Financial and Reporting – Strategy / purpose
<b>Partners Group Global Infrastructure 2018</b>	<i>Not provided</i>	>100	Environment – Climate change Social – Human capital management Strategy, Financial and Reporting – Strategy / purpose
<b>Partners Group Global Real Estate 2011</b>	<i>Not provided</i>	>100	Environment – Climate change Social – Human capital management Strategy, Financial and Reporting – Strategy / purpose
<b>Partners Group Global Value Real Estate 2019</b>	<i>Not provided</i>	>100	Environment – Climate change Social – Human capital management Strategy, Financial and Reporting – Strategy / purpose
<b>Schroders UK Property Portfolio (segregated mandate)</b>	97	6,724	Environment – Pollution, waste, climate change Strategy, Financial and Reporting – Strategy / purpose, financial performance, capital allocation
<b>Townsend Global Core Real Estate Fund</b>	45	>130	Environment – Climate change
<b>DRC UK Whole Loan Fund</b>	15-20	15-20	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity)

Funds	Number of engagements		Themes engaged on at a fund/firm-level
	Fund specific	Firm level	
			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 Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting)
<b>M&amp;G Debt Opportunities Fund IV</b>	<i>Not provided</i>	337	Environment - Climate change Social - Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness – Diversity, remuneration Strategy, Financial and Reporting - Capital allocation,
<b>Chorus Capital Credit Fund IV (Series A and B)</b>	<i>Not provided</i>	12	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 - independence or oversight, Board effectiveness – Other, leadership - Chair/CEO
<b>JP Morgan Hedge Fund (segregated mandate, fund of funds)</b>	26	2,062	Environment – Climate change, natural resource (e.g. water biodiversity), pollution, waste Social - Conduct, culture, and ethics (e.g. tax, anti-bribery, lobbying), human capital management (e.g. inclusion & diversity, employee terms, safety), human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness (e.g. diversity, independence or oversight, leadership) , remuneration
<b>Ninety One Emerging Market Debt (Blended)</b>	80	465	Environment – Climate change, natural resource (e.g. water biodiversity), pollution, waste Social – Conduct, culture, and ethics (e.g. tax, anti-bribery, lobbying), 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)
<b>Barings Global High Yield Credit Strategies</b>	260	490	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 – 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)
<b>CVC Credit Partners EU Direct Lending 2021 Fund</b>	100% of portfolio companies have been engaged with around ESG issues.	Not Available	CVC engages with portfolio companies from a bottom up perspective, collecting data through provision of questionnaires and looking to use ESG margin ratchets as a tool to target specific KPIs for improvement given the individual portfolio companies business focus.

Funds	Number of engagements		Themes engaged on at a fund/firm-level
	Fund specific	Firm level	
<b>Chorus Capital Credit Fund V</b>	<i>Not provided</i>	12	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 – independence or oversight, Board effectiveness – Other, leadership – Chair/CEO

Source: Managers. Fidelity, Lazard and Ninety One have been fully redeemed during the first quarter of 2024. The following managers did not provide fund level themes, themes have been provided at a firm-level:

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

## Data limitations

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

- Chorus Capital, Partners Group and M&G did not provide any fund-level engagement information but did provide firm-level engagement information.
- JP Morgan Hedge Fund was able to provide fund-level engagement statistics but not themes. Themes provided were at a firm-level.
- CVC did not provide any engagement information requested, stating that the nature of the strategy the Scheme invests in 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.
- Ninety One did not provide fund-level engagement themes.

For the illiquid funds held by the Scheme, CVC for example, we recognise that the opportunities for engagement with the underlying illiquid assets are not as extensive as they are for other investments. We would still expect the investment managers of these funds to demonstrate and report on some level of engagement.

Our investment advisers will engage with the managers on our behalf to encourage improvements in reporting. We have decided to no longer engage with Fidelity, Lazard and Ninety One following full redemptions from the funds held with these investments managers.

This report does not include commentary on certain asset classes such as liability driven investments, derivatives 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 Examples

In the table below are some significant vote examples 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, some of which are outlined in the examples below in the managers' own words:

<b>Fidelity – Institutional Emerging Markets Equity Fund</b>	<b>Company name</b>	Delta Electronics, Inc.
	<b>Date of vote</b>	13-Jun-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	<i>Not provided</i>
	<b>Summary of the resolution</b>	Approve Amendments to Rules and Procedures Regarding Shareholder's General Meeting
	<b>How you voted</b>	Against management
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	Yes
	<b>Rationale for the voting decision</b>	Fidelity International voted against the proposal related to the amendment of articles to allow virtual shareholder meetings. Fidelity International is supportive of giving shareholders the ability to participate in shareholder meetings digitally. However, we do not favour moving shareholder meetings fully online as a routine matter. In our view, physical shareholder meetings allow shareholders of all sizes to raise queries to the board face-to-face and hold them accountable in a public environment, and many shareholders avail the right to raise concerns at the shareholder meetings as a means of escalating an engagement. This is considered an important aspect of investment stewardship activities, and the dynamics of a physical shareholder meetings cannot be fully replicated in a virtual environment. We voted with management on all other proposals.
	<b>Outcome of the vote</b>	All resolutions were approved at the meeting.
	<b>Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	We will continue to monitor the company's governance practices.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Materiality of position
<b>Lazard – Global Listed Infrastructure Equity Fund</b>	<b>Company name</b>	Norfolk Southern Corporation
	<b>Date of vote</b>	11-May-23
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	8.2%
	<b>Summary of the resolution</b>	Shareholder – Reduce ownership threshold for shareholders to call special meeting
	<b>How you voted</b>	For resolution (against management)

<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	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.
<b>Rationale for the voting decision</b>	A vote FOR this proposal is warranted. Lowering the ownership threshold from 20 percent to 10 percent would improve shareholders' ability to utilise the special meeting right and no single shareholder would be able to act unilaterally to call a special meeting at the proposed threshold.
<b>Outcome of the vote</b>	Fail
<b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	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.
<b>On which criteria have you assessed this vote to be "most significant"?</b>	<p>In this instance, we have considered most significant votes in the following order: firstly, any "Say on Climate" management proposal or ESG focused shareholder proposals, secondly, any votes considered controversial by our investment professionals, and lastly, any management proposals where we voted against management. The resultant proposal buckets are then ranked by the company's average holding within the fund/or portfolio over the period under review to identify the top 10 votes for disclosure in the template.</p> <p>Our voting approach is based on our global governance principles which lays out our expectations of company management. They are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management. This includes governance issues such as remuneration policies, independence of appointed board members, human capital issues including employees, suppliers, their customers, and the community, as well as natural capital issues, including its dependency and use of natural resources and its approach to manage climate change risk. We believe that we must vote in a manner that (i) will maximise sustainable shareholder value as a long-term investor; (ii) is in the best interest of its clients; and (iii) the votes that it casts are intended in good faith to accomplish those objectives.</p>

Source: Fidelity and Lazard