

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

Engagement Policy Implementation Statement for the year ending 31 December 2022

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 2022. 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 Trustees have 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.

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
Period	01/01/2022-31/12/2022	01/01/2022-31/12/2022
Number of companies engaged with over the year	488	336
Number of engagements over the year	738	503
Top two engagement topics	Remuneration Climate change	Climate Change Climate Impact Pledge
/Most significant company engagement over the year	n/a*	n/a*

*n/a indicates the investment manager did not provide this information when requested or the data is not available

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	01/01/2022-31/12/2022	01/01/2022-31/12/2022
Number of meetings eligible to vote at	3,197	2,271
Number of resolutions eligible to vote on	40,837	28,500
Proportion of votes cast	99.8 %	99.7 %
Proportion of votes for management	82.0 %	77.0 %
Proportion of votes against management	17.9 %	22.8 %

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Proportion of resolutions abstained from voting on	0.1%	0.2%
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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 has undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations.

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/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf
M&G	https://www.mandg.com/~media/Files/M/MandG-Plc/documents/mandg-investments-policies/mg-investments-engagement-policy-may-2022.pdf
JP Morgan	https://am.jpmorgan.com/content/dam/jpm-am-aem/asiapacific/regional/en/communications/lux-communication/engagement-and-proxy-voting-statement.pdf

Information on the most significant votes LGIM participated in regards to the Scheme's two equity funds during the year ending 31 December 2022 is shown below:

LGIM Global Equity Fixed Weight 50:50 GBP Hedged	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc
Date of vote	24 May 2022	12 May 2022	8 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.42	1.54	1.33
Summary of the resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 3 - Approve Net Zero - From Ambition to Action Report	Resolution 17 - Approve Climate Action Plan

How the fund manager voted	Against	For	Against
Where the investment manager voted against management, did they communicate their intent to the company ahead of the vote	Voted in line with management	Voted in line with management	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.
Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. They acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, they remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	Climate change: A vote FOR is applied, though not without reservations. While they note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, they remain committed to continuing our constructive engagements with the	Climate change: They recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while they acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of

		company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Outcome of the vote	0.80	0.9	0.8
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.		
Criteria on which the vote is assessed to be "most significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

LGIM Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Amazon.com, Inc.	LVMH Moet Hennessy Louis Vuitton SE

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LGIM Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Date of vote	4 March 2022	25 May 2022	21 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.88	0.92	0.91
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 5 - Reelect Bernard Arnault as Director
How the investment manager voted	For	Against	Against
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 Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Joint Chair/CEO: A vote against is applied as LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
Outcome of the vote	53.6%	93.3%	0.92
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 Global Equity (ex UK) Fixed Weight Index	Vote 1	Vote 2	Vote 3
<p>Criteria on which the vote is assessed to be “most significant”</p>	<p>LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.</p>	<p>LGIM pre-declared its vote intention for this resolution, demonstrating its significance.</p>	<p>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 (escalation of engagement by vote). LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.</p>

Information on the most significant engagement case studies for each of the funds containing public equities or bonds is shown below.

LGIM	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	BP	McDonalds	Experian
Topic	Climate Transition	Antimicrobial resistance	Financial Inclusion
Rationale	<p>Their work with the Institutional Investor Group on Climate Change (IIGCC) is a crucial part of their approach to climate engagement. IIGCC is a founding partner and steering committee member of Climate Action 100+ (CA100+), a global investor engagement initiative with 671 global investor signatories representing \$65 trillion in assets that aims to speak as a united voice to companies about their climate transition plans. They actively support the initiative by sitting on sub-working groups related to European engagement activities and proxy voting standards. They also co-lead several company engagement programmes, including at BP* (ESG score: 27; -11) and Fortum* (ESG score: 27; -11).</p>	<p>The overuse of antimicrobials (including antibiotics) in human and veterinary medicine, animal agriculture and aquaculture, as well as discharges from pharmaceutical production facilities, is often associated with an uncontrolled release and disposal of antimicrobial agents. Put simply, antibiotics end up in our water systems, including our clean water, wastewater, rivers and seas. This in turn potentially increases the prevalence of antibiotic-resistant bacteria and genes, leading to higher instances of difficult-to-treat infections. In autumn 2021, LGIM worked again with Investor Action on AMR and wrote to the G7 finance ministers, in response to their Statement on Actions to Support Antibiotic Development. The letter highlighted investors' views on</p>	<p>Pay equality and fairness has been a priority for LGIM for several years. They ask all companies to help reduce global poverty by paying at least the living wage, or the real living wage for UK based employees. Income inequality is a material ESG theme for LGIM because we believe there is a real opportunity for companies to help employees feel more valued and lead healthier lives if they are paid fairly. These are important steps to help lift lower-paid employees out of in-work poverty. This should ultimately lead to better health, higher levels of productivity and result in a positive effect on communities. Global credit bureau Experian† (ESG score: 69; +9) has an important role to play as a responsible business for the delivery of greater</p>

		<p>AMR as a financial stability risk.</p> <ul style="list-style-type: none"> • A member of their team was on the expert committee for the 2021 AMR Benchmark methodology. The benchmark, which was launched in November 2021, evaluates 17 of the world's largest pharmaceutical companies on their progress in the fight against AMR. They participated in a panel discussion on governance and stewardship around AMR. 	<p>social and financial inclusion.</p>
<p>What the investment manager has done</p>	<p>They engaged with BP's senior executives on six occasions in 2021 as they develop their climate transition strategy to ensure alignment with Paris goals.</p>	<p>During 2021, they voted on the issue of AMR. A shareholder proposal was filed at McDonald's seeking a report on antibiotics and public health costs at the company. We supported the proposal as we believe the proposed study, with its particular focus on systemic implications, will inform shareholders and other stakeholders on the negative implications of sustained use of antibiotics by the company.</p>	<p>LGIM has engaged with the company on several occasions in 2021 and are pleased to see improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods.</p>

Outcomes and next steps	<p>Following constructive engagements with the company, they were pleased to learn about the recent strengthening of BP's climate targets, announced in a press release on 8 February 2022, together with the commitment to become a net-zero company by 2050 – an ambition we expect to be shared across the oil and gas sector as we aim to progress towards a low-carbon economy.</p>	<p>The hard work is just beginning. LGIM continues to believe that without coordinated action today, AMR may be the next global health event and the financial impact could be significant.</p>	<p>The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.</p>
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More broadly, their detailed research on the EU coal phase-out earlier this year reinforced our view that investors should support utility companies in seeking to dispose of difficult-to-close coal operations, but only where the disposal is to socially responsible, well-capitalised buyers, supported and closely supervised by the state. In our engagement with multinational energy provider RWE's senior management, for example, we have called for the company to investigate such a transfer. They think transfers like this could make the

remaining transition
focused companies
more investable for
many of our funds
and for the market
more generally.
