

Alanod Pension Fund (“the Fund”) - Implementation Statement

Purpose

This statement provides information on how, and the extent to which, the Trustees’ policies have been followed during the year ended 31 March 2024 (“the reporting year”) in relation to a) the exercising of rights (including voting rights) attached to the Fund’s investments, and b) engagement activities. In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

Following new requirements in relation to Environmental, Social and Governance (“ESG”) and voting issues, the Trustees documented their policies in a Statement of Investment Principles dated 30 September 2020, which is available online at: <https://alanod.co.uk/wp-content/uploads/2020/10/200930-Signed-SIP.pdf>

The Trustees’ policy on ESG, governance and Stewardship

The Fund holds an insurance contract with Aviva, and the Trustees encourage Aviva to make decisions in the long-term interests of the Fund. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines. The Trustees have considered their approach to ESG factors and climate change risks for the long-term time horizon of the Fund and believe there can be financially material risks relating to them. The Trustees have fully delegated the ongoing monitoring and management of ESG risks and those related to climate change to Aviva. The Trustees require Aviva to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

As the Fund is a wholly insured scheme with Aviva, ESG factors are not expected to have a material impact on investment risk and return outcomes over the time horizon of the investment. However, the Trustees have delegated to Aviva the responsibility for assessing any impact of ESG factors when making investment decisions in relation to the assets it holds and exercising any voting rights in relation to such assets.

As the Fund is a wholly insured scheme, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the Fund invests. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Fund’s investments to Aviva. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters, including those deemed to include a material ESG and/or climate change risk, such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require Aviva to report on significant votes made on behalf of the Trustees.

The appointment of the insurance contract with Aviva is expected to be for the long term, but the Trustees will monitor the processes of Aviva from time to time, to ensure they remain appropriate. Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises. During the reporting year, there have been no such manager selection exercises. The Fund is a wholly insured scheme, however, if the Trustees did decide to undertake a manager selection exercise, the Trustees would seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Fund has indirect allocations to UK and global public equities within the insurance contract. The Fund's AVC assets will also have investments in equities, however, these investments will be small relative to overall Fund assets. As a result, the votes relating to these are not viewed as significant and are not included within this statement

Whilst the Trustees have not, to date, introduced specific stewardship priorities, they will monitor the results of those votes deemed by Aviva to be most significant in order to determine whether specific priorities should be introduced and communicated to the manager.

Despite efforts to obtain data on significant voting behaviour carried out by Aviva during the reporting year, no such data had been provided at the time of issuing this statement. XPS will continue to ask for this data and will make it available to the Trustees as and when it is made available. Details of Aviva's voting policy which has previously been reviewed by the Trustees is shown below.

Aviva's Client Consultation Policy on Voting

Whilst Aviva do not consult clients ahead of each vote (given the significant practical challenges this will create), they are always keen to understand client views on particular issues / companies and are happy to provide details of how they voted after the event. Aviva have also been involved in a pilot enabling end investors to have a voice and be empowered to be part of the voting process. More broadly, Aviva have been working with their client experience project team and they are going to institutionalise a standard question asking clients about their stewardship preferences and priorities. This will be invaluable in shaping their voting policy and engagement plans to continue to meet client aims and expectations.

There may also be occasions where voting exceptions have been specifically agreed with their clients in segregated funds, but generally Aviva retain responsibility for ensuring voting is carried out in a manner consistent with their own approach to stewardship. If a pooled fund investor asked them to vote a certain way, Aviva would not be able to do this unless it was consistent with their view / the vote direction was in the best interests of all investors in that fund.

Aviva may also contact clients if there is a conflict of interest situation - for example, in relation to the exercise of voting rights for shares in their parent company Aviva plc (their default position is not to vote these holdings as Aviva Investors will exercise no discretion).

Aviva's Process to determine how to Vote

Voting decisions are based off the Aviva's Voting Policy which is reviewed on an annual basis and updated subject to Board approval. Final decisions are made by the Stewardship function (i.e. ESG analysts) in conjunction with portfolio managers who inform the decision making process by bringing their knowledge and assessment of company strategy and any special circumstances.

To support them in making voting decisions, Aviva use governance and other research from a number of sources. These include the Investment Association's IVIS service and ISS. Aviva use research for data analysis only and they do

not automatically follow any voting recommendations.

Given the number of companies Aviva own in their portfolios (including index funds), they seek to prioritise engagement by size of holding and where it is most likely to benefit their clients. This allows them to consider additional context from the company which occasionally results in Aviva changing a vote. In addition, every year Aviva write to the large majority of the companies they hold to notify them of the Aviva voting policy (highlighting any changes they have made), and also direct them to Aviva's voting records, where they are able to see how Aviva have voted at their AGMs etc and the reasons for not supporting any resolutions.

Aviva believe they have a strong record of opposing resolution and holding boards to account.

Aviva maintain a database to record their voting and engagement with companies which allows them to review the effectiveness of their work. For their priority engagements, their intention is to review these on a quarterly or half yearly basis.

There will be times when, despite engagement with companies, Aviva's concerns have not been adequately addressed. Under these circumstances, the matter may be escalated into a more focused project of intervention aimed at securing changes to the board, management, practices or strategy. As part of the Aviva escalation process, they may ask to discuss issues with executive and/or non-executive directors, work with other institutions and investors to press for change or exercise their voting rights against the board. As a last resort, Aviva may requisition a general meeting of a company or a resolution at an Annual General Meeting, or support others who are doing so. Aviva may also make public statements where they believe this is appropriate. However, they expect this to happen only in the most extreme cases.

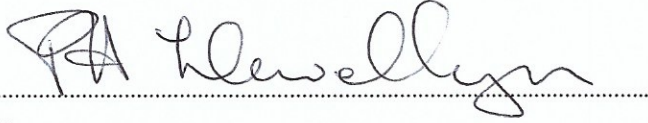
How does Aviva determine what constitutes a 'Significant' Vote?

Aviva looked at a number of criteria for the list of votes undertaken for the fund including: the impact on the company (both short and long term) if the resolution was or wasn't approved; the materiality of the shareholder resolutions; the level of public and / or media interest in certain companies and resolutions; and how significant the holdings are in relation to the fund and to Aviva Investors (acknowledging that the larger the aggregate / percentage holding, the more ability Aviva have in affecting change). It is evident in some of the votes selected that these reflected multiple criteria explained above, but it is important to note that this selection process was quite subjective.

Does Aviva utilise a Proxy Voting System? If so, please detail

Aviva subscribe to proxy advisory services for independent research and recommendations including recommendations based on their own policy (where certain resolutions will be referred to Aviva for further consideration). These providers include the IVIS service, ISS-Ethix and MSCI. Aviva use research for data analysis only as they have their own robust voting policy, which is applied to all their holdings. Aviva also take into consideration the views of the fund manager and the conversations with the company through their voting specific engagement.

Signed on behalf of the Trustees of the Alanod Pension Fund:



Name:

PATRICIA LLEWELLYN

Date:

29 October 2024.