

S.M.M.T. Pension and Death Benefits Scheme

Engagement Policy Implementation Statement for the year ending 31 December 2023

Introduction

The Trustee of the S.M.M.T. Pension and Death Benefits Scheme (the 'Scheme') has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustee, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending December 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustee, including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustee, in conjunction with its investment consultant, appoints its investment managers and chooses the specific pooled funds to use in order to meet specific policies. It expects that its investment managers make decisions based on assessments about the financial performance of underlying investments (including environmental, social and governance (ESG) factors), and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustee also expects its investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

Stewardship - monitoring and engagement

The Trustee recognises that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustee has not set out their own stewardship priorities but follow that of the investment managers.

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. Each investment manager is expected to provide regular reports to the Trustee detailing their voting activity.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for short-term money market instruments and liability-driven investments.

As such the Scheme’s investments in these asset classes are not covered by this engagement policy implementation statement.

The Trustee also delegates responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustee seeks to appoint managers that have strong stewardship policies and processes and are supportive of its investment managers being signatories to the United Nations’ Principles for Responsible Investment and the Financial Reporting Council’s UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Legal & General Investment Management	Yes	Yes
J.P. Morgan Asset Management	Yes	Yes

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Scheme’s investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to the investment managers’ engagement policy or suitable alternative is provided in the appendix.

These policies are publicly available on the investment manager’s websites.

The latest available information provided by the investment managers (with mandates that contain equities) is as follows:

	LGIM Global Equity Fixed Weight 50:50 GBP Hedged	LGIM Global Equity ex UK Fixed Weight Index	LGIM Maturing Buy and Maintain Credit Fund 2020-2024	LGIM Maturing Buy and Maintain Credit Fund 2025-2029
Period	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023
Number of companies engaged with over the year	600	366	47	74

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Number of engagements over the year	933	539	98	147
Top two engagement topics	Climate Impact Pledge Remuneration	Climate Impact Pledge Climate Change	Climate Change Remuneration	Climate Change Remuneration
Company engagement most over the year	Shell PLC BP PLC	Exxon Mobil Corp	Shell PLC	BP PLC

Exercising rights and responsibilities

The Trustee recognises that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers for which voting is possible are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustee has been provided with details of what each investment manager considers to be the most significant votes. The Trustee has not influenced the manager's definitions of significant votes but have reviewed these and are satisfied that they are all reasonable and appropriate.

The Trustee has selected the three votes affecting the largest asset holdings for inclusion in this statement. The Trustee did not communicate with the investment manager in advance about the votes it considered to be the most significant.

The investment managers publish online their overall voting records on a regular basis.

The Trustee does not carry out a detailed review of the votes cast by or on behalf of its investment managers but relies on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustee considers the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers with listed equity voting rights is as follows:

	LGIM Global Equity Fixed Weight 50:50 GBP Hedged	LGIM Global Equity ex UK Fixed Weight Index
Period	01/01/2023-31/12/2023	01/01/2023-31/12/2023
Number of meetings eligible to vote at	3,052	2,203
Number of resolutions eligible to vote on	39,790	28,052

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Proportion of votes cast	99.9%	99.9%
Proportion of votes for management	81.5%	76.6%
Proportion of votes against management	18.4%	23.3%
Proportion of resolutions abstained from voting on	0.1%	0.2%

Trustee's assessment

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, by continuing to delegate to each investment manager, the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

The Trustee reviews each investment manager's engagement policy including their policies in relation to financially material considerations from time to time.

The Trustee may also consider reports provided by other external ratings providers.

Where an investment manager has received a relatively low rating from the investment consultant or from other external rating providers, the Trustee may consider whether to engage with the investment manager.

The Trustee has considered the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustee recognises that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of its investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the engagement policies for the investment manager can be found here:

Investment manager	Engagement policy (or suitable alternative)
Legal & General	https://www.lgim.com/landq-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf
JP Morgan	https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf

Information on the most significant votes LGIM participated in regards to the Scheme's two equity funds during the year ending 31 December 2023 is shown below:

LGIM Global Equity Fixed Weight 50:50 GBP Hedged	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	BP Plc	Glencore Plc
Date of vote	23/05/2023	27/04/2023	26/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.5	1.9	1.3
Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress	Resolution 4 - Re-elect Helge Lund as Director	Resolution 19: Shareholder resolution "Resolution in Respect of the Next Climate Action Transition Plan"
How the fund manager voted	Against (against management recommendation)	Against (against management recommendation)	For (against management recommendation)

<p>Where the investment manager voted against management, did they communicate their intent to the company ahead of the vote</p>	<p>LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p>	<p>LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.</p>	<p>LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting.</p>
<p>Rationale for the voting decision</p>	<p>Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p>	<p>Governance: A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.</p>	<p>In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition.</p>
<p>Outcome of the vote</p>	<p>80.0% (Pass)</p>	<p>N/A</p>	<p>29.2% (Fail)</p>

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Implications of the outcome	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.
Criteria on which the vote is assessed to be "most significant"	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	High Profile Meeting and Engagement: LGIM consider this vote to be significant given their long-standing engagement with the company on the issue of climate.	Pre-declaration and Engagement: LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of their engagement activity, targeting some of the world's largest companies on their strategic management of climate change.

LGIM Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Company name	Microsoft Corporation	Novartis AG	Amazon.com, Inc.
Date of vote	07/12/2023	07/03/2023	24/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.1	0.8	0.8

LGIM Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Summary of the resolution	Resolution 1.06 - Elect Director Satya Nadella	Resolution 8.1 - Reelect Joerg Reinhardt as Director and Board Chair	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps
How the investment manager voted	Against	Against	For (Against Management Recommendation)
Where the investment manager voted against management, did they communicate their intent to the company ahead of the vote	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.

LGIM Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least one-third of board members being women. We expect companies to increase female participation both on the board and in leadership positions over time.	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
Outcome of the vote	N/A	N/A	29% (Fail)
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with the company and monitor progress.

LGIM Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Criteria on which the vote is assessed to be “most significant”	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.

Information on the most significant engagement case studies for LGIM as a company for the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below:

LGIM	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	ExxonMobil	BP Plc	J Sainsbury Plc
Topic	Environment: Climate change (Climate Impact Pledge)	Environment: Climate change (Climate Impact Pledge)	Social: Income inequality - living wage (diversity, equity and inclusion)
Rationale	<p>As one of the world's largest public oil and gas companies in the world, LGIM believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US.</p> <p>At LGIM, they believe that company engagement is a crucial part of transitioning to a net zero economy by</p>	<p>As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. As members of the CA100+ LGIM commit to engaging with a certain number of companies on their focus list and on account of LGIM's strong relationship with BP, they lead the</p>	<p>Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM's work on income inequality and their expectations of companies regarding</p>

<p>2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate-critical sectors. LGIM select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).</p>	<p>CA100+ engagements with them.</p> <p>At LGIM, they believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate- LGIM sectors. We select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).</p>	<p>the living wage have acquired a new level of urgency.</p> <p>LGIM's expectations of companies:</p> <p>i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.</p> <p>ii) LGIM expect the company board to challenge decisions to pay employees less than the living wage.</p> <p>iii) LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.</p> <p>iv) In the midst of the pandemic, LGIM went a step further by tightening their criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.</p>
<p>UN SDG 13: Climate action</p>	<p>UN SDG 13: Climate action</p>	

			<p>With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.</p> <p>UN SDG 8: Decent work and economic growth</p>
<p>What the investment manager has done</p>	<p>LGIM have been engaging with Exxon Mobil since 2016 and they have participated willingly in LGIM's discussions and meetings. Under LGIM's Climate Impact Pledge, LGIM identified a number of initial areas for concerns, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack of integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities.</p> <p>LGIM's regular engagements with Exxon Mobil have focused on their minimum expectations under the Climate</p>	<p>LGIM have been engaging with BP on climate change or a number of years, during the course of which LGIM have seen many actions taken regarding climate change mitigation.</p> <p>BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own</p>	<p>Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's then CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. LGIM joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, LGIM then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer.</p> <p>This escalation succeeded insofar as, in April 2022, Sainsbury's</p>

	<p>Impact Pledge. The improvements made have not so far been sufficient in LGIM's opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with the Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Exxon Mobil on their Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as LGIM considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, LGIM's engagement with the company continues. In terms of further voting activity, in 2022 LGIM supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting LGIM's continued wish for the company to take sufficient action on climate change in line with their minimum expectations.</p> <p>Levels of individual typically engaged with include lead independent director, investor relations, director and CFO.</p>	<p>emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.</p> <p>LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its Scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.</p> <p>Levels of director typically engaged with include the chair, the CEO, head of sustainability, and investor relations.</p>	<p>moved all its London-based employees (inner and outer) to the real living wage. LGIM welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely.</p> <p>Levels of individual typically engaged with include the Chair, the CEO, and head of investor relations.</p>
<p>Outcomes and next steps</p>	<p>Since 2021, LGIM have seen notable improvements from</p>	<p>LGIM will continue engaging with BP on climate change, strategy</p>	<p>Since filing the shareholder resolution, Sainsbury's has made</p>

Exxon Mobil regarding LGIM's key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, and improved disclosure of lobbying activities. However, there are still key areas where LGIM require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. LGIM are also seeking further transparency on their lobbying activities.

The company remains on LGIM's divestment list (for relevant funds), but LGIM's engagement with them continues.

and related governance topics. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss their concerns.

three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these actions which demonstrate the value the board places on its workforce. LGIM have asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff.