

## **Martin Currie Retirement and Death Benefits Plan**

### **Implementation Statement**

(Excerpt from Plan Report and Accounts for year ending 31 May 2023)

#### **BACKGROUND**

The regulatory landscape continues to evolve as Environmental, Social and Governance (“ESG”) considerations become increasingly important to regulators and society.

The Department for Work and Pensions (“DWP”) has increased their focus on the Trustee’s ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities.

These regulatory changes recognise the importance of managing ESG factors as part of the Trustee’s fiduciary duty.

#### **IMPLEMENTATION REPORT**

This implementation report is to provide evidence that the Trustee of the Martin Currie Retirement and Death Benefits Plan (“the Plan”) continues to follow and act on the principles outlined in the Plan’s Statement of Investment Principles (“SIP”).

The SIP can be found online at the web address:

<https://www.martincurrie.com/uk/our-story/regulatory-disclosures>

No changes were made to the Plan’s SIP over the accounting period.

The SIP is due to be updated in the second half of 2023 to reflect a change of the Trustee’s investment adviser over the accounting period (Isio Group Limited appointed 1 February 2023), changes to the Plan’s investment strategy, and to adhere to new regulations required by the DWP in relation to voting and engagement policies.

The Implementation Report details:

- Actions the Trustee has taken to manage financially material risks and implement the key policies in their SIP;
- The current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks;
- The extent to which the Trustee has followed policies on engagement covering engagement actions with the Plan’s fund managers and, in turn, the

engagement activity of the fund managers with the companies in the investment mandate;

- The voting behaviour by investment managers (noting the Trustee’s delegation of Plan voting rights to the investment managers through its investment via pooled fund arrangements), covering the reporting year up to 31 May 2023 for and on behalf of the Plan, including the most significant votes cast on the Plan’s behalf;
- The policies in place to ensure the default strategy remains in the best interest of its members.

### **Summary of key actions undertaken over the Plan’s reporting year**

No key strategic changes were implemented over the reporting period.

Following the appointment of Isio Group Limited as the Plan’s investment adviser, the Trustee undertook a full investment strategy review and agreed a number of strategic changes that were implemented after the accounting year-end. These changes will be reflected in future reporting.

### **Implementation Statement**

This report demonstrates that the Trustee of the Martin Currie Retirement and Death Benefits Plan has adhered to their investment principles and policies for managing financially material considerations including ESG factors and climate change.

**Signed:**

**Position:**

**Date:**

**MANAGING RISKS AND POLICY ACTIONS – As set out in current SIP**

<b>Risk</b>	<b>Definition</b>	<b>How it is managed</b>	<b>Actions over reporting period</b>
<b>Solvency Risk and Mismatching Risk</b>	Measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities	By setting a scheme-specific strategic asset allocation with an appropriate level of risk	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Manager Risk</b>	Assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy	By monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and, for the "balanced" portfolio, by appointing their investment adviser to monitor and advise on replacing any managers where concerns exist over their continued ability to deliver the investment mandate	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Liquidity Risk</b>	Monitored according to the level of cashflows required by the Plan over a specified period	By holding an appropriate amount of readily realisable investments. The Plan's assets are invested in pooled funds which are readily realisable	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Political Risk</b>	Measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.	By regular reviews of the investments and through investing in funds which give a wide degree of diversification	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Corporate Governance Risk</b>	Assessed by reviewing the Plan's investment managers' policies regarding corporate governance and proxy voting	By delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published proxy voting policies	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Sponsor Risk</b>	Assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Plan and to make good any current or future deficit	By assessing the interaction between the Plan and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Legislative Risk</b>	The risk that legislative changes will require action from the Trustee so as to comply with any such changes in legislation	This risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Credit Risk</b>	The risk that one party to a financial instrument will cause a financial loss for the	The assessment of credit risk on individual debt instruments is delegated to the investment	Trustee adhered to policy detailed within SIP over reporting

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	other party by failing to discharge an obligation	manager. The Trustee will ensure that it is comfortable with the amount of risk that the Plan's investment managers take	period. No notable changes or deviations from stated policy to report.
<b>Market Risk – Currency Risk</b>	The risk that occurs when the price of one currency moves relative to another (reference) currency. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return	The currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Market Risk – Interest Rate Risk</b>	The risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments	The Trustee acknowledges that the interest rate risk related to individual debt instruments, and particularly liability driven instruments (LDI), is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management, and hedging via swaps, particularly where LDI is involved	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>Market Risk – Other Price Risk</b>	The risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.	The Trustee acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.
<b>ESG Risk</b>	The risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Plan's assets	By investing with investment managers where ESG principles are an established part of the investment decision making process and by regularly reviewing the ESG capabilities of the managers	Trustee adhered to policy detailed within SIP over reporting period. No notable changes or deviations from stated policy to report.

**CHANGES TO THE SIP**

No changes were made to the SIP over the accounting year period.

Following the appointment of Isio Group Limited as the Plan's investment advisers in February 2023, the Trustee undertook a full investment strategy review and made a number of strategic changes that were implemented following the accounting year-end. The SIP will be updated in due course to account for these strategic changes, and these changes will be reflected in future reporting.

At this time, the SIP will also be updated to account for new regulations required by the DWP in relation to voting and engagement policies.

Date last updated: April 2022

## **IMPLEMENTING THE CURRENT ESG POLICY AND APPROACH**

### **ESG as a financially material risk**

The SIP describes the Trustee’s policies with regards to ESG as a financially material risk.

The below table outlines the key areas on which the Plan’s investment managers are assessed on when evaluating their ESG policies and engagements. The Trustee reviews the Plan’s ESG policies and engagements periodically to ensure they remain fit for purpose.

### **Key areas of assessment and ESG beliefs**

<b>Area of assessment</b>	<b>Trustee’s beliefs</b>
<b>1. Risk</b>	<ul style="list-style-type: none"> <li>• The Trustee recognises that ESG factors, including climate change, can all influence the investment performance of the Plan’s portfolio.</li> <li>• The Trustee believes it is in members’ and the Plan’s best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.</li> <li>• The Trustee believes that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.</li> </ul>
<b>2. Appointment of investment managers</b>	<ul style="list-style-type: none"> <li>• The Trustee will work with the Investment Consultant to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to ensuring the managers are signatories to UNPRI, reviewing the managers’ own ESG policies, investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis.</li> <li>• The Trustee will take into consideration the investment managers’ approaches to ESG factors, including climate change considerations, with respect to their selection of investments and is satisfied that a responsible approach, which is consistent with the long-term financial interests of the Plan and its members, is undertaken.</li> </ul>
<b>3. Monitoring of investment managers</b>	<ul style="list-style-type: none"> <li>• The Trustee will monitor the performance, strategy, risks, ESG policies, including climate change considerations, and corporate governance of the investment managers. If the Trustee has any concerns, they will raise them with the respective managers, verbally or in writing.</li> <li>• The Trustee will also refer to output from Isio’s Sustainable Investment research team’s appraisal process, whereby investment managers are rated on a number of quantitative and qualitative factors, ESG considerations are taken into account in this process. This process is also applied to existing investment managers.</li> </ul>
<b>4. Engagement</b>	<ul style="list-style-type: none"> <li>• As the Trustee invests the Plan’s assets in pooled funds, the Trustee acknowledges that the influence it can have on the ESG policies and practices, including climate change considerations, of the companies in which its managers invest, is potentially limited.</li> <li>• The Trustee will continue to review the available products and approaches in this space and strive for the Plan to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.</li> </ul>

### Trustee’s approach to investment managers’ voting and engagement policies

The Trustee has concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published proxy voting policies.

These policies, which are provided to the Trustee from time to time, take into account the financial interests of shareholders and should be for the Plan’s benefit. Where this primary consideration is not prejudiced, the investment manager should engage with companies to take account of ESG factors, including climate change considerations, in the exercise of such rights.

The Trustee notes that the investment managers’ proxy voting policies are available on request and on their respective websites.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, the Trustee will exercise its right in accordance with what it believes to be the best interests of the majority of the Plan’s membership.

### Investment managers’ engagement activity over reporting year

As the Plan invests via investment managers, the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 31 May 2023.

Fund name	Engagement summary	Commentary
<b>Various MCIM Equity Funds</b>	Total engagements: 33 Of which: - Environmental: 9 - Social: 5 - Governance: 15 - Other: 4	MCIM provide Shareholder reports for each underlying fund which provide information on engagement activity.  Example of significant engagement(s) include:  <b>Resmed Inc (c.8% of US Unconstrained Fund, c. 5% weight of Global Unconstrained Fund)</b>  MCIM engaged with Resmed on the use of plastics in disposable components contributing to an increased environmental footprint. While MCIM acknowledge this must be weighed up in the context of superior healthcare outcomes, this is an ongoing focus of engagement with the Company.  <b>Microsoft Corp. (c.8% of US Unconstrained Fund, c. 5% weight of Global Unconstrained Fund)</b>  MCIM continues to support Microsoft’s positive contribution to tackling climate change and social issues with such initiatives as ‘AI for Earth’ and various educational programmes.

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<p><b>Partners Group Generations Fund</b></p>	<p>Not provided</p>	<p>The Fund invests in private markets (or listed investments thereof). Where they invest directly, they hold a controlling stake. As such, Partners Group do not provide examples of key engagements and outcomes due to the ownership structure in which they operate. They do not track individual exchanges or key outcomes as engagement.</p>
<p><b>Columbia Threadneedle LDI Funds</b></p>	<p>Total engagements: 23 CT were unable to provide a detailed breakdown by ESG topic.</p>	<p>ESG issues are central to CT’s identity and overall investment philosophy. CT integrate ESG considerations into their counterparty selection process and all counterparty engagements are monitored against pre-defined milestones. Examples of significant engagement(s) include: <b>Barclays PLC</b> CT engaged with Barclays in relation to climate change. As a result of engagement with shareholders and the introduction of the Inflation Reductions Act in the U.S., Barclays announced that it was accelerating its timeline to phase out the financing of thermal coal power in the US from 2035 to 2030, in line with its approach in the UK and EU. <b>HSBC Holdings PLC</b> CT engaged with HSBC as part of an update to their energy policy to include the ending of funding for new oil and gas projects. As part of the resulting policy, HSBC will not provide new finance, or new advisory services, to any client for the specific purposes of O&amp;G exploration, appraisal, development, and production pertaining to: ultra-deepwater offshore O&amp;G projects, shale, among other key criteria.</p>
<p><b>L&amp;G Life TA Sterling Liquidity Fund</b></p>	<p>Total engagements: 24 Of which: - Environmental: 18 - Social: 4 - Governance: 10 - Other: 1  (Note: some engagements will classify under multiple ESG topics)</p>	<p>LGIM currently do not provide examples of their engagement activities at a Fund level. LGIM’s Investment Stewardship team are responsible for engagement activities across all funds. LGIM share their finalised ESG scorecards with portfolio companies and the metrics on which they are based.</p>

\*Engagement data has been interpreted by Isio into the above categories. Board diversity issues have been put in the Governance category, although these could also be linked to the Social Category.

**Investment managers’ voting activity over reporting year (applicable for the Plan’s equity and multi asset funds only)**

The Trustee has acknowledged responsibility for the voting policies that are implemented by the Plan’s investment managers on their behalf.

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The Plan’s fund managers have provided details on their voting actions, including a summary of the activity covering the reporting year up to 31 May 2023. The managers also provided examples of any significant votes.

Fund name	Voting summary	Example of a significant vote(s)	Commentary
<b>Various MCIM Equity Funds</b>	<p>Votable Proposals: 1,340</p> <p>Proposals Voted: 97.6%</p> <p>Of which:</p> <ul style="list-style-type: none"> <li>- For: 89.5%</li> <li>- Against: 8.9%</li> <li>- Abstain/Withheld: 1.5%</li> </ul>	<p><b>Ferrari</b></p> <p>Topic: Governance</p> <p>Proposal: Election of non-executive director and issuance of special voting shares.</p> <p>Vote: Against.</p> <p>Rationale:</p> <ul style="list-style-type: none"> <li>- Too many board positions.</li> <li>- Special voting shares is against MCIM’s principle of one vote, one share.</li> </ul> <p><b>Delivery Hero</b></p> <p>Topic: Social, Governance</p> <p>Proposal: Board remuneration package</p> <p>Vote: Against</p> <p>Rationale:</p> <ul style="list-style-type: none"> <li>- Concern over welfare of delivery staff and environmental impact of packaging and waste.</li> <li>- Misalignment of Board long-term incentive plan to concerns.</li> </ul>	<p>Martin Currie uses ISS as their proxy voting advisor.</p> <p>ISS provides voting recommendations for Martin Currie, in accordance with their own policy, which is closely aligned with the Martin Currie internal policy.</p> <p>Martin Currie’s voting decisions are informed by their own internal work, ISS, and a specialist governance advisor. They assess voting matters on a case-by-case basis but are guided by their overarching principles on good corporate governance.</p>
<b>Partners Group Generations Fund</b>	<p>Votable Proposals: 1,014</p> <p>Proposals Voted: 98.3%</p> <p>Of which:</p> <ul style="list-style-type: none"> <li>- For: 96.6%</li> <li>- Against: 1.8%</li> <li>- Abstained: 1.5%</li> </ul>	<p>Partners Group were unable to provide details of significant votes given ownership stake in direct investments and use of a proxy adviser for its limited listed investments, where they use Glass Lewis.</p> <p>Glass Lewis does in depth research on each ballot item and recommends voting in line with the list of guidelines best practice and considering local market standards. Glass Lewis also vote primarily according to Partners Group’s Proxy Voting Policy.</p>	

Notes: Values are the % of total votable proposals.