

Report of the Trustees *(continued)*

Engagement with the Investment Manager

The policy in relation to the trustees' arrangements with their investment manager is set out below.

- A. Incentivising the asset manager to align its investment strategy and decisions with the trustee policies:

The investment manager is appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected for.

The trustees look to its investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant's assessment of the manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the scheme invests in. The consultant's manager research ratings assist with due diligence and questioning managers during presentations to the trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective of a particular fund changes, the trustees will review the fund appointment to ensure it remains appropriate and consistent with the trustees' wider investment objectives.

The Scheme's investment mandates with Aberdeen Standard Investments are reviewed on a regular basis. The trustees will review the appropriateness of using active and passive managed funds (on an asset class basis) on an ad-hoc basis.

As the trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

- B. Incentivising the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of a holding company, and to engage with holding companies in order to improve their performance in the medium to long-term:

The trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the trustees' responsible investment policy. This includes the investment manager's policy on voting and engagement.

The trustees meet with the investment manager at trustee meetings as required and may challenge decisions made including voting history and engagement activity.

The trustees delegate all voting and engagement activities to the investment manager. When required the trustees will question managers' voting decisions if they deem them out of line with the investment fund's objectives or the objectives / policies of the scheme.

The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the trustees are dissatisfied, then they will look to replace the manager.

- C. Aligning the evaluation of the asset manager's performance and the remuneration for asset management services with the trustees' policies:

The trustees receive investment manager performance reports on an ad-hoc basis which presents performance information over various time periods. The trustees review the absolute performance, relative performance against a suitable index used as the benchmark, and against the manager's stated tracking error (over the relevant time period).

If the manager is not meeting their investment objectives or their requirements for the mandate have changed, the trustees may review the mandate and review the annual management charge levied by the manager. The trustees may also review the mandate should the manager breach any investment guidelines.

Report of the Trustees *(continued)*

Engagement with the Investment Manager *(continued)*

D. Monitoring portfolio turnover costs incurred by the asset manager:

The trustees are able to receive MiFID II reporting from their investment manager but do not analyse the information.

The trustees do not currently monitor portfolio turnover costs but may look to do so in the future.

E. The duration of the arrangement with the asset manager:

The trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. The trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the trustees have decided to terminate.

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 trustees have been followed during the year to 30 April 2020.

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 Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The trustees have adopted the following primary objectives to help guide them in the strategic management of the assets and control of various risks to which the Scheme is exposed:

- The trustees seek to invest the Scheme's assets so as to maximise the likelihood:
 - That benefits will be paid to members as they fall due; and
 - Of continued long-term financial support from the Sponsoring Employer.

Review of the SIP

During the year, the trustees reviewed the Scheme's SIP. A revised SIP was agreed in September 2019 in order to reflect new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 to include policies in relation to:

- What financially material considerations are taken into account in selecting and retaining the Scheme's investments including ESG considerations and specifically, climate change.
- The extent to which non-financial matters are taken into account in selecting and retaining investments – that is, the views of Scheme members and beneficiaries on ethical, social and environmental matters.
- The approach to stewardship of investments – that is, exercising investment voting rights and engaging with companies in which the trustees invest.

Report of the Trustees *(continued)*

Annual Engagement Policy Implementation Statement *(continued)*

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the trustees' beliefs on ESG and climate change and the processes followed by the trustees in relation to voting rights and stewardship.

The following work was undertaken during the year relating to the trustees' policy on ESG factors, stewardship and climate change, and sets out how the trustees' engagement and voting policies were followed and implemented during the year.

Engagement

As set out in the SIP, the trustees have given appointed investment managers full discretion in the evaluation of ESG factors, including climate change considerations. The trustees also consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers. Of the Scheme's managers, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly in the Aberdeen Standard Investments ("ASI") Global Equity 50:50 Tracker Fund or indirectly through the ASI Diversified Growth Funds ("DGF").

- Going forward, the trustees will review the ASI equity and DGF mandate at least annually, in regards to their approach to ESG and their voting and stewardship activities. The trustees will also ensure they remain comfortable the managers' engagement policies are in line with their own.
- An investment performance report, produced by the Scheme's investment consultant, is reviewed by the trustees on an ad-hoc basis – this includes ratings (both general and ESG specific) from the investment consultant. All of the funds remained generally highly rated during the year. Where managers may not be highly rated from an ESG perspective the trustees have discussed the reasons with the investment consultant.

The Scheme's investment managers engaged with companies over the period under review on a wide range of different issues, including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

Report of the Trustees *(continued)*

Annual Engagement Policy Implementation Statement *(continued)*

Investment Mangers' Voting and Engagement Activity

The trustees have delegated their voting rights to the investment managers. The trustees expect that the votes attached to the Scheme's holdings are exercised whenever practical by the Scheme's investment managers and that managers should engage with the companies in which they have invested with the aim of ensuring ESG factors, including climate change considerations are properly taken into account in the companies' business strategies.

Investment managers are expected to provide voting summary reporting (where applicable) on a regular basis, at least annually. The aim is for these to be reviewed on an annual basis going forwards as part of a wider ESG review of the Scheme's investment managers.

Of the Scheme's investment managers, the Voting and Engagement policies and activities are most relevant for the mandates where equities are held directly in the ASI Global Equity 50:50 Tracker Fund or indirectly through the ASI Diversified Growth Funds ("DGF").

When implementing a new manager, the trustees will consider the ESG rating of the manager and how ESG considerations are integrated into the investment manager's investment process.

The trustees expect to be more active in challenging the investment managers in relation to voting and engagement in the future. It is expected that, when the investment managers present to the trustees at future meetings, the trustees will ask the investment managers to highlight key voting and engagement activity and the impact on the portfolio.

The trustees do not use the direct services of a proxy voter.

Over the last 12 months, the key voting activity within the DGF mandate was as follows:

Aberdeen Standard Life ("ASI")

ASI engaged with companies over the year under review on a wide range of different issues including remuneration, reporting, strategy, board matters, environment, social issues, cyber security and climate change.

ASI view all votes as significant and vote all shares globally for which they have voting authority. They believe they go beyond guidelines and endeavour to disclose all their voting decisions for all of their active and passive equity holdings. They provide full transparency of voting activity on their publicly available website and fund specific voting reports on request.

ASI subscribe to proxy advisory services for independent research and recommendations including recommendations based on their own policy. These providers include the ISS service. ASI also use Aberdeen Asset Managers Limited ("AAML"), a company under the ASI brand, including Aberdeen Standard Investments Life and Pensions Limited ("ASI Life") to vote on behalf of ASI Life.

Global Equity 50:50 Tracker Fund

ASI have not provided voting and engagement information with regards to this mandate. The Investment Consultant on behalf of the trustees will continue to request this information from ASI in future years to provide further coverage of this mandate in the future.

Report of the Trustees *(continued)*

Annual Engagement Policy Implementation Statement *(continued)*

Investment Managers' Voting and Engagement Activity *(continued)*

Diversified Growth Fund

Key information on the votes undertaken over the prior year on a global firm level is summarised below:

- ASI was eligible to vote at 197 meetings, and on 2,087 resolutions during the year to 30 April 2020. ASI voted on c95% of these resolutions.
- Of ASI's total number of votes, c. 79% were votes with management, c. 16% were against management and the remaining c. 5% were withheld or abstentions.
- ASI voted against, abstained or withheld their vote on many management proposals for Japanese Energy Company The Kansai Electric Power Co., Inc. on environmental issues, including nuclear facilities and renewable energy.
- ASI voted against management on 335 proposals. Of these, 9 were on ESG related issues including human rights, racial discrimination, sexual harassment and climate change.
- For climate related votes, ASI voted against the management of Ross Stores Inc. on their proposal to adopt quantitative company-wide Greenhouse Gas Emissions goals as ASI believed Ross' current disclosures do not enable an understanding company's progress or ambitions in relation to its overall carbon footprint. It lags peers in this regard. Improved disclosures and metrics would allow for a more detailed understanding of the company's risks and an accurate peer comparison.

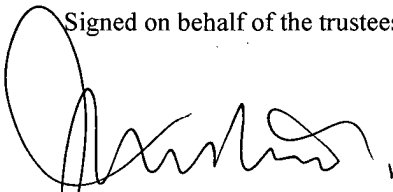
A key similarity between all mandates was that the majority of votes in the past 12 months were director and routine business related. Climate and ESG related votes represented a smaller proportion of the overall votes for the year. The Trustees delegate all voting and engagement activities to the manager as outlined in the SIP. ASI have stated that all votes are significant and vote all shares globally for which they have global authority. As such, the trustee considers the voting and engagement policies of the investment manager to be in line with the trustees' policy as outlined in the SIP.

Going forwards, when the investment manager presents, the trustees will be more active in reviewing and challenging voting activity, particularly in respect of its beliefs on climate change.

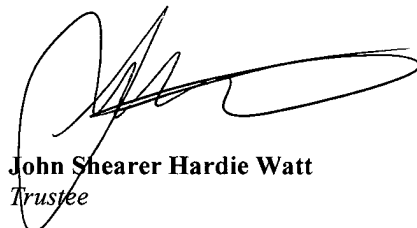
Late production of the accounts

The accounts were finalised after the 30 November 2020 statutory deadline. This was due to a combination of issues relating to working from home due to COVID 19 and failure in getting information from pension advisers.

Signed on behalf of the trustees:



John Wood Muir
Trustee



John Shearer Hardie Watt
Trustee

Date: 23 April 2021