

Crane Flow Saunders Pension Scheme

Engagement Policy Implementation Statement for the year ending 31 March 2022

Introduction

The Trustee of the Crane Flow Saunders Pension 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 its investment manager.

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 31 March 2021. This statement also describes the voting behaviour by, or on behalf of, the Trustee.

The Trustee, in conjunction with its investment consultant, appoints its investment managers to meet specific Scheme policies. It expects that its investment managers make decisions based on assessments about the financial and non-financial performance 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'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. The investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

The Trustee also delegates responsibility for engaging and monitoring investee companies to the investment managers and expect 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 each investment manager’s engagement policy or suitable alternative is provided in the Appendix.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

	LGIM AAA-AA-A Bonds All Stocks Index Fund	Vontobel Global Equity Fund
Period	01/04/2021 – 31/03/2022	01/01/2021 – 31/12/2021
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.	
Number of companies engaged with over the year	54	20
Number of engagements over the year	129	40

Note: Data for the Baillie Gifford Global Alpha Growth Fund, Janus Henderson Multi Asset Credit Fund and M&G All Stocks Corporate Bond Fund was not available at the time of publication.

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 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.

Many investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustee does not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely 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 (where relevant for equity investments) are as follows:

Voting behaviour			
	LGIM AAA-AA-A Bonds All Stocks Index Fund	Baillie Gifford Global Alpha Pension Fund	Vontobel Global Equity Fund
Period	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022	01/04/2021 – 31/03/2022
Number of meetings eligible to vote at	3	105	65
Number of resolutions eligible to vote on	3	1,307	827
Proportion of votes cast	100%	96.6%	100%
Proportion of votes for management	100%	97.3%	86.0%
Proportion of votes against management	0.0%	2.1%	14.0%
Proportion of resolutions abstained from voting on	0.0%	0.6%	0.0%

The Scheme's assets invested with Janus Henderson Investors and M&G Investments are debt instruments, thus they do not grant voting rights to the investor.

Trustee's assessment

The Trustee has considered the environmental, social and governance rating for each fund/investment manager provided by the investment consultant, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

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

The Trustee has reviewed 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 their 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	Annual disclosure statement
Baillie Gifford	https://www.bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/our-stewardship-approach-esg-principles-and-guidelines-2022/	https://www.bailliegifford.com/en/uk/about-us/
Legal & General Investment Management	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-global-corporate-governance-and-responsible-investment-principles.pdf
M&G Investments	https://www.mandgplc.com/~/_media/Files/M/MandG-Plc/documents/mandg-investments-policies/mg-investments-engagement-policy-may-2022.pdf	https://global.mandg.com/our-business/mandg-investments/responsible-investing-at-mandg-investments/voting-history
Vontobel Asset Management	https://am.vontobel.com/en/insights/esg-investment-principles-and-policy	https://www.vontobel.com/globalassets/legal/sfdr/sustainable-investing/sccmc-3984_csr_fs_principle_adverse_impact_statement_pai_en-1.pdf
Janus Henderson Investors	https://www.janushenderson.com/en-us/investor/about-us/esg-environmental-social-governance/	https://cdn.janushenderson.com/webdocs/ESG+Company+Engagement+Report_SECURED_Final.pdf

Appendix 2

Information on the most significant votes the Scheme's investment managers participated in during the year ending 31 March 2022 is shown below. This information and commentary has been provided by the investment managers.

Baillie Gifford Global Alpha Growth Fund	Vote 1	Vote 2	Vote 3
Company name	RIO TINTO PLC	THE CHARLES SCHWAB CORPORATION	DEUTSCHE BOERSE AG

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Date of vote	9 Apr 2021	13 May 2021	19 May 2021
Approximate size of fund's holding (% of portfolio)	1.54%	0.71%	0.58%
Summary of the resolution	Remuneration - Report	Shareholder Resolution - Governance	Elect Director(s)
How the fund manager voted	Against	For	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	No	No	Yes
Rationale for the voting decision	They opposed the remuneration report as they did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.	They supported the shareholder resolution for disclosure of lobbying activities and expenditure as they believe that greater transparency would enable shareholders to assess alignment with the company's values and corporate goals.	They opposed the election of the chair of the risk committee. Subsequent to Mr Gottschling being put forward for re-election, he had to stand down from a similar position at another company due to ongoing investigations regarding their risk practices. Whilst no evidence of wrongdoing has been found against Mr Gottschling specifically, the ongoing investigations at another company has led to us feeling unable to support his re-election to the same position at Deutsche Boerse at this time.
Outcome of the vote	Fail	Fail	Pass
Implications of the outcome	They supported the remuneration policy but opposed the remuneration report. They were uncomfortable with the timing and use of bonus deductions last year,	They consider that shareholders would benefit from increased transparency on lobbying expenditures, both direct and indirect, and support for or membership of	We informed the company of our voting action and explained our concerns. While this resolution passed at the AGM, we intend to raise the issue again with the company and will

	followed by the large LTIP pay-outs which were not subject to malus or clawback.	organisations such as trade associations. We note that while this resolution did not gain sufficient support to pass at the AGM, it nonetheless received substantial shareholder support.	continue to monitor the situation.
Criteria on which the vote is assessed to be “most significant”	This resolution is significant because they opposed remuneration.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because we opposed the election of a director.

Vontobel Global Equity Fund	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	Flutter Entertainment Plc	Flutter Entertainment Plc
Date of vote	26 May 2021	29 Apr 2021	29 Apr 2021
Approximate size of fund’s holding (% of portfolio)	4.6%	2.7%	2.7%
Summary of the resolution	Require independent Chair of the Board	Approve Remuneration Report	Re-elect Gary McGann as Director
How the fund manager voted	Against	For	For
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	No	No	No
Rationale for the voting decision	While they generally favour a separation of Chair and CEO roles (as they believe there is a structural benefit for shareholders if there are two senior roles with	They received a detailed explanation from Flutter regarding the remuneration policy and agreed with their rationale.	The Chairman has provided very effective leadership at Flutter since his appointment in 2015 and they wish for him to remain. To express their position on

	<p>companies: a Chair, who ultimately reports to shareholders, and CEO who reports to the board), for Amazon, CEO Jeff Bezos has already indicated he will step down as CEO and hand it over to Andy Jassy. They believe it is in the shareholders' best interest that Mr. Bezos is Chair to provide strategic direction given his track record. Further, he will be needed to provide a guide to Mr. Jassy as he steps in the CEO role.</p>	<p>the lack of racial/ethnic diversity of the Board, they voted against the chairman of the nominating committee (Andrew Higginson).</p>	
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	<p>The vote only garnered 15% of the votes, Jeff Bezos (CEO/Chair) stepped down from his CEO role and became Executive Chairman in July 2021. Mr. Andy Jassy, who is head of the Amazon Web Services (AWS) business, took over as CEO.</p>	<p>A clear explanation and logic around executive remuneration is important for shareholders to make effective decisions.</p>	<p>When voting for an indirect goal (such as board diversity), it is important to deliver a focused impact that does not hinder the future development of the company. The goal is to make the company stronger over the long term.</p>
Criteria on which the vote is assessed to be "most significant"	<p>Weight in portfolio / Weight of float held (across the Quality Growth boutique) / impact of vote on company sustainability/value.</p>		

Information on the most significant engagement case studies for each of the managers investing in public equities or bonds on the Scheme's behalf 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 AMR as a financial stability risk.</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 social and financial inclusion.</p>
		<ul style="list-style-type: none"> • A member of their team was on the 	

		<p>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>	
<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>
<p>Outcomes and next steps</p>	<p>Following constructive engagements with the company, they were pleased to learn about the recent strengthening of BP's</p>	<p>The hard work is just beginning. LGIM continues to believe that without coordinated action today, AMR may be</p>	<p>The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and</p>

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.

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

the next global health event and the financial impact could be significant.

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.

and for the market more generally.

Vontobel	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	Taiwan Semiconductor Manufacturing Company Limited	ByteDance	Techtronic Industries
Topic	Environment - Natural resource use/impact (e.g. water, biodiversity)	Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks)	Gender Diversity - Governance: Board effectiveness
Rationale	<p>It is well known that semiconductor manufacturing is a heavy consumer of energy, but it is a heavy user of fresh water as well. Semiconductor manufacturing requires a great deal of water for cooling, cleaning wafers and helping to maintain the high degree of cleanliness required in the manufacturing environment. As the largest logic chip maker in the world TSMC has a large footprint. Due to the nature of the semiconductor manufacturing process, water use and water pollution is</p>	<p>Share insights of risk with a pre-IPO company as a potentially investible business. ByteDance requested meeting.</p> <p>Their engagement rationale was to provide feedback to a global market leading company while still private to support their evolution. ByteDance, as owner of TikTok, has a vast following and billions of hours are spent using their sites annually. They believed the key ESG risks the company faced were similar to those faced by gaming companies: customer data security and</p>	<p>Diversity not only brings the strongest minds to a task, but also different perspectives to decision-making. Their view is that a flowing and well managed meritocracy is of self-interest for shareholders. To that end, their Gender Diversity engagement is focused on boards where fewer than 10% of the directors are female. Their objective is to encourage increased diversity at the board level.</p> <p>They see ESG as an integral part of a long-term investment process, and their thematic</p>

	<p>the biggest environmental factor relevant to the sustainability of the company's operations.</p>	<p>addiction. This aligns with their policy of helping companies reduce the probability of risks turning into chronic problems. They are open to discussing and sharing insights or views with companies that could be deemed investible, even if pre-IPO. The risks of addiction from social media are not specified within a UN SDG; Goal 13 focuses on Good Health and Well-being, though it does not specify exposure to gambling, gaming or socially captivating services.</p>	<p>engagements as a natural extension of this process. They believe diversity can add value to both shareholders and society.</p> <p>This aligns both with their investment philosophy, and their custom voting policy. The voting policy as of year-end 2021 will vote against Board Chairs and the Chair of the nominating committee for boards where less than 10% of the directors are female.</p> <p>This thematic engagement is directly connected to Goal 5, Gender Equality, of the UN Sustainable Development Goals.</p>
<p>What the investment manager has done</p>	<p>They discussed this topic in a call with the company's investor relations department. The engagement was led by the primary research analyst. There was no escalation.</p>	<p>This engagement was initiated by the company. They had a discussion with the head of investor relations, and the head of the sustainability team and other members of the sustainability team. The extent of the engagements included emails, a video call and the ByteDance team had read a number of our Turning Stone blogs. Following the political issues surrounding</p>	<p>For thematic engagements, they first establish criteria around an issue that we believe reflects a consistent underlying issue/risk. They then screen their holdings across all strategies within Quality Growth. they will then select from the list companies to engage with. Generally, they do not engage with more than 20 companies on a single thematic campaign at a given</p>

ByteDance under the Trump administration, the IPO did not proceed as previously anticipated. However, the company continues to retain a significant presence in the market. There was no escalation.

time. They then engage to check our views appear accurate and if confirmed will reach out to senior management or the board depending on the issue. In the case of gender diversity their approaches included letters to the Chair of the board and directors representing controlling interests. Where responses were received, where there are further questions, we will respond with further communication.

The engagement approach has evolved to be more consultative than hard pressure. They have found that trust is an important element of making progress and that involves understand both sets of needs, and what constitutes progress for both investors and the other stakeholders at a company, how long changes may take, and how much investment may be required.

Regarding escalation, in this case they are looking at gender diversity on the board, so it only makes sense to

			<p>communicate with senior board members. From here there is no sensible escalation – beyond the press, which they would rather avoid as this is sometimes damaging to the long-term building of trust and understanding between investor and managers.</p>
<p>Outcomes and next steps</p>	<p>The company has laid out a plan to improve its use of water and is making the investments needed to reach these goals. They will continue to monitor and engage with the company on this issue in order to encourage and support the effort.</p>	<p>It is not possible for them to know how this impacted the management's thinking. They know that they were surprised by some of their thoughts and the conversation was engaged in a positive sense. They objective cannot be tracked, but they suggested that they consider establishing a number of measures to monitor unhealthy amounts of time spent on their service by individual users and also establishing measures that could be taken to help reduce screen time if it potentially becomes harmful to a user's health or welfare. The goal was to be both beneficial to users and the company. In markets where the downside to corporate behaviour may be</p>	<p>They engaged with Techtronic Industries (Hong Kong/capital goods); owner of the Milwaukee power tools brand. Their initial engagement on diversity with the company was in 2020. At the time there were no female directors and we encouraged them to bring more diversity to the board. Management responded positively and added Ms. Virginia Wilmerding to the board as an independent director later in the year. They wrote to the Chair of the board in 2021 to encourage adding further female director to cross the 10% threshold for their 11-person board. Again, they were receptive and informed them they are searching for a candidate. They will</p>

deemed not to be to
in the interests of the
general public, while
being highly profitable
can be significant.

continue with their
dialogue.

They have no plans to
further engage unless
the company reaches
out to them again, or
if the company moves
ahead with an IPO
and our research
team regards
ByteDance as an
investment candidate.
