Engagement Policy Implementation Statement

Quest UK Pension Scheme (the "Scheme")

The Engagement Policy Implementation Statement ("EPIS") has been prepared by the Trustees and covers the Scheme year 1 April 2021 to 31 March 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual statement which outlines the following:

- Explain how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").

- Describe the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and state any use of third-party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustees and their investment managers, the Trustees believe that the stewardship policy has been implemented effectively. The Trustees note that their fiduciary manager and the underlying investment managers were able to disclose good evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement. In particular, the Trustees expect improvements from Legal & General Investment Management ("LGIM") and BlackRock on their reporting of fund-level engagement examples. The Trustees' fiduciary manager, Aon Investment Limited ("AIL"), will continue to engage with LGIM and BlackRock to encourage improvements in their disclosures.

Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year to 31 March 2022.

The full SIP can be found here: www.givaudan.com/file/54605/

- The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance. The Trustees recognise that this helps to protect the financial interests of the Scheme and creates long-term financial value for the Scheme and its beneficiaries.
- The Trustees annually review the stewardship activity of its managers to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by their managers, these reports include detailed voting and engagement information from underlying investment managers.
- The Trustees expect the investment managers to use their influence as institutional investors to ensure that underlying asset managers exercise the Trustees' voting rights in relation to the Scheme's assets and report to the Trustees on stewardship by underlying asset managers as required.
- The Trustees will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of reporting which will be made available to Scheme members on request.

Scheme stewardship activity over the year

Throughout the year, the Trustees have been proactive to ensure the Scheme's assets are invested appropriately with regards to Environmental, Social and Governance (ESG) considerations in the SIP.

Investment monitoring takes place on a quarterly basis with monitoring provided by AIL. The reports include ESG ratings and the rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process.

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 (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Engagement activity – Fiduciary manager

The Trustees have delegated the management of the Scheme's assets to its fiduciary manager, AIL. AIL manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying investment managers on behalf of the Trustees.

The Trustees have reviewed AIL's latest Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

AIL has carried out a considerable amount of engagement activity over the year. AIL held a number Environmental, Social and Governance ("ESG") focussed meetings with the underlying managers across all its strategies. At these meetings, AIL discussed ESG integration, voting and engagement activities undertaken by the investment managers. This allowed AIL to form an opinion on each manager's strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of improving the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon Solutions UK Limited ("Aon") also actively engages with investment managers and this is used to support AIL in its fiduciary services. Aon's Engagement Programme is a cross asset class initiative which brings together Aon's manager research team and Responsible Investment specialists to promote manager engagement with the needs of Aon's clients in mind.

In Q3 2021, Aon and AIL were confirmed as signatories to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by Aon and AIL on behalf of its clients. For further details, please see the submission report https://www.frc.org.uk/getattachment/b9002ca0-3beb-40e6-8b09-375661ccd193/Aon-UK-Stewardship-Code-2020-Report.pdf.

Engagement Example – Fixed income manager

In September 2021, Aon engaged with an underlying manager to understand why the manager's submission for the UK Stewardship Code ("the Code") 2020 was not accepted. The Code is a set of high stewardship standards for asset owners and asset managers. The Code is maintained and assessed by the Financial Reporting Council ("FRC"). The underlying manager was previously a signatory to the 2012 UK Stewardship Code.

At a meeting, Aon and the manager discussed the feedback from the FRC on why the manager was not accepted as a signatory to the Code. The rejection was thought to be due to the format rather than the substance of the submission. The manager resubmitted in October 2021 and was accepted.

Voting and Engagement – Underlying Investment Managers

The Scheme is invested in a number of equity, fixed income and liquid alternative funds within the arrangement with AIL. This section provides an overview of the voting (where applicable) and engagement activities of some of the most material managers over the reporting period.

Voting and Engagement – Equity

Over the year, the material equity investments held by the Scheme were:

Legal and General Investment Management Limited ("LGIM")	Multi Factor Equity Fund
BlackRock	Emerging Markets Equity Fund

In this section there are examples of significant voting activity from each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has their own criteria for determining whether a vote is significant.

Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that Trustees considers inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

The Trustees consider a significant vote as one which the voting manager deems to be significant.

LGIM – Multi Factor Equity Fund

<u>Voting</u>

LGIM uses proxy voting adviser Institutional Shareholder Services ("ISS") to execute votes electronically and for research. LGIM also receives research from the Institutional Voting Information Service ("IVIS"). This augments LGIM's own research and proprietary ESG assessment tools. LGIM does not outsource any part of the voting decisions to ISS. LGIM has a custom voting policy in place with ISS. This seeks to uphold what LGIM considers to be best practice standards companies should observe. LGIM can override any voting decisions based on the voting policy if appropriate. For example, if engagements with the company have provided additional information.

The table below shows the voting statistics for LGIM's Multi-Factor Equity Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	11,660
% of resolutions voted on for which the fund was eligible	99.8%
Of the resolutions on which the fund voted on, % that were voted against management	19.1%
Of the resolutions on which the fund voted, % that were abstained	0.2%

Source: Manager

<u>Voting Example – Target Corporation</u>

In June 2021, LGIM voted against a resolution to elect the Chief Executive Officer ("CEO") of retailer Target Corporation to the role of Chair of the company's board as well. It is LGIM's policy to advocate for the separation of CEO and board chair roles. LGIM believes these two roles to be substantially different, requiring distinct skills and experiences due to risk management and oversight. Further, LGIM expects a CEO or non-executive director not to hold too many board positions to ensure they can undertake their duties effectively. 93.7% of shareholders voted in favour of the resolution. LGIM considered this vote to be significant because it is an example of how it applied and escalated its voting policy on the topic of combined board chair and CEO role.

Engagement

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. It's top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients.

More information can be found on LGIM's engagement policy https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf.

At the time of writing, LGIM had not provided engagement examples for the fund. The Trustees' fiduciary manager, AIL, has engaged with LGIM to encourage it to report on its engagement activities in line with its peers. AIL and the Trustees expect to see improvements in LGIM's reporting next year. The example provided below is at a firm level, i.e. it is not specific to the fund the Scheme is invested in.

Engagement Example (firm level)

Over 2021, LGIM engaged with several companies on the topic of antimicrobial resistance. Antimicrobial resistance occurs when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines making infections harder to treat and increasing the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobials in human activities are often linked to antimicrobial agents getting into the ecosystem. In particular, water sanitation systems have not been designed to address antimicrobial resistance.

LGIM reached out to 20 water utility companies through an open letter to understand if they were aware of the issue of antimicrobial resistance and if they plan to introduce monitoring systems to detect agents such as antibiotic-resistant bacteria. LGIM also had meetings with some of the companies and found that awareness of antimicrobial resistance was generally low. LGIM believed this was due to the lack of regulatory requirements and little perception of the potential business risks.

After these engagements, LGIM found several investee companies were considering their approach to antimicrobial resistance. In particular, one utility company sought to understand what happens to contaminants in its wastewater treatment process and implemented a programme to try to understand improvements it could make to its systems.

BlackRock – Emerging Markets Equity Fund

Voting

BlackRock's proxy voting process is led by its Investment Stewardship team. Voting decisions are made by the Investment Stewardship team with input from investment colleagues. Blackrock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers ISS and Glass Lewis. BlackRock uses the research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

The table below shows the voting statistics for BlackRock's Emerging Markets Equity Fund for the year to 31 March 2022.

Number of resolutions eligible to vote on over the period	28,828
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted on, % that were voted against management	9.0%
Of the resolutions on which the fund voted, % that were abstained	4.0%

Source: Manager

Voting Example – Huadian International

In June 2021, BlackRock voted against a proposal from the management of Huadian Power International ("Huadian International"), a Chinese energy company. The proposal sought to reorganize its wind and solar power portfolio by transferring all related assets into a dedicated renewable energy entity, which the majority is controlled by its parent company, Huadian Group. In exchange Huadian International would receive a minority stake in the renewable energy entity.

BlackRock voted against the proposal because it was concerned about the conflict of interest between Huadian International and its parent company. The proposal would prevent Huadian International from investing in wind or solar power projects, to avoid it being in competition with the majority shareholder, Huadian Group. In BlackRock's view, the transaction would disadvantage the minority shareholders of Huadian International by preventing them from participating in China's renewable energy market.

The proposal passed with a majority vote.

Engagement

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

More information can be found here: https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

Engagement Example – Vale

At a strategy level, BlackRock has engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed approximately 270 people. Tailings dams are used to store water and waste that are by products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about: 1) the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations;

and 2) the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock's engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. As a result, in November 2021, Vale published its first report on Diversity, Equity and Inclusion. BlackRock also discussed the company's sustainability disclosures and carbon emissions reduction targets, which Vale said it is aiming to reduce by 33% by 2030.

Engagement – Fixed Income and Alternatives

The Trustees recognise that stewardship may be less applicable or have a less tangible financial benefit for fixed income and alternative mandates compared to equity mandates. Nonetheless, the Trustees still expect their non-equity managers to engage with external parties if they identify concerns that may be financially material.

Fixed income managers, in particular, have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so it is in debt issuers' interests to make sure that investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

The following section demonstrates some of the engagement activity being carried out by the Scheme's fixed income and alternative managers over the year.

Robeco – Global Credit Short Maturity Fund

<u>Engagement</u>

Robeco actively uses its ownership rights to engage with companies on behalf of its clients. Robeco believes improvements in sustainable corporate behaviour can result in an improved risk-return profile of its investments. Robeco engages with companies worldwide, in both their equity and credit portfolios.

Robeco carries out three types of engagement with the companies in which it invests:

- Value engagement;
- Enhanced engagement; and
- Sustainable development goals engagement.

Robeco aims to improve a company's behaviour on ESG issues to improve the long-term performance of the company and ultimately the quality of investments for its clients.

<u>Engagement Example – Barclays</u>

Robeco engaged with the British bank, Barclays, about its culture and risk governance over several years. The purpose was to gain a better understanding of the risks banks face by analysing the most material governance issues of the banking system.

The culture at Barclays was a key area for improvement and Barclays did a lot of work to improve this. For example, the bank regularly reports the importance of behaviours to its staff and tries to foster an open culture. The bank's approach to financial crime is also now largely in line with other European banks. Robeco closed this engagement successfully in Q4 2021.

BlackRock – Absolute Return Bonds Fund

<u>Engagement</u>

BlackRock's credit analysts work with its Investment Stewardship team for joint engagement meetings with companies. Also, BlackRock's Global Fixed Income ESG team work with the Investment

Stewardship team to communicate ESG related topics to fixed income investors, and attend or host engagement meetings. BlackRock also explores how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company's business operations

Engagement Example (firm level)

BlackRock Investment Stewardship (BIS) has engaged with British science-focussed manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company's AGM in September 2021. The company has yet to reach the Hampton-Alexander target to have 33% representation of women and missed the 2020 target timeframe.

BIS deems diverse and experienced board directors to be critical to the success of a company and long-term value creation. Oxford Instruments has since appointed an additional female board member as a Senior Independent Director in the 2021 AGM and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments has also expressed its intention to work with consultants and search firms who have signed the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice in order to improve its recruitment of diverse executives and directors.

BIS intends to continue monitor the progress of the investee company as the company identifies and integrates new leadership in the months ahead.

At the time of writing, BlackRock did not provide a fund-level engagement example for this fund. The Trustees' fiduciary manager, AIL, has raised this issue with BlackRock previously and will continue to raise it in the future.

BlueBay Asset Management LLP ("BlueBay") – Total Return Credit Fund

Engagement

BlueBay believes that providers of debt have a role in engaging with issuers on matters that have the potential to impact investment returns. But as a debt investor, Bluebay believes that it has more limited influence on issuers than equity investors. BlueBay will not automatically exclude issuers from investment based on their ESG performance. Actions to mitigate such ESG risks are raised with investment teams where appropriate. As part of BlueBay's routine investment research process, its investment teams meet issuers and borrowers and are able to raise questions regarding ESG and climate change-related matters.

Engagement Example – Government of Colombia

Over the period, BlueBay engaged with the government of Colombia with the objective to improve budget transparency. BlueBay chairs a working group of the Emerging Markets Investors Alliance dedicated to improving the budget transparency of issuers in the Latin American stock indices. In May 2021, BlueBay initiated an engagement with the Finance Ministry of Colombia to suggest improvements for how it could be more transparent about how it raises and spends public resources. BlueBay asked them to publish online a citizens budget, which aims to present budget information in an accessible format.

The Budget Office gave a comprehensive account of both the budget cycle and the new online resources that have improved public access to information on how public money is being used. The Budget Office presented several metrics showing strong performance by the Organisation for Economic Cooperation and Development ("OECD") standards. They expressed hope that their International Budget Partnership ranking (a measure of a country's budget transparency) would improve at the next review in 2022.

Aegon Asset Management ("Aegon") – European Asset Backed Securities ("ABS") Fund

Engagement

Aegon believes that actively engaging with companies to improve their ESG performance and corporate behaviour is generally more effective than excluding companies from investment. Engagements are conducted by its investment managers, research analysts and its Responsible Investment team.

When engaging with portfolio companies, Aegon considers the UK and Dutch Stewardship Codes and the Principles for Responsible Investment ("PRI"). Aegon also participates in collaborative engagement initiatives such as the UK Investor Forum and the Institutional Investors Group on Climate Change.

Aegon engages with ABS issuers regularly through ESG questionnaires that are specific for consumer loan ABS. It has meetings to discuss the questionnaire answers, the companies' ESG goals and any areas for improvement.

Engagement Example – Brignole

In 2021 Aegon engaged with Brignole, an ABS issuer. Aegon wanted to better understand the consumer loans issued by the company, so it could assess if the loans had any environmental impact. Further, Aegon suggested that the company increase borrowing for an environmental purpose by offering borrowers a discount.

To start the engagement, Aegon sent Brignole its ESG questionnaire. After receiving the answers, Aegon discussed the answers with Brignole's management. It also discussed the company's ESG goals and areas for improvement.

From the engagement, Aegon gained a better understanding of the loans. This helped Aegon make a thorough ESG analysis of the issuer. Further, Brignole agreed to implement Aegon's suggestion to offer loans with environmental purposes at a discount. Aegon stated it will pursue similar engagements with other consumer loan issuers.

Schroders plc ("Schroders") – International Selection Fund ("ISF") Securitised Credit Fund

Engagement policy

Schroders engages on a broad range of topics including climate risk. Schroders believes that engagement provides it with an opportunity to influence company interactions with their stakeholders; ensuring that the companies it invests in are treating their employees, customers and communities in a responsible way.

In Schroders's ISF Securitised Credit Fund, cashflows from various loans, such as mortgages, car loans and credit card payments, are grouped together into bonds known as asset-backed securities. In its engagements, Schroders engages with the managers of the underlying loan products. Schroders has developed questionnaires specifically for collateralised loan obligation ("CLO") managers and commercial mortgage-backed securities managers, which it issues as part of its engagements. The information received is incorporated into its manager due diligence.

At the time of writing, Schroders did not provide fund-level engagement examples. The Trustees' fiduciary manager, AIL, will raise this issue with Schroders at their next meeting. The example provided below is at a firm level, i.e. it is not specific to the fund the Scheme is invested in.

Engagement example (firm level)

In 2021, Schroders engaged with a number of FTSE 100 companies to inform them that, from 2022 onwards, it will be using its shareholder votes to apply pressure on firms that have failed to meet board diversity targets.

Schroders believes that diversity is important for a company's long-term strategy and success. Further, this will allow for more constructive debate of different views as well as a better representation of wider stakeholders.

Schroders engaged by sending out letters to companies. Since sending out these letters, 25 companies acknowledged receipt, 15 provided a substantial response and one has since appointed a non-white director to its board. Schroders will monitor the progress of companies on this issue.

Reams Asset Management ("Reams") – Unconstrained Bonds Fund

Reams subscribes to engagement services provided by ISS, where ISS engages with companies on behalf of its subscribers to address ESG issues and risks. Reams believes this is an effective means to leverage the strength of the group of investors represented by ISS to influence issuers. The process is passive from Reams perspective, but Reams tracks the engagements that ISS make on a quarterly basis and reviews the relevant reports provided by ISS regarding the progress.

Reams' parent company, Carillon Tower Advisers ("Carillon"), is developing corporate engagement protocols and tools to roll out across its affiliate companies. The protocols will help to identify the themes for engagement and establish priorities. Also, it will provide a framework for engagements by setting milestones, measuring progress, and documenting outcomes. Carillon expects this to lead to more focused and effective engagements.

At the time of writing, Reams did not provide an engagement example. The Trustees' fiduciary manager, AIL, will raise this issue with Reams at their next meeting.

T.Rowe Price – Absolute Return Bonds Fund

<u>Engagement</u>

When engaging with companies, T.Rowe Price looks for factors which could have a negative impact on performance, rather than focusing on broad engagement themes. It will sometimes ask companies to make specific changes or seek more information on an ESG issue to ensure investment decisions are well informed.

T.Rowe Price's engagement programme is driven by its portfolio managers who are supported by its analysts and specialists in corporate governance and sustainability.

<u>Engagement Example – Ambev</u>

In late 2021, T.Rowe Price engaged with Ambev, a Brazilian brewer, regarding human and labour rights related issues. Earlier in the year, Ambev was fined for the illegal employment in slavery-like conditions of Venezuelan migrants working for a transportation subcontractor of Ambez. T.Rowe's engagement sought to better understand the controversy, whether the incident was indicative of any organisational or cultural issues at the company, and what actions management took in response to the event.

As a result of the incident, Ambev terminated the subcontractors' contract immediately in line with its company policy. Ambev also launched a full investigation into the incident. Ambev noted that it is making its supply chain risk management more robust by using data analytics and enhanced auditing. The company has enlisted several consultants to support this process.

T.Rowe Price believes that Ambev acted quickly and responsibly in relation to the incident. It also sees that the company is researching and investing in ways to make its supply chain management more robust and mitigate the risk of future controversies. T.Rowe Price continues to invest in the company.

Leadenhall Capital Partners LLP ("Leadenhall") – Insurance Linked Securities

<u>Engagement</u>

Leadenhall performs a detailed review of its investment counterparties' ESG policies and controls. Where appropriate Leadenhall will avoid investment counterparties who are not aligned with its own ESG policies. Leadenhall assesses its investment counterparties' alignment with its own ESG principles by considering specific factors including:

- Environmental impact such as pollution prevention, reduced carbon emissions, and adherence to environmental safety standards.
- Social impact including human rights, welfare and community impact issues.
- Governance issues including board structure, remuneration, accounting quality and corporate culture.