IMPLEMENTATION STATEMENT

30 April 2023

Altro Pension Scheme

Private and Confidential

Introduction

This SIP Implementation Statement ("the Statement") has been prepared by the Trustee of the Altro Pension Scheme ("the Trustee") in relation to the Altro Pension Scheme ("the Scheme").

This is the fourth such Statement to be produced by the Trustee, as required by the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended). The regulations state that the Statement must (amongst other matters):

- Set out how, and the extent to which, in the opinion of the Trustee, the stewardship and engagement policies outlined in the statement of investment principles ("SIP") have been followed during the year;
- Describe any review of, and explain any changes made to, the SIP during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the year.

Based on regulatory requirements, the Statement covers the period from 1st May 2022 to the end of the Scheme's financial year on 30th April 2023.

The Statement is split into three sections:

1. An overview of the Trustee's actions during the period covered;
2. The stewardship and engagement policies set out in the SIP and the extent to which they have been followed in the reporting period; and
3. The voting behaviour and significant votes undertaken by the fund managers on behalf of the Scheme.

In June 2022, the Department for Work and Pensions ("DWP") released updated guidance on stewardship reporting which came into effect on 1 October 2022. The updated guidance aims to help trustees deliver the intentions of the original guidance – better stewardship outcomes and reporting. The updated guidance emphasises the need for trustees to take "ownership" of the stewardship process by reporting, assessing and, where appropriate, engaging with the agents carrying out stewardship activities on their behalf.

To meet the updated guidelines, the Trustee will be setting its stewardship key themes during the next Scheme year which will be subject to ongoing review. The Trustee will report on the voting and engagement behaviour of their investment managers against the updated requirements in the next Implementation Statement due to be published in 2024.

1. Overview of Trustee Actions

The Scheme has undertaken multiple de-risking transitions during the year, due to strong performance of return-seeking assets. This included full redemptions from the Abrdn Life Diversified Growth fund, the AQR Diversified Risk Premia fund, the Insight Bonds Plus 400 Fund, and the Insight Global ABS Fund, with proceeds invested into LDI and a new mandate: the TwentyFour Corporate Bond Fund. The Scheme also updated the LDI Benchmark in December, in light of market movements in rates since the 2020 valuation.

Following gilt market volatility in September and October the Trustee agreed to aim to achieve a 80% pooled LDI and 20% credit portfolio. Overall, the Scheme's agreed strategic asset allocation reflects the Trustee's view of the most appropriate investments, balancing risk/reward characteristics of the funds in which the Scheme is invested to support progress toward the Scheme's full funding objective.

2. Stewardship and Engagement Policies

Changes to the SIP over the period

The Trustee is committed to reviewing the SIP on an annual basis. This review was undertaken in January 2023, where minor edits were made to reflect the new investment in the TwentyFour Corporate Bond fund and the disinvestments over the period. The Trustee is comfortable the statement is an accurate reflection of the Trustee's policies and beliefs.

Stewardship, engagement and voting behaviour

Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers. Other than cash held within the Trustee bank account, the Scheme's assets are invested in pooled funds where the Trustee holds units in a fund rather than having any direct ownership rights over the underlying assets. As a result, the Trustee's investments are subject to the managers' stewardship activities and policies.

The Trustee's policy is to delegate responsibility for the engagement with relevant persons, which includes the exercising of rights (including voting rights) attaching to investments, to the investment managers. Each investment manager is expected to exercise voting rights in accordance with their guidelines. The Trustee encourages its managers to engage with investee companies and promote adherence to best practice in corporate governance. Periodically, the Trustee will either meet with the Scheme's managers directly or ask their investment advisor to provide a thorough review. Managers are expected to provide details on these activities and the Trustee's investment advisor will take this into account when monitoring and advising on the suitability of each manager.

The use of voting as a form of engagement is most likely to be financially material in the sections of the portfolio where physical equities are held, of which the Scheme is currently invested in none. However, other forms of stewardship and engagement are considered to be of importance for all of the Scheme's investment managers.

Of the Scheme's investment managers, Insight Investment, Abrdn, Brandywine and TwentyFour Asset Management are signatories to the UK Stewardship Code. The Trustee is comfortable that the

Scheme's managers provide good quality and transparent reporting of their approach to stewardship. There are no immediate concerns with the fact that the other investment managers employed by the Trustee are not signatories to the UK Stewardship Code. More information on how each of the Scheme's managers have followed the stewardship and engagement policies set out by the Trustee can be found in the appendix.

Stwardship Policies outlined in the Statement of Investment Principles

Policy	Evidence of how the policy has been met
Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers.	The Scheme's managers have all outlined engagement activities for the shares and debt held by the Scheme. Examples can be found in the appendix.
The Trustee expects its investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.	All of the Scheme's investment managers are signatories to the UK Stewardship Code. The Scheme's managers have demonstrated voting behaviour to invoke change, which is detailed in the appendix.
The Trustee's policy is to delegate responsibility for the engagement with relevant persons, which includes the exercising of rights (including voting rights) attaching to investments to the investment managers. Each investment manager is expected to exercise voting rights in accordance with their guidelines. The Trustee encourages its managers to engage with investee companies and promote adherence to best practice in corporate governance. The Trustee monitors and discloses the voting records of its managers on an annual basis.	Voting behaviour was carried out by managers previously held by the Scheme; AQR DRP and Abrdn Life Diversified Growth Fund which were disinvested from 13/10/22 and 22/08/22 respectively. The Scheme does not currently invest in any equities and so voting behaviour will no longer be reported on. Engagement is carried out by all of the Scheme's managers, and a summary of their engagement policies is set out in the appendix.
The Trustee's investment advisers assess the ability of the Scheme's investment managers in engaging with underlying companies in order to promote the long-term success of the investments, and report to the Trustee on an annual basis covering how the investment managers have acted in line with this policy. When selecting, monitoring and de-selecting asset managers, engagement is factored into the decision making process to the appropriate level for the specific asset class in question.	All of the Scheme's investment managers have demonstrated, and given some examples of their stewardship and engagement approaches (detailed in the appendix). One of the Schemes managers, Brandywine, provided examples of direct engagement to invoke change which the Trustee and Scheme review annually. The Trustee receives Manager Research capabilities from Redington as its investment consultant who factor in engagement and stewardship as part of selecting managers. In December 2022 the Scheme invested capital with a new manager, TwentyFour who demonstrated consideration of ESG as part of the credit analysis and have recently adopted a formal ESG policy.

3. Voting Behaviour

The voting statistics for the funds in which the Scheme invests, or previously invested in, that invest in equities are shown below:

AQR Diversified Risk Premia Voting disclosure table (until date of disinvestment 13/10/22)

Voting criteria	
Value of Trustee's assets	£15,752,782 (13/10/22)
No of equity holdings at the end of reporting period	1,921 equity positions (969 long).
No of meetings eligible to vote during the period	534
No of resolutions eligible to vote during the period	6.372
% of resolutions voted	99%
% of resolutions voted with management	91%
% of resolutions voted against management	9%
% of resolutions abstained	0%
% of meetings with at least one vote against management	35%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	1.2%
Any use of proxy voting services during the period	Yes (Institutional Shareholder Services)

Source: AQR

AQR does not differentiate between significant or non-significant votes. However, their portfolio companies may request reactive engagement on certain votes based on their assessment of significance. AQR are working on implementing a policy for defining significant votes and expect to be able to report on this in the future.

Abrdn Life Diversified Growth Fund Voting disclosure table (until date of disinvestment 22/08/22)

Voting criteria	
Value of Trustee's assets	£13,784,982 (22/08/22)
No of equity holdings at the end of reporting period	585
No of meetings eligible to vote during the period	608

No of resolutions eligible to vote during the period	8,581
% of resolutions voted	97%
% of resolutions voted with management	86%
% of resolutions voted against management	13%
% of resolutions abstained	1%
% of meetings with at least one vote against, withhold or abstain	61%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	10%
Any use of proxy voting services during the period	Yes (Institutional Shareholder Services)

Source: Abrdn

Abrdn views all votes as significant and vote all shares globally for which they have voting authority unless there are significant voting obstacles such as share blocking[1]. In line with PLSA requirements they identify and record what they deem to be the most significant votes across all their holdings. They have identified five categories of votes they consider as significant and have ordered these based their view of their importance. This enables Abrdn to provide a specified number of votes across a client's portfolio upon request. Members of their Central ESG Investment Function carry out a monthly review to identify and categorise significant votes. These categories and details of the underlying votes captured are as follows:

Significant Vote Category 1 ('SV1'): High Profile Votes

- Focus on votes that received public and press interest with a focus on their large, active holdings.
- Focus on votes which reflect significant governance concerns regarding the company
- Resolutions proposed by Abrdn

Significant Vote Category 2 ('SV2'): Shareholder and Environmental & Social (E&S) Resolutions

- Votes on shareholder E&S proposals where they have engaged with the proponent or company on the resolution
- Votes on management-presented E&S proposals
- Focus on shareholder proposals where they have voted contrary to management recommendations.

Significant Vote Category 3 ('SV3'): Engagement

- Focus on resolutions where they have engaged with the company on a resolution.
- Focus on resolutions where post-engagement they voted contrary to their custom policy.

[1] 'Share blocking' refers to when investors who intend to vote are required to surrender their right to sell the equity investments in question for a specified period of time before the vote. This can make it difficult for active managers to vote if they may wish to sell the position during that period.

Significant Vote Category 4 ('SV4'): Corporate Transactions

- Focus on selected votes which have a financial impact on the investment with a focus on acquisitions.

Significant Vote Category 5 ('SV5'): Votes contrary to custom policy

- Focus on large active holdings where Abrdn have voted contrary to custom policy following analysis.

Final Remarks

The Trustee is comfortable that the voting and engagement policies have all been adequately followed over the Scheme year.

Appendix

In addition to requiring its managers to present on stewardship and engagement policies when the Trustee meets with them, the Trustee also require each manager to produce an annual statement on their stewardship and engagement approaches. Direct responses from each of the Scheme's investment managers can be found below.

Insight

Engagement with issuers is a key part of Insights' analysis and monitoring and complements their approach to responsible investment. As a matter of policy, all of their credit analysts regularly meet with issuers to discuss ESG related and non-ESG related issues. Given the size and depth of the credit analyst resource, one of the key inputs into their ESG analysis is the direct information which they receive from companies via engagements that take place. Insight also has a dedicated stewardship programme, which includes their prioritised ESG engagement themes. The prioritised themes for this year are climate change, water management, and diversity and inclusion. They use a research-led approach to identify poor performers to initiate targeted engagement to encourage positive improvements across each of these themes.

With regards to their holdings in corporate bonds, in 2022, Insight conducted 1,178 engagements with corporate bond issuers, including derivative counterparties, the majority of which incorporated discussions of environmental, social and governance (ESG) issues. They also work with governments, companies and civil society organisations to build knowledge and awareness, to share expertise and to create a common voice on these issues when engaging with stakeholders in relations to their clients' investments. In recent years they have engaged with the industry on the transition from LIBOR, central clearing for European pension schemes, and RPI reform.

Brandywine

Brandywine defines engagement as an interaction with government and corporate issuers, as well as public and private sector constituents that have a vested interest in the issuer behaviour. Their goal of engaging is to identify sustainability risks and work with the issuers to actively address those risks over time.

Engagement on ESG factors constitutes an important part of the strategy's overall decision making. This includes direct engagement with company management and government officials, private sector entities, and non-governmental organizations. Engagement also entails establishing research relationships and industry memberships as well as participating in collaborative working groups. The engagement process involves: identifying potential ESG risks while emphasizing the first two factors, detecting candidates/constituents for engagement, reporting on an entity's progress on mitigating the identified ESG risks, monitoring improvements or declines in ESG scores across sovereign and corporate issuers, and making investment decisions based upon the E and S scores. Finally, from a governance factor standpoint, Brandywine's standard investment process already incorporates engagement with government officials to gain information on a country's policies that may influence the attractiveness of a country's sovereign debt.

Brandywine provided the following examples of engagement activities over the reporting year or equity funds, of which Altro is not invested in:

Example A: Engagement with Taseko Mines has been periodic, receiving updates on regulatory approval, new projects, and innovation. Taseko's ESG score has improved since July.

Example B: After meeting with Brazil and joining the two IPDD groups to lead on engagement of encouraging sustainable land use, forest management and human rights. Parties recipetent of engagement through IPDD include Banco do Central Brasil, Brazil Minister of Environment and separately on a Roundtable with Brazil Treasury.

AQR

AQR's stewardship approach is grounded in a belief in transparency, as well as a desire to create positive long-term value for our clients. They conduct engagements at the firm rather than individual portfolio level, and their approach involves direct – both proactive and reactive – and collaborative initiatives.

AQR undertake engagement directly with companies, individually and through collective initiatives. For example, they are an active participant in CDP (formerly the Carbon Disclosure Project), leading over 200 engagements in 2022 to encourage companies in their firmwide holdings to publicly disclose data related to climate, deforestation, and water.

In addition to helping the broader investment community, they believe this effort also benefits their clients by strengthening the feedback loop between their engagement program and investment selection process. By successfully encouraging companies to disclose their carbon-related data, they not only improve the transparency they provide, but also enhance both the breadth and the quality of data inputs AQR use in their own climate-aware portfolios, such as their Diversified Risk Premia Lux Fund.

Finally, where clients have delegated proxy voting to AQR, they seek to align their voting with long-term value creation, including on ESG issues. AQR vote using recommendations from their proxy voting service providers and incorporate internal proprietary research to make informed decisions on individual votes.

Abrdn

Abrdn actively and regularly engage with the companies in which they have a financial interest. They engage with companies to make better investment decisions. Engagement develops the investment thesis and offers greater detail on company management which enables them to learn more about a company's strategy, performance and culture. Abrdn take a collaborative approach to engagement and encourage best practice and drive change among investee companies when appropriate.

In relation to the abrdn Life Diversified Growth Fund, they always aim to act in the best interests of clients. They believe in active, constructive engagement with companies and asset owners. Wherever they have voting authority, they vote all shares globally. When engaging with companies from an ESG perspective, their goal is to understand how they are managing ESG risks. Abrdn are signatories to the Principles of Responsible Investment. When engaging with companies on ESG issues, they do so based on the principles set out by the UN Global Compact on human rights, labour, the environment and anti-corruption.

TwentyFour

For TwentyFour, stewardship means engaging with and monitoring the companies in which they invest to address risks and identify opportunities for clients, and being transparent in thier approach. It also means working with regulators and our industry peers to try to tackle systemic risks and promote a well-functioning global fixed income market. To ensure they dedicate the necessary resources to stewardship, they make the portfolio management teams responsible for stewardship activities just as they are responsible for the investment process. Like ESG analysis, stewardship forms part of every manager's ongoing performance appraisal. TwentyFour look at ESG risks in the same way they do any other risk to clients' investments which they think they will have a big impact on long term returns.

TwentyFour believes that effective engagement is one of the most impactful ways to improve corporate behavior and promote positive change. TwentyFour's portfolio management teams aim to engage with the management of every company whose securities they invest in, or who manages or services any instrument in which they invest – both prior to investment and on an ongoing basis. The general principles of thier engagements are not fund or geography specific. They take a dynamic approach to serving clients' needs. In general they will engage on any topic as and when they feel it is in clients' interests. As part of its investment process, TwentyFour undertakes a substantial portion of its investee company research via direct contact with multiple levels of company management including senior management, as well as monitoring public statements of investee companies through financial information platforms such as Bloomberg, financial statements and regulatory announcements, reports & accounts, and results meetings. TwentyFour engages with the company management through periodic meetings, visits, and telephone calls during which TwentyFour's portfolio management teams discuss and pose questions on operational, strategic, and other management issues. Maintaining this dialogue is central to how they implement stewardship responsibilities and informs the investment decisions they make on behalf of our clients. TwentyFour's portfolio managers communicate internally on the status of engagement activities and any outcomes arising. Any engagement is formally recorded by issue, the desired outcome, the form of engagement, the company's response and any action subsequently decided by them.