

Section 9 – Implementation Statement (Forming part of the Trustee Report)

Canada Life UK Division Staff Pension Fund

Engagement Policy Implementation Statement ('EPIS')

Statement of Compliance with Canada Life UK Division Staff Pension Fund's Stewardship Policy for the year ending 31 December 2023

Introduction

This statement is prepared on behalf of the Trustee of the Canada Life UK Division Staff Pension Fund (the "Trustee") in its capacity as Trustee of the Canada Life UK Division Staff Pension Fund (the "Fund") in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Fund's Stewardship Policy during the period from 1 January 2023 to 31 December 2023.

Changes to the SIP over the year to 31 December 2023

During the reporting year, the Fund's portfolio underwent a series of investment changes, some of which were a result of the investment strategy review that took place following the 2022 Actuarial Valuation.

The changes were as follows:

- Strategic asset allocation to growth assets was reduced by 10 percentage points from 25% to 15% and the allocation to matching assets increased by 10 percentage points from 75% to 85%. The Trustee was also notified of the closure of the Property Fund.
- Rebalancing of the matching portfolio benchmark to bring the benchmark in line with the target levels of 90% of interest rates and 100% of inflation protection.

The matching portfolio benchmark was reviewed again in early 2024, to improve the curve risk of the matching portfolio and new fixed interest gilts and index linked gilts were introduced. The Statement of Investment Principles ("SIP") was consequently reviewed and updated.

Stewardship Policy

The Trustee's Stewardship (Voting and Engagement) Policy sets out how the Trustee will behave as an active owner of the Fund's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment manager and any other stakeholders.

The Fund's Stewardship Policy is reviewed on an annual basis in line with the Fund's SIP review (updated in early 2024).

The Stewardship Policy in the Fund's SIP is stated below:

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Fund and its beneficiaries.

Implementation Statement – (continued) Stewardship policy (continued)

The Trustee expects the Fund's Investment Manager to use its influence as a major institutional investor to carry out the Trustee's rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee regularly reviews the suitability of the Fund's appointed asset managers and takes advice from its investment consultant regarding any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee aims to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of its asset managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Fund's asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner.

The Trustee will engage with its investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of its active ownership policies, are being actioned. Furthermore, the investment managers are challenged directly by the Trustee and its investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may impact the prospects for the return from the portfolio, on a biannual basis at Trustee meetings.

The Trustee expects the Fund's appointed asset managers to comply with the United Nations Global Compact, UK Stewardship Code and TCFD Recommendations.

The transparency for voting should include voting actions and rationale with relevance to the Fund, in particular where: votes were cast against management; votes against management generally were significant, an asset manager abstained from voting; voting differed from the voting policy of either the Trustee or the asset manager.

Where a significant concern is identified, the Trustee will consider the circumstances on a case-by-case basis and a range of methods to monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, environmental and social impact, corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustee separately considers any conflicts of interest arising in the management of the Fund and its investments and has ensured that the investment manager has an appropriate conflicts of interest policy in place.

The full Stewardship Policy can be found within the Fund's SIP, at: <https://www.canadalife.co.uk/statement-of-investment-principles-canada-life-uk-division-staff-pension-fund/>

The Trustee also monitors its compliance with the Stewardship Policy on a regular basis and is satisfied that it has complied with the policy over the reporting year. Throughout this Statement, the Trustee reviews how the actions of the Fund's investment manager have aligned with the expectations and principles set out in the SIP.

Implementation Statement – (continued)

Manager Voting and Engagement Approach

The Fund's assets are held in a policy issued by Canada Life Limited ("CLL") and managed by Canada Life Asset Management ("CLAM"). CLAM has named portfolio managers across a range of asset classes to invest the assets of the Fund in line with the strategic asset allocation.

CLAM manage Environmental, Social and Governance ("ESG") risks in three ways: integrating ESG research into investment decisions, voting and engagement.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to CLAM. The Trustee believes it is important that its investment manager takes an active role in the supervision of the companies in which it invests, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

Ongoing monitoring

The Trustee receives, on a semi-annual basis, monitoring reports from its investment manager outlining the valuation of all investments held, the performance of these investments and any transactions made during the quarter. Investment returns are compared against appropriate performance objectives to monitor the relative performance of these investments. The Trustee monitors and challenges where necessary.

The Trustee seeks to ensure that its manager is exercising voting rights and, where appropriate, monitors the manager's voting patterns. The Trustee also monitors the investment manager's voting on particular companies or issues that affect more than one company. CLAM's voting record is available online as is its stewardship and engagement policy. The Trustee meets regularly with CLAM for CLAM to provide verbal updates. This allows the Trustee to consider CLAM's exercise of its stewardship.

Integration

CLAM uses research services to ensure that ESG risks are properly assessed and monitored. Environmental examples include a company's contribution to climate change, the impacts of a company's activities on natural resources and the production and disposal of hazardous waste. Social and governance risks that may be considered include poor working and safety conditions, bribery and corruption, denial of labour rights, controversial sourcing in the supply chain and product liability issues.

Voting activity

The Trustee seeks to ensure that its manager is exercising voting rights and where appropriate, to monitor the manager's voting patterns. The Trustee also monitors the investment manager's voting on particular companies or issues that affect more than one company.

CLAM view voting as an important way in which it can join other investors in holding company management to account. CLAM regularly vote against management on governance issues such as excessive or poorly structured remuneration, lack of board independence or the absence of separation between the roles of chair and chief executive. CLAM will also often join other investors in voting for shareholder resolutions which focus on social and environmental issues such as workers' rights or the environmental impact of their activities.

CLAM updated its Engagement Policy in 2020 as a result of the integration of tools and insights delivered by external third-party providers, including Sustainalytics, Institutional Shareholder Services ("ISS") Climate Change Solutions and ISS Pooled Engagement, and to include enhancements to incorporate voting principles. The ISS Pooled Engagement service allows the manager to participate in and initiate collective engagement activities with companies that it is invested in, whilst also allowing the manager to add its voice to engagements with other companies, thus improving governance of companies globally.

Implementation Statement – (continued)

Voting activity (continued)

The manager uses the proxy advice services of ISS and assesses its guidance and advice in a timely manner so that voting decisions are properly recorded (to the extent possible) before shareholder meetings. The voting principles which they follow are set out in the manager's Engagement Policy. CLAM define a 'significant vote' as one in which they vote against management recommendations.

The Trustee holds equity assets through two regional mandates managed by CLAM. CLAM have reported on how votes were cast in each of these mandates as set out in the table below over the 12-month period to 31 December 2023:

Strategy/Fund name	UK Equity Fund	Global Equity Fund
No. of meetings eligible to vote at during the year	69	109
No. of resolutions eligible to vote on during the year	1322	1747
% of resolutions voted	100%	96%
% of resolutions voted with management	99%	89%
% of resolutions voted against management	1%	11%
% of resolutions abstained	0.2%	0.2%
% of meetings with at least one vote against management	7%	54%

The top three categories that CLAM voted against management for the Global Equity and UK Equity Fund were director elections, board-related and compensation.

CLAM publicly publishes summaries of the number of meetings at which it voted, resolutions and votes for/against/unvoted and provides the reason for votes against management on a given date. Voting information can be found at: [VDS Dashboard \(issgovernance.com\)](https://issgovernance.com).

Engagement activity

CLAM will seek to engage with companies both individually and alongside other investors when it feels that a company's management has not properly addressed ESG risks to their businesses.

Monitoring, dialogue and voting processes occasionally highlight areas of concern to CLAM. If the manager believes a decision or proposal by company management will negatively affect the company's long-term investment potential, the portfolio manager may remove the holding from its portfolios. When the manager deems fit to escalate its activities, it would do so via meetings or conversations between investment managers and company management. Following a meeting, it would monitor the company's response to ensure that steps are taken to address the issues raised.

CLAM participated in 132 engagements during the period. From these, 118 written responses were received, and 72 meetings were held.

Implementation Statement – (continued)

Engagement activity (continued)

Further information on the CLAM annual engagement report, engagement policy, integration of UK Stewardship Code principles in the investment process (including a full record of voting decisions) can be found here:

<https://www.canadalifeassetmanagement.co.uk/responsible-investing/policies-reports/>

Voting and Engagement examples

Over the period, the Fund was invested in two equity and one property fund as well as individual bonds and gilts, and a liquidity fund. The main asset class where the investment manager will have voting rights is equities.

This section provides an overview of the voting and engagement examples to illustrate the stewardship activity carried out in relation the Fund's invested assets. The use of "we" and "our" is from the perspective of the investment manager and not Hymans Robertson LLP.

Collaborative engagement example: Kerry Group

Kerry Group is a global leader in the food industry, with operations across 150 countries and a diverse portfolio of products and ingredients. It has a leading market position with strong financial credit metrics and a long-term track record of performance. Additionally, it's categorised as a climate leader under our internal carbon risk rating, and we identify positive features in its governance.

Like many of its peers operating in the consumer goods sector, Kerry Group faces environmental and social challenges linked to the production and sourcing of raw materials, the impacts of its products on health, and managing waste.

Kerry Group was identified through CLAM's engagement and prioritisation framework under the Water engagement thematic workstream. It had also been identified under various collaborative initiatives. Given this, CLAM focused its efforts on the collaborative workstreams already in train.

CLAM engaged collectively on various topics related to the company's environmental impact. CLAM participated in the Sustainalytics Thematic engagement on 'Feeding the Future', where the company's strategy and targets for responsible sourcing, sustainable nutrition, and responsible consumption and production were discussed. CLAM provided feedback on its reporting and disclosure practices and encouraged it to align with best practice disclosure frameworks for wider environmental factors. CLAM collaborated with other investors in a separate collaborative initiative to understand its climate goal setting strategy, and to better understand its decarbonisation plan, capital expenditure allocation to decarbonisation, use of offsets, and lobbying activities. CLAM will continue to engage to address areas where we believe further progress will support an even more resilient strategy adding our voice to others in the industry to generate appropriate focus, with an aim to protect the company's performance record. To the extent possible, CLAM will seek to engage on its more specific water concerns during 2024.

Equity voting example: Alphabet - Shareholder resolution on governance

In June 2023, Alphabet Inc put forward an advisory (non-binding) shareholder vote to ratify its executive officers' compensation package. The proposed compensation package included:

- a) a triennial equity grant to the CEO valued at \$218m, 40% of which was time-vesting and therefore not linked to performance.
- b) a sustainability component in the annual bonus, but this was not linked to pre-set goals disclosed in advance and was awarded on a discretionary basis by the remuneration committee; and
- c) a long-term incentive plan which switched in 2022 predominantly to time-vested equity, with no rationale given for this change.

Implementation Statement – (continued) Voting and Engagement examples (continued)

The three elements of the compensation package described above do not meet the requirements that variable pay should be linked to performance, and that shareholders' long-term interests should be protected. Furthermore, notwithstanding the size and profitability of Alphabet, the scale of the CEO equity grant was out of alignment with peers.

CLAM voted against management in accordance with ISS advice and the principles set out in its voting policy.

Equity engagement example: Amedisys - Escalation

Amedisys, a healthcare company listed in the US, in various portfolios including the Global Equity Fund. It's a company that provides a range of solutions, including home health, hospice, and personal care support to patients to live later life at home. On 3 May 2023, the company received a takeover offer from Option Care Health which was to be 100% financed by the acquirer's stock. Management proposed to support the bid.

CLAM's review of the transaction details led to concerns surrounding the timing of the transaction and the valuation of Amedisys. Amedisys' share price had been under pressure reflecting, in part, distortions relating to the pandemic. Those concerns were exacerbated by the fall in valuation of Option Care Health (of circa 15%) upon announcement.

CLAM communicated its concerns formally in writing to the company, making clear to them CLAM's voting intentions. CLAM set out its concerns, requested some supplementary information and made it clear that they did not support the transaction in its current form. This method was selected for its immediacy. This escalated to an in-person meeting with the management team. CLAM reiterated its position and explained that should this proceed to a vote, CLAM would not be supportive, clearly signalling its voting intention, which can be an escalation itself.

The transaction did not go ahead. On 26 June 2023, Amedisys announced that it had received an all-cash takeover offer (at \$101 per share) from United Health. The stock was trading at \$75-\$80 in the days preceding the offer but traded at closer to \$90 following the announcement.

Fixed Income & Real Estate

While equity managers may have more direct influence on the companies they invest in, fixed income managers are also increasingly influential in their ability to encourage positive change. CLAM is a signatory to the UK Money Market Code.

The Trustee recognises that the investment processes of alternative investments such as real estate mean that stewardship may be less applicable or have a less tangible financial benefit. Nonetheless, the Trustee still expects that, in line with the SIP for the relevant period, portfolio managers within the arrangement should engage with external parties should they identify concerns that may be material.

CLAM believe that attention to ESG in the management of real estate reduces project risk, builds social support and generates value. Such risks are assessed through their environmental management system (EMS) which has been established and aligned to the internationally recognised standard. It assists in the development and continual improvement of environmental performance to the benefit of the business, stakeholders and the wider society.

Implementation Statement – (continued)**Fixed Income & Real Estate (continued)**

For the real estate portfolio, CLAM employ a specialist environmental consultant who supported preparing and publishing a detailed Real Estate ESG Policy. Specific detailed engagement case studies were not provided by the manager in relation to fixed income and property, though CLAM publicly disclose quarterly engagement summaries at a firm level, as noted above, and the investment manager confirmed that the themes raised with investee companies are addressed in manager meetings across fixed income and real estate (where applicable).

In Summary

This just follows the format of the rest of the statement. The Trustee notes that the investment manager was able to disclose evidence of voting and engagement activity at a firm level.

The Trustee, along with its investment consultant, has developed a separate Responsible Investment Policy which covers all aspects of Responsible Investment including Stewardship. This policy goes into greater detail than the Stewardship Policy in the SIP.

The Trustee acknowledges that stewardship may be less applicable to certain asset classes and is encouraged that across asset classes, its portfolio managers incorporates responsible investment and ESG considerations in its investment processes.

Employer related investments

The investments of the Fund are invested in accordance with Section 40 of the Pensions Act 1995. Details of any Principal Employer related investments are disclosed in note 18 to the financial statements.