

Engagement Policy Implementation Statement (“EPIS”)

Murco 1981 Pension Scheme

Scheme Year End – 31 December 2022

The purpose of the EPIS is for us, the Trustee of the Murco 1981 Pension Scheme (the “Scheme”), to explain what we have done during the year ending 31 December 2022 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, that the activities completed by our managers align with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

Not all of our investment managers were able to provide all of the engagement information requested. Our Fiduciary manager, Aon, will continue to engage with these managers to encourage improvements in their reporting, as set out in our Engagement Action Plan.

How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose strong evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections.

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to us by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Periodically, Aon conduct an in-depth annual ESG health check on our behalf, to better understand how our investment funds and portfolio managers evaluate and integrate ESG data in the investment decision-making process (both on a strategy and manager level).

On a regular basis, an Aon portfolio specialist also presents detailed portfolio performance and positioning to us, which includes information on ESG monitoring and integration into the underlying funds held and overall Scheme assets.

The Scheme's stewardship policy can be found in the SIP:

<https://premieradministration.co.uk/wp-content/uploads/2020/09/Murco-SIP-September-2020-Final-Signed.pdf>

Our Engagement Action Plan

Based on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Schroder Investment Management ("Schroders") did not provide the engagement information requested for our investment in its Securitised Fund. However, this is driven by of the types of investments made within the fund. The manager was able to provide examples of engagement being undertaken at the firm level. Given this, we do not have any concerns in relation to Schroders and will not be undertaking any further engagement with the manager, beyond that which is done through the usual course of monitoring of stewardship and engagement.

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 ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

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

Source: UN PRI

2. While Legal and General Investment Management Limited (“LGIM”) and BlackRock did provide a comprehensive list on fund level engagements, which we find encouraging, they did not provide detailed engagement examples specific to the fund in which we are invested, as per the Investment Consulting Sustainability Working Group (“ICSWG”) industry standard engagement reporting template, and also did not provide firm-level engagement information. Our fiduciary manager will continue to engage with these managers to encourage improvements in their engagement reporting.
3. We will invite our fiduciary manager to a meeting to get a better understanding voting and engagement practices of the underlying managers, and how these help us fulfil our Responsible Investment policies, including detailed ESG monitoring of our managers.

Our fiduciary manager’s engagement activity

We have appointed a fiduciary manager, Aon to manage the Scheme’s assets. Through Aon, the Scheme invests in a Managed Growth Fund and the Low Risk Bond Strategy. These are fund of fund arrangements, where Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon’s latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients’ portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustee still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustee will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Our 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. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 December 2022

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM – Multi-Factor Equity Fund	11,634	99.7%	20.3%	0.2%
BlackRock – Emerging Markets Equity Fund	32,753	97.0%	12.0%	4.0%

Source: Managers

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 social and environmental issues

Source: UN PRI

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.

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

The table below describes how the Scheme's managers use proxy voting advisers.

Why use a proxy voting adviser?

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

	Description of use of proxy voting adviser(s)
Legal and General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.
BlackRock	BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. While we subscribe to research from the proxy advisory firms ISS and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix

Our 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 table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM – Multi-Factor Equity Fund	320	Not provided	Environment – Climate change Social – Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health Governance – Remuneration
BlackRock – Emerging Markets Equity Fund	450	Not provided	Environment – Climate Risk Management Social – Human Capital Management Governance – Corporate Strategy, Board Composition and Effectiveness, Business Oversight/Risk Management, Remuneration.
Leadenhall Capital Partners LLP – Insurance Linked Securities	309	321	Environment – Climate change Governance – Remuneration, Shareholder rights Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting), Risk management (e.g. operational risks, cyber/information security, product risks)
Robeco – Sustainable Development Goals Credit Income Fund	11	252	Environment – Climate change, Pollution, Waste Social – Human and labour rights (e.g. supply chain rights, community relations) Governance – Board effectiveness - Other Other – SDG Engagement
Schroders plc – International Selection Fund ("ISF") Securitised Credit Fund	Not provided	>2,800	Environment – Climate change Social – Human capital management (e.g. inclusion & diversity, employee terms, safety), Human and labour rights (e.g. supply chain rights, community relations) Governance – Leadership - Chair/CEO Strategy, Financial and Reporting – Capital allocation
Aegon Asset Management – European Asset Backed Securities (ABS) Fund	132	441	Environment – Climate change Social – Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Board effectiveness – Diversity Other – Proprietary ESG assessment

Source: Managers. Schroders did not provide fund level themes; themes provided are at a firm-level.

Data limitations

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

- Schroders did not provide the engagement information requested however it did provide a detailed breakdown of its policy for engaging on securitised products, with some examples of engagement at a firm level.
- LGIM and BlackRock did provide fund level engagement information but not in the industry standard template. Additionally, the managers did not provide any firm level engagement information.

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on the Scheme's investment in cash and gilts because of the limited materiality of stewardship to these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below

LGIM – Multi-Factor Equity Fund	Company name	Eli Lilly and Company
	Date of vote	02-May-2022
	How the manager voted	LGIM voted in favour of the shareholder resolution (management recommendation: against).
	Did the manager communicate its 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 our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Summary of the resolution	Resolution 7 - Require Independent Board Chair
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	~0.9%
	Outcome of the vote	Fail
	Rationale for the voting decision	Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria on which the vote is considered significant?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).
BlackRock – Emerging Markets Equity Fund	Company name	Grupo Financiero Banorte SAB de CV
	Date of vote	23-May-2022
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	Not provided
	Summary of the resolution	Approve Cash Dividends of MXN 6.08 Per Share
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
	Outcome of the vote	Pass
	Rationale for the voting decision	Not provided
	Implications of the outcome	Not provided
	Criteria on which the vote is considered significant?	Vote Bulletin

Source: Managers