

Aga Rangemaster Group Pension Scheme (the “Scheme”)

Engagement Policy Implementation Statement for the year ended 31 December 2023

Background on the Disclosure Requirements

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). The Regulations amongst other things require that pension scheme trustees prepare an Engagement Policy Implementation Statement (“EPIS”) on how they ensured that the stewardship policy set out in their Statement of Investment Principles (“SIP”) was adhered to over the course of the relevant year.

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 and governance (“ESG”) issues to focus on, exercising voting rights, and engaging with investees / issuers.

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

Source: the United Nations-supported Principles for Responsible Investment (“PRI”)

Introduction

This EPIS sets out the actions undertaken in the Scheme year under review by ARG Pensions (1974) Limited, as the Trustee of the Scheme, in conjunction with the Trustees of the Aga Rangemaster Commingled Fund (the “Fund”, the common investment fund in which the Scheme’s defined benefit assets are held and in which the Scheme is the sole participant), and the Scheme’s and the Fund’s service providers, including the investment consultant (Aon Investments Limited (“Aon”)) and the investment managers, to implement the stewardship policy as set out in the Scheme’s SIP. This document sets out how, and the extent to which, the Trustee’s policy in relation to the exercise of rights (including voting rights) attaching to the Scheme’s investments and undertaking engagement activities in respect of the investments (referred to in this EPIS as the Scheme’s stewardship policy) has been followed, and describes the voting behaviour of the investment managers on behalf of the Trustee (including description of any proxy voting services used). It includes voting and engagement information that has been gathered from the investment managers, providing examples of significant votes cast.

This EPIS has been prepared in consultation with the Trustees of the Fund, and it covers the Scheme and Fund year ended 31 December 2023.

This EPIS does not disclose stewardship information on the Scheme’s Liability Driven Investment (LDI) portfolio (including gilts, Network Rail bonds and derivatives) due to the limited financial materiality of stewardship to this asset class.

The identities of the Scheme’s investment managers have been anonymised.

The Scheme's Stewardship Policy

The Scheme's stewardship policy is set out in the Scheme’s SIP, which can be found at this website: <https://www.agarangemaster.com/group-pension-scheme>

Within this EPIS, the Trustee reviews how the stewardship policy has been followed by considering whether and the extent to which the actions of its investment managers have aligned with its expectations and principles set out in the SIP. The Trustee sets out in this EPIS where it expects more information to be provided or engagement to be undertaken by its investment managers.

How Voting and Engagement Policies have been followed over the Year

The Scheme is invested mostly in pooled funds, and so the responsibility for voting and engagement is delegated to the investment managers. Some of the Scheme's assets are also invested in a segregated mandate in which the voting rights and the responsibility for engagement have also been delegated to the investment manager (subject to the Scheme's stewardship policy as set out in the Scheme's SIP). The Trustee reviewed the stewardship activity of the investment managers carried out over the year and, in the Trustee's view, most of the investment managers were able to disclose adequate evidence of voting and / or engagement activity. More information on the stewardship activity carried out by the investment managers can be found in the following sections.

Over the reporting year, the Trustee monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from Aon. In particular, the Trustee sourced quarterly ESG ratings from Aon for the funds in which the Scheme is invested, where available, with ratings of 'Integrated' or 'Advanced'. Simply put, an Integrated rating means that the applicable fund management team has taken a number of appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the fund's investment portfolio, while an Advanced rating means that the applicable fund management team has demonstrated that it has more advanced processes in place. Apart from the Scheme's LDI portfolio, there are two investment funds in which the Scheme is an investor who do not yet have an Aon ESG rating. However, Aon's manager research team engages regularly on behalf of the Trustee (and all Aon's clients) with all of Aon's 'Buy-rated strategies' on a variety of ESG issues. (Buy-rated strategies are those investment funds which may appear on Aon's recommended short-list of potential investments; all the investment funds apart from the Scheme's holdings with Diversified Growth Fund Manager A were Buy-rated at the year end.)

The Trustee's Investment Sub-Committee (ISC) aims to meet with each of the investment managers twice a year on behalf of the Trustee. These meetings include updates regarding the manager's approach to stewardship and ESG integration as appropriate.

The Trustee periodically reviews the voting and engagement policies of the investment managers to ensure these policies align with the Scheme's policies.

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 environmental and social issues

Source: PRI

The Investment 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. 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. The Trustee expects the Scheme's equity-owning investment managers to exercise responsibly their voting rights.

Voting statistics for each of the investment managers directly owning equities for the year are provided in the Appendix to this EPIS.

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.

Why use a Proxy Voting Adviser?

Outsourcing voting activities to proxy advisers enables investment managers that invest in thousands of companies to participate in many more votes than they would without their support.

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

The following table describes how the investment managers use proxy voting advisers.

Description of use of proxy voting advisers	
<i>Wording provided directly by the investment manager</i>	
Equity Manager A	"We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision."
Diversified Growth Fund Manager A	"Minerva Analytics analyses any resolution against our specific voting policy templates which will determine the direction of the vote. Minerva monitors company meeting agendas and items to be voted on. Minerva reviews each vote against our specific criteria and provides a recommendation for each item. When we don't vote in line with the recommendations of the proxy voting agent we document the reasons. The rationale for abstaining or voting against the voting recommendation is retained on the Minerva platform on a case-by-case basis."

Significant Voting Examples

A significant vote is considered to be one which the investment manager considers significant. Investment managers use a wide variety of criteria to determine what they consider a significant vote. To illustrate the voting activity being carried out on the Trustee's behalf, the investment managers were asked to provide a selection of what they consider to be the most significant votes in relation to the assets they managed for the Scheme. A sample of these significant votes, and examples of the criteria used by the investment managers, can be found in the Appendix to this EPIS.

The Investment 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 following table shows some of the engagement activity carried out by the investment managers. The managers have provided information for the most recent calendar year available. N.B.: Some of the information provided is at firm-level – i.e. the information is not necessarily specific to the investment manager's fund in which the Scheme's assets are invested.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Equity Manager A (Currency Hedged and Unhedged Funds)	1,631	3,768	Environment – Climate Risk Management Social – Human Capital Management Governance – Corporate Strategy; Remuneration; Governance Structure
Equity Manager A (Emerging Markets Index Fund)	388	3,768	Environment – Climate Risk Management Social – Human Capital Management Governance – Corporate Strategy; Remuneration; Governance Structure
Diversified Growth Fund Manager A	11	2,521	Environment – Climate Change Strategy Financial & Reporting – Strategy / Purpose; Financial Performance; Reporting; Capital Allocation
Multi Asset Credit Fund Manager A	13	297	Environment – Net Zero / Decarbonisation; Nature and Biodiversity Social – Diversity and Inclusion; Inequality Governance – Board Composition

Illiquid Credit Fund Manager A	<i>Not provided</i>	297	Environment – Climate Change Social – Human Capital Management Governance – Remuneration; Board Effectiveness / Diversity Other – Multiple Topics
Fund of Hedge Funds Manager A			<i>Not provided</i>
Fund of Hedge Funds Manager B			<i>Not provided</i>
Property Manager A			<i>Not provided</i>

Source: the investment managers.

N.B.: Diversified Growth Fund Manager A and Illiquid Credit Fund Manager A provided themes at firm-level, not fund-level.

Data limitations

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

- Fund of Hedge Funds Managers A and B were not able to provide most of the voting or engagement information for their funds. Each fund is a fund of funds arrangement, where the manager does not have investment discretion over the underlying holdings of the investment managers within the portfolio. Given the fund of funds structure, it is not uncommon for these types of funds to struggle to provide stewardship information.
- Equity Manager A did provide firm-level engagement information for its strategies, but not in a standard template.
- It was noted that the percentage of votes cast by Equity Manager A for the Currency Hedged and Unhedged Funds was lower than would have been expected for this manager. Following engagement with the manager on this, it was found that the manager had not received proxy ballots for US issuers from its custodian, which meant that votes were not placed at shareholder meetings for US securities held by these funds. Votes for non-US issuers were unaffected. The manager noted that the issue was identified in June 2023 and remedied within one day.
- Illiquid Credit Fund Manager A did not provide any fund-level engagement information for its fund.
- Property Manager A did not provide the engagement information requested. The manager stated that it does not collate statistics on the number of engagements made by the portfolio, but that it is in continual engagement, via its asset managers, with the tenants of the Scheme's properties, rather than by single engagement events.

Conclusion

Based on the activity over the year under review by the Trustee and its service providers, the Trustee is of the opinion that overall, the Scheme's stewardship policy has been implemented effectively. The Trustee notes that most of the Scheme's applicable investment managers were able to disclose adequate evidence of voting and / or engagement activity, that the activities completed by the managers align with the Trustee's stewardship expectations, and that the Trustee's voting policy has been implemented effectively in most cases; where this has not been the case, the Trustee raised its concern with the applicable manager and the issue was rectified.

The Trustee continues to gain a more detailed insight and understanding of the investment managers' policies on voting and engagement and how the managers put their policies into practice. Over the coming year the Trustee will continue to engage with ongoing investment managers regarding their stewardship activities and challenge those managers who did not provide adequate information in any respect to give more information and clarity around their engagement activities.

Appendix – Voting Statistics and Significant Voting Examples

Voting Statistics

The following information, provided by the relevant investment manager, relates to the most relevant funds in which the Scheme's assets were invested over the year to 31 December 2023.

1 January 2023 to 31 December 2023

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against company management	% of votes abstained from
Equity Manager A (Currency Hedged and Unhedged Funds)	14,713	97.9%	5.0%	0.7%
Equity Manager A (Emerging Markets Index Fund)	29,932	97.7%	10.0%	2.6%
Diversified Growth Fund Manager A	164	100.00%	0.0%	0.0%

Significant Voting Examples

Equity Manager A (Currency Hedged and Unhedged Funds)	Company name	The Hong Kong and China Gas Company
	Date of vote	7-Jun-2023
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.
	Summary of the resolution	Elect David Li-Kwok-po as director.
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	<i>Not Provided</i>
	Outcome of the vote	Pass
	Rationale for the voting decision	Against director due to insufficient independence after reclassification. Audit Committee without majority independence. Remuneration Committee without majority independence. Nomination Committee is not majority independent. Chair of Audit Committee not independent. Chair of Remuneration Committee not independent.
	Implications of the outcome	We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.
	Criteria on which the vote is considered significant?	<i>Not Provided</i>

Equity Manager A (Emerging Markets Index Fund)	Company name	Banco de Chile SA
	Date of vote	23-Mar-2023
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.
	Summary of the resolution	Elect Francisco Perez Mackenna as director.
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	<i>Not Provided</i>
	Outcome of the vote	Pass
	Rationale for the voting decision	Against director as the nominee serves on an excessive number of public company boards, which we believe raises substantial concerns about the director's ability to exercise sufficient oversight on this board. Our concern is that when directors serve on too many boards, they may not have capacity to fulfil their duties on each, particularly in times of crisis.
	Implications of the outcome	We will continue to monitor Banco de Chile's steps to enhancing their corporate governance structures, including board quality and director commitments, as well as the region's progress towards publishing more fulsome and timely disclosures.
	Criteria on which the vote is considered significant?	<i>Not Provided</i>
Diversified Growth Manager A	Company name	Ecofin US Renewables Infrastructure Trust plc
	Date of vote	25-May-2023
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	<i>Not Provided</i>
	Summary of the resolution	Resolution 4: To re-elect as a director, Patrick O'Donnell Bourke.
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.2%
	Outcome of the vote	Pass
	Rationale for the voting decision	The board is cognisant of the lack of ethnic diversity and is mindful of the AIC Code alongside the Hampton-Alexander and Parker Reviews. The 2022 Annual Report indicated that the board will endeavour to address this in future recruitment whilst ensuring appointments are made on merit and are subject to a formal, rigorous and transparent procedure.
	Implications of the outcome	The board announced a review of the company's strategy in September 2023 focussing on the sale of company assets in order to maximise value for shareholders. At this stage, no further action is proposed pending the outcome of this strategic review.

Criteria on which the vote is considered significant?

In assessing our voting decision, we noted that votes were cast against proposal 5 (re-election of Patrick O'Donnell Bourke) at the previous AGM. We understand that this was predominantly from one shareholder due to board composition. The 2022 Annual Report acknowledged that the board's composition did not meet one of the FCA's new targets, namely that one individual on the board should be from a minority ethnic background. While the company recognises the benefits of greater diversity on the board, we agreed with the company's assessment that in view of the portfolio size and potential increase to cost base, increasing the board's size would not be appropriate at the present time. We voted in favour of the re-election resolution as we consider the board has the skillset and experience appropriate to fulfil their governance obligations.

Source: the investment managers.