

# Engagement Policy Implementation Statement (“EPIS”)

## The Royal British Legion Staff Pension Fund (the “Fund”)

### Fund Year End – 31 March 2023

The purpose of the EPIS is for us, the Trustees of the Royal British Legion Staff Pension Fund, to explain what we have done during the year ending 31 March 2023 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 Fund’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 Fund’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations. We believe the activities completed by our investment managers and fiduciary manager to review the underlying managers’ voting and engagement policies and activities align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

Some investment managers did not provide us with complete information to allow us, or our fiduciary manager, to more fully review the engagement activity carried out on our behalf. There are areas where we would like to see additional details, and so have asked our investment adviser and fiduciary manager to support us and engage on our behalf in those areas we feel improvements in reporting could be made. More detail is included in the ‘Engagement Action Plan’ section below.

## How voting and engagement policies have been followed

The Fund invests in pooled funds, and so the responsibility for voting and engagement has been delegated to the Fund's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Fund year and in our 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 Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environment Social Governance ("ESG") ratings from Aon for the funds the Fund is invested in where available. Aon's ESG rating system is designed to assess whether and how fund managers used by the Fund integrate responsible investment and more specifically ESG considerations into their investment decision making processes.

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, active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as discussions with the fund manager, Aon will award an ESG rating following a peer review process. Ratings will be reviewed from time to time to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Each year, we review the voting and engagement policies of the Fund's investment managers to ensure they align with our own policies for the Fund and help us to achieve them.

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

<https://theroyalbritishlegionstaffpensionfund.myscheme.online/Dashboard>

## Our Engagement Action Plan

Based on the work we, and our adviser, have undertaken in preparing the EPIS, we have asked our adviser and fiduciary manager to focus on a few areas of potential improvement on reporting going forward, in particular:

1. Harris Associates did not provide fund level engagement examples, (although they did provide examples at the firm-level) and said they could not provide the data because they do not track this metric. We have asked our fiduciary manager to continue to engage with Harris on our behalf and let them know our expectations of better disclosures in future.
2. Harris Associates and GQG did not provide the full detail requested in relation to significant votes cast on our behalf. Our fiduciary manager will engage with these managers on our behalf with the aim of improving these disclosures in future.

### 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*

3. PIMCO did not provide fund level engagement examples. Our investment adviser will engage with PIMCO to let the manager know our expectations of better disclosures in future.
4. M&G did provide a list of fund level engagement examples, but these examples were not detailed and in line with the requested Investment Consultants Sustainability Working Group ("ICSWG engagement reporting template, which our investment adviser considers to be industry standard. Our investment adviser will engage on our behalf to improve the consistency of reporting in line with industry standard templates, across all our managers, on our behalf.

## Our fiduciary manager's engagement activity

We invest some of the Fund's assets in Aon's active global equity strategy, active fixed income strategy and diversified alternative strategy. These are fund of funds 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 and stewardship with the investment managers, including important issues such as climate change, biodiversity and modern slavery. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration and stewardship reporting 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.

## 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 Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Fund's equity-owning investment managers to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for each of the Fund's material funds with voting rights for the year to 31 March 2023.

### 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 trustees still retain responsibility for setting the high-level investment strategy.

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

### 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*

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
GQG Partners – Global Equity Fund	816	99.8%	10.3%	4.7%
Harris Associates – All Cap Equity Strategy	889	100.0%	8.0%	0.0%

Source: Managers. Invested in via Aon.

## 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.

### 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.

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

	Description of use of proxy voting adviser(s) <i>Wording provided directly by managers</i>
GQG Partners	GQG has engaged Institutional Shareholder Services (ISS) to manage and coordinate proxy voting processes for the firm.
Harris Associates	Harris Associates uses ISS for proxy voting advisory services. The manager uses its own Proxy Voting Policy, except where the analyst covering a stock recommends voting otherwise. In these cases, final decision rests with its Proxy Voting Committee.

Source: Managers. Invested in via Aon.

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Fund's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Fund'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 Fund'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 funds invested in by the Fund.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
GQG Partners- Global Equity Fund	36	80	Environment - Climate change, Natural resource use, Pollution, Waste Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Strategy, Financial and Reporting - Risk management (e.g. operational risks, cyber/information security, product risks), Reporting (e.g. audit, accounting, sustainability reporting)
Harris Associates - Global All Cap Equity Strategy			Not provided
Aegon Asset Management European ABS Fund	132	441	Environment - Climate change Social – Human and labour rights, Human capital management and others Governance - Board effectiveness - Independence or Oversight, Leadership - Chair/CEO, Remuneration and others
T.Rowe Price Dynamic Global Bond Fund	16	778	Environment - Climate change, Pollution, Waste Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance – Remuneration, Board effectiveness – Diversity, Independence, or Oversight Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, Capital allocation
M&G Sustainable Total Return Credit Investment Fund	7	157	Environment - Net Zero, Climate change Governance – Remuneration, Leadership - Chair/CEO Social - Human and labour rights (eg supply chain rights, community relations), Human capital management (eg inclusion and diversity, employee terms, safety), Conduct, culture and ethics (eg tax, anti-bribery, lobbying)
M&G Investments Illiquid Credit Opportunities (ICOF) Fund II	13	157	Environment - Climate change and others Social - Human and labour rights, Human capital management Governance - Board effectiveness – Diversity
PIMCO BRAVO III	Not provided	>1800	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness – Diversity or Independence or Oversight, Leadership - Chair/CEO Strategy, Financial and Reporting - Capital allocation, Financial performance, Strategy/purpose

Source: Managers. PIMCO 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:

- Harris Associates did not provide any engagement information requested;
- PIMCO did not provide fund level engagement examples;
- M&G provided a list of engagement examples for the Sustainable Total Return Credit Investment Fund & Illiquid Credit Opportunities (ICOF) Fund II but not in the requested format of the ICSWG engagement reporting template; and
- GQG and Harris Associates did not provide the full information requested in relation to significant votes cast on our behalf.

Our investment adviser and fiduciary manager will engage with the managers on our behalf to encourage improvements in reporting.

This report does not include commentary on the Fund's liability driven investments, cash or 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 Fund's assets that are held as AVCs.

## Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Fund'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

<b>GQG Partners- Global Equity Fund</b>	<b>Company name</b>	Exxon Mobil Corporation
	<b>Date of vote</b>	25-May-2022
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	Not provided
	<b>Summary of the resolution</b>	Report on Climate Change
	<b>How you voted</b>	For
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)</b>	No
	<b>Rationale for the voting decision</b>	Not provided
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Not provided
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Not provided
<b>Harris Associates Global All Cap Equity Strategy</b>	<b>Company name</b>	Alphabet Inc.
	<b>Date of vote</b>	06-Jun
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	6.21%
	<b>Summary of the resolution</b>	Approve Recapitalization Plan for all Stock to Have One-vote per Share
	<b>How you voted</b>	For
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)</b>	No
	<b>Rationale for the voting decision</b>	We agree with the proponent that a one-vote-per-share capital structure would further align economic interest and voting power. We therefore voted FOR this resolution.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome eg were there any lessons learned</b>	Not provided

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**and what likely future steps will  
you take in response to the  
outcome?**

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**On which criteria have you  
assessed this vote to be "most  
significant"?**

Vote against management

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*Source: Managers*