

SAL PENSION SCHEME

IMPLEMENTATION STATEMENT FOR YEAR ENDING 31 MARCH 2023

1. INTRODUCTION

This Statement has been prepared by the Trustee of the SAL Pension Scheme (“the Scheme”) to demonstrate how, and the extent to which, the policies relating to stewardship and engagement (including the exercise of investment rights such as voting) in the Scheme’s Statement of Investment Principles (“SIP”) have been implemented during the year from 1 April 2022 to 31 March 2023 (the “Scheme Year”).

This Statement is based on, and should be read in conjunction with, the relevant SIP that was in place for the Scheme Year which was the SIP dated September 2021 (which applied from September 2020 to March 2022). In February 2023, towards the end of the Scheme Year, the Trustee purchased a number of bulk annuity policies (“buy-in policies”) from Pension Insurance Corporation (“PIC”) which, together with a pre-existing longevity swap, are designed to fund all members’ defined benefit payments as they fall due. A new SIP was put in place post the end of the Scheme Year (in April 2023) with this reflecting the arrangements following the buy-in transaction. The statement to be produced for the year ending 31 March 2024 will be based on this revised SIP.

This Statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the investments held by the Scheme.

2. STEWARDSHIP AND ENGAGEMENT POLICIES

The SIP dated September 2021 referred to above outlines the Trustee’s full policies relating to stewardship and engagement over the Scheme Year.

The Trustee believes that good stewardship can enhance long term portfolio performance and is therefore in the best interests of the Scheme’s beneficiaries and aligned with its fiduciary duty. The Trustee delegates responsibility for the implementation of the Scheme’s policy on stewardship including the exercise of voting and other investment rights and engagement activities to the Investment Committee (“IC”).

Investment managers are given full discretion in exercising rights and stewardship obligations relating to the Scheme’s investments, with investment managers expected to directly engage with the debt or equity issuers to improve the issuer’s performance on a medium to long-term basis. It is acknowledged that under the new regulations, trustees are required to set stewardship priorities. Whilst we support this, in light of the transaction outlined above, which has seen all assets sold or used to part fund the premium, priorities were not set for the Scheme Year under review. PIC’s stewardship activities and priorities were however reviewed and were considered as part of the decision to select PIC as the Scheme’s buy-in provider.

All investment managers are expected to monitor investee companies and engage with management on all relevant stewardship matters including but not limited to performance, strategy, risks, social and environmental impact and corporate governance. Furthermore, the Trustee encourages its investment managers to work collectively with other managers when practical.

The Scheme’s stewardship and engagement policies are reviewed as part of the review of the Scheme’s SIP. The SIP in place over the Scheme Year was last amended in September 2021 (a further review was undertaken in December 2022 but no changes were deemed necessary). A copy of this SIP can be found at [SALPS SIP 2021](#). A copy of the Scheme’s current SIP, as amended following the Year End, can be found at SALPS SIP 2023.

3. IMPLEMENTATION OF STEWARDSHIP AND ENGAGEMENT POLICIES

Policy	Comments for the year to 31 March 2023
<p>Investment managers are given full discretion in exercising rights and stewardship obligations relating to the Scheme's investments. The IC expects all investment managers to monitor investee companies and engage with management on all relevant stewardship matters including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. Furthermore, the IC encourages investment managers to work collectively with other managers when practical.</p>	<p><i>The exercise of investment rights (including voting) was delegated to the investment managers. The direct services of a proxy voter were not used.</i></p> <p><i>The majority of the Scheme's investments were in fixed income instruments and the Scheme only had a modest exposure to equity investments through pooled investment vehicles, with this being sold in full part way through the Scheme Year. As such, the IC's principal focus has been on the engagement activity of the Scheme's investment manager as opposed to voting activity.</i></p> <p><i>To the extent there was voting activity undertaken by the Scheme's equity manager, BlackRock, this has been collated and a summary of activity is included at the end of this statement.</i></p>
<p>The IC requires all appointed investment managers to report regularly to the IC and disclose all voting and engagement activity undertaken on its behalf. The IC monitors the approach of each investment manager.</p>	<p><i>Investment managers have provided details on engagement activity throughout the Scheme Year, and specifically in relation to voting rights and voting activity during the production of this statement.</i></p> <p><i>The IC has monitored the approach of each manager during the applicable Scheme Year in accordance with the SIP. A key focus over the year has been on how the Scheme's investment managers incorporate Environmental, Social & Governance ("ESG") and climate factors into their processes for identifying and managing such risks. As part of this, the IC has considered the managers' approach to stewardship and engagement activities.</i></p> <p><i>PIC's approach to engagement was reviewed as part of the wider due diligence undertaken prior to the buy-in transaction.</i></p>
<p>The IC may engage with its investment managers as part of its stewardship monitoring process or, potentially, as a particular stewardship matter is brought to its attention. The IC has not had, and does not expect, direct engagement with the issuers or other holders of debt or equity.</p>	<p><i>There have been no specific issues or particular stewardship matters brought to the attention of the IC over the Scheme Year which have required specific engagement with its investment managers.</i></p>
<p>The IC is supportive of the UK Stewardship Code 2020 ("the Code") published by the Financial Reporting Council and expects the Scheme's managers who are registered with the FCA to comply with the Code. Such managers are required to report on the extent of their adherence to the Code on an annual basis.</p>	<p><i>The majority of the investment managers in place over the Scheme Year are signatories to the Code. Of these managers, the Trustee is not aware of any that have reported instances of lack of adherence.</i></p>

	<i>PIC are a signatory to the Code, following a successful 2023 application covering their 2022 stewardship activities.</i>
The IC expects its investment managers to have effective policies addressing potential conflicts of interest in matters of stewardship. These will be reviewed periodically.	<p><i>The majority of investment managers maintained a policy relating to conflicts of interest during the Scheme Year. Where policies did not exist, this typically coincided with a manager not being a signatory to the UK Stewardship Code 2020.</i></p> <p><i>PIC has a policy covering conflicts of interest relating to stewardship.</i></p>

4. VOTING ACTIVITY

The Scheme had c5% of assets in listed equities through pooled fund holdings managed by BlackRock at the start of the Scheme Year, but this mandate was terminated in September 2022.

A summary of the voting activity undertaken by BlackRock in respect of the Scheme's equity holdings is summarised in the tables below and overleaf. Note, voting records cover the full year, as opposed to the partial year to the point of the Scheme's disinvestment, and include voting on management and shareholder proposals.

Voting activity	BlackRock Canadian Equity Index Fund	BlackRock European Equity Index Fund	BlackRock Israel Equity Index Fund	BlackRock Japanese equity Index Fund	BlackRock Pacific Rim Equity Index Fund
<i>No. of meetings eligible to vote during the period</i>	49	504	96	497	473
<i>No of resolutions eligible to vote during the period</i>	735	8,994	803	6,176	3,317
<i>% of resolutions voted</i>	100%	76%	100%	100%	100%
<i>% of resolutions of those voted where voted with management</i>	99%	87%	88%	97%	88%
<i>% of resolutions of those voted where voted against management</i>	1%	12%	11%	2%	11%
<i>% of resolutions of those voted where abstained</i>	0%	1%	3%	0%	0%

Voting activity	BlackRock US Equity Index Fund	BlackRock UK Equity Index Fund	BlackRock Global Developed Fundamental Weighted index Fund
<i>No. of meetings eligible to vote during the period</i>	617	1,072	567
<i>No of resolutions eligible to vote during the period</i>	7,613	14,903	9,273
<i>% of resolutions voted</i>	99%	96%	90%
<i>% of resolutions of those voted where voted with management</i>	96%	95%	95%
<i>% of resolutions of those voted where voted against management</i>	3%	5%	4%
<i>% of resolutions of those voted where abstained¹</i>	0%	0%	0%

Source: BlackRock

¹BlackRock have advised that where figures do not total 100% this is due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, but also as a vote of 'Abstain' is considered a vote against management.

Note the Scheme also had a modest allocation to a Multi Asset Credit fund managed by CQS, also sold through the Scheme Year, which can hold convertible bonds. CQS have confirmed that no voting was undertaken in respect of these securities over the Scheme Year.

BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer any meetings where additional research and possibly engagement might be required to inform voting decisions.

BlackRock also subscribes to research from the proxy advisory firms ISS and Glass Lewis. This research is primarily used to synthesise corporate governance information and analysis into an easily reviewable format. BlackRock do not follow all recommendations from ISS and Glass Lewis but use information provided to inform their own decision making.

BlackRock were asked for a description of the process followed for determining most significant votes which is set out below:

BlackRock Investment Stewardship prioritizes its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance. BlackRock's year-round engagement with clients to understand their priorities and expectations, as well as their active participation in market-wide policy debates, help inform these themes. The themes identified in turn shape BlackRock's

Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which they look at the sustainable long-term financial performance of investee companies.

The Trustee is comfortable with BlackRock's assessment of what amounted to a significant vote and so, given the equity holdings represented a small proportion of Scheme's assets, and this holding was sold in full by the end of August 2022, the conclusion was reached that more detailed reporting on this issue would not be appropriate.

September 2023