

# The Carlyle (1972) Pension & Life Assurance Scheme – Implementation Statement 2022

## 1. Introduction

On 6 June 2019, the UK Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the “Regulations”). The Regulations require that the Trustees of the Carlyle 1972 Pension and Life Assurance Scheme (the “Scheme”) outline how they have ensured compliance with the policies, on the exercise of rights and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated September 2020. This was the SIP in place at the Scheme’s year-end date, 31 March 2022.

This Statement has been prepared by the Trustees with the assistance of their appointed Investment Consultant (Quantum Advisory). This statement does not cover the additional voluntary contributions of the Scheme, due to the size of the holding.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out either by the Trustees or their Investment Adviser on behalf of the Trustees.

## 2. Executive summary

Over the Scheme year, the Trustees:

- Gradually increased the Scheme’s allocation to partially funded gilts and index linked gilts, in line with pre-agreed timeframe to implement the Scheme’s LDI solution over a period of 18 – 24 months. Extension of the LDI coverage was funded from the sale of absolute return funds and the growth portfolio.
- Have reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- Are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP.

It should be noted that the funds that do not hold equities have not been reviewed as part of this statement, as these have fewer (if any) voting opportunities. Further detail on each of these matters is presented in the pages that follow.

## 3. Reviews of the SIP

There were no changes to the SIP over the Scheme year.

## 4. Voting policies and histories

### Trustees’ voting and stewardship policies

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees

have provided the appointed investment managers with full discretion concerning the stewardship of their investments. The Trustees reviewed the stewardship practices of their investment managers during the Scheme year and incorporated additional information on such matters into their quarterly reporting from Q1 2021.

As part of preparing this statement, the Trustees reviewed the voting activity of funds where there is an increased ability to influence positive practises (namely those that invest in equities). The following funds have been reviewed:

- BNY Mellon Real Return
- Legal & General Investment Management (“LGIM”) World Equity – GBP Hedged
- LGIM Dynamic Diversified
- Invesco Global Targeted Returns (wholly disinvested during Q3 2021)
- Aviva Multi-Strategy (wholly disinvested during Q3 2021)
- Partners Group Generations

## Voting statistics

The table below sets out the key statistics on voting eligibility and action over the Scheme year.

Statistic	BNY Mellon Real Return	LGIM Dynamic Diversified	LGIM World Equity Index <sup>1</sup>	Invesco GTR	Aviva Multi-Strategy	Partners Group Generations <sup>2</sup>
Number of equity holdings	79	6,747	2,601	241	460	60
Meetings eligible to vote at	98	7,193	3,079	329	515	68
Resolutions eligible to vote on	1,476	71,658	36,675	4,942	5,573	931
Proportion of eligible resolutions voted on (%)	99.2	99.8	99.8	98.1	97.2	100.0
Votes with management (%)	83.9	80.2	80.2	92.1	63.2	94.0
Votes against management (%)	16.1	18.9	19.0	7.9	35.0	4.0
Votes abstained from (%)	0.0	0.9	0.9	0.2	1.9	2.0
Meetings where at least one vote was against management (%)	47.0	65.0	72.9	43.3	85.2	31.0
Votes contrary to the recommendation of the proxy adviser (%)	11.7	11.3	13.3	4.9	27.2	1.0

Note: Totals may not sum due to rounding. <sup>1</sup>Fund is GBP currency hedged. <sup>2</sup> Partners Group only provide this information semi-annually, therefore the information provided is over the year to 31 December 2021.

The Trustees are generally satisfied with the level of voting activity that has been undertaken.

## 5. Conflicts of interest

This section provides information on whether the managers are affected by the following conflicts of interest.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;

3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5. Differences between the stewardship policies of managers and their clients.

Having reviewed the available information, the Trustees have not raised any material concerns regarding the managers' conflicts of interest over the period or the policies in place.

The following sections provide the responses received from the managers.

### **LGIM**

LGIM has refrained from directly commenting on which of the conflicts of interest, detailed above, it is impacted by. Instead, LGIM refers investors to its conflicts of interest policies, which include several examples of conflicts and how these might be managed. The Trustee has received a copy of the conflicts of interest policy.

### **Newton**

Newton manage the BNY Melon Real Return Fund.

Newton have confirmed that they were not affected by any conflicts of interest within the fund over the Scheme year. The Fund was previously subject to conflicts arising from points 1 and 4 of the above list due to a position within an investee company during the previous Scheme year. However, this position was sold in Q3 2020 meaning that no conflicts of interest remained in the Fund for the period considered.

### **Aviva**

Aviva have confirmed that, with respect to the AIMS Fund, they were not directly affected by the five conflicts of interest. As a company, Aviva can be affected by points 1 and 4 but they feel as though such conflicts are managed appropriately and subject to regular review.

### **Invesco**

Invesco have confirmed that the Global Targeted Returns fund was not exposed to the conflicts of interest declared above. Invesco also highlighted the process by which they manage potential conflicts of interest that could arise with respect to points 1 to 5. In doing this, Invesco referred to their Conflicts of Interest policy and detailed the processes by which potential conflicts are managed. The Trustee has received a copy of the conflicts of interest policy.

### **Partners Group**

With regards to Partners Group's listed exposure, to the best of their knowledge, they are not affected by points 1, 3, 4 and 5. With regards to point 2, Senior staff members may hold senior positions within invested companies such as seats on the board within the funds private market investments. Potential conflicts that can arise from this are managed based on the company's conflicts of interest directive, which outlines how the company identifies, categorises and manages conflicts of interest.

## Appendix 1 – Manager voting policies

### **BNY Mellon’s voting policies and processes**

Newton’s head of responsible investment (“RI”) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. They do not maintain a strict proxy voting policy. Instead, Newton prefer to consider a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, they may confer with the company or other interested parties for further clarification, to reach a compromise, or to achieve a commitment from the company.

Newton employ a variety of research providers that aid in the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

For the avoidance of doubt, all voting decisions are made by Newton. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence. It is also only in these circumstances when they may register an abstention given their stance of either voting in favour or against any proposed resolutions.

### **LGIM’s voting policies and processes**

LGIM’s Investment Stewardship team make all voting decisions, in accordance with LGIM’s Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM’s own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM’s position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

### **Invesco's voting policies and processes**

The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. Voting matters are assessed on a case-by-case basis by Invesco's respective investment professionals considering the unique circumstances affecting companies, regional best practices and their goal of maximizing long-term value creation for clients. The voting decision lies with asset managers with input and support from the Global ESG team and Proxy Operations functions. Portfolio managers review voting items based on their individual merits and retain full discretion on vote execution conducted through their proprietary proxy voting platform. The proprietary voting platform facilitates implementation of voting decisions and rationales across global investment teams. Invesco's proxy voting philosophy, governance structure and process are designed to ensure that proxy votes are cast in accordance with clients' best interests.

Invesco may supplement its internal research with information from third-parties, such as proxy advisory firms. Globally Invesco leverages research from ISS and Glass Lewis, with IVIS in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. ISS and Glass Lewis both provide research reports, including vote recommendations, to Invesco and its asset managers. Invesco also retains ISS to assist with receipt of proxy ballots and vote execution for use through their proprietary voting platform as well as ISS vote disclosure services in Canada, the UK and Europe.

### **Aviva's voting policies and process**

Voting decisions are based off 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.

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 IVIS and ISS. Research is used for data analysis only as Aviva have their own voting policy, which is applied to all holdings.

Engagement is prioritised by size of holding and where it is most likely to benefit clients. This allows Aviva to consider additional context from the company which occasionally results in them changing a vote. In addition, every year Aviva write to the large majority of the companies they hold to notify them of their voting policy, and also direct them to their voting records.

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 a last resort they may requisition a general meeting of a company or a resolution at an Annual General Meeting, or support others who are doing so.

### **Partners Group voting policies and process**

Where Partners Group's client accounts contain listed equity securities in dedicated programs/allocation buckets ("Liquid Private Markets investments") and Partners Group has discretion to vote on a proxy stemming from such securities (a "Proxy Request"), Partners Group will decide on

such Proxy Requests to protect and promote the economic value of the securities held in such client accounts.

Proxy Requests related to Liquid Private Markets investments may be administered by third party service providers (currently, Glass Lewis). These service providers will follow Partners Group's Proxy Voting Directive in all instances. Should a voting recommendation by a service provider be against the recommendation by the respective company's management, Partners Group will vote manually on those proposals.

In certain circumstances, Partners Group receives Proxy Requests for publicly traded securities. When such Proxy Requests arise, the recipient, typically the respective investment team or Partners Group Guernsey serving as administrator, will forward it to be reviewed and evaluated by Transactions Services together with the relevant investment team and/or the relevant Investment Committee. Partners Group have a group form which seeks to ensure that all Proxy Requests, included in the broader term 'corporate actions', are reviewed and processed in a timely manner.

## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment managers has been reviewed by the Trustees.

Please note that, due to the ‘common building block’ structure of LGIM’s passive equity funds (including the LGIM DDF which gains its equity exposure passively) there is a degree of overlap between the most significant votes cast within each fund. We have therefore sought to provide different examples within each fund.

The Partners Group also control the board of a large number of its investments in the Partners Group Generations fund. This means that the proposals do not go to a shareholder vote. They are there passed by the board and then these decisions are filtered into the company management.

### BNY Mellon Real Return Fund

The most significant votes for Newton are those that have been against management of the companies held. Newton have stated that these have the potential for the greatest impact, as areas for improvement can be highlighted and there is no automatic positive intent of ownership.

Company Name	AstraZeneca Plc	Citigroup Inc
<b>Date of Vote</b>	May-2021	April-21
<b>Summary of the resolution</b>	Elect Directors X4, Approve Remuneration Policy, Amend Restricted Stock Plan	Amend Proxy Access Right
<b>How the firm voted</b>	Against	Against Manager Proposal and For Shareholder Proposal
<b>Outcome of the vote</b>	3.4%, 1.3%, 2%, 26% against Elect Director, 39.8% against Approve Remuneration Policy, 38.3% against Amend Restricted Stock Plan	32.1% For Amend Proxy Access Right
<b>On which criteria have you assessed this vote to be "most significant"?</b>	Investor scrutiny of pay arrangements is increasing. Newton feel the significance of the high vote “against” of almost 40% is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent	While not a majority, the outcome of the vote was significant with over 30% of votes being cast for the shareholder proposal. This was in relation to improving minority voting rights, which is becoming increasingly important for shareholders.

Source: Investment Manager



## LGIM World Equity Index (GBP Hedged) Fund

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”) consultation. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and / or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

Company Name	Apple Inc.	Microsoft Corporation
<b>Date of Vote</b>	March-22	November-21
<b>Summary of the resolution</b>	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella
<b>How the firm voted</b>	For	Against
<b>Outcome of the vote</b>	53.6% For - Report on Civil Rights Audit	94.7% For - Elect Director Satya Nadella
<b>On which criteria have you assessed this vote to be "most significant"?</b>	LGIM views diversity and inclusion as financially material issues for their clients, with implications for the assets they manage. LGIM therefore found this vote significant as it is in support of improving diversity and inclusion reporting. The high voting outcome also signifies this importance for other shareholders.	LGIM expects companies to separate the roles of Chair and CEO, due to risk management and oversight. They therefore found this vote significant as it is in line with their ESG engagement themes of voting against combining CEOs and Chair roles.

Source: Investment Manager

### LGIM Dynamic Diversified Fund

Company Name	Barrick Gold Corporation	American Tower Corporation	Recruit Holdings Co., Ltd.
Date of Vote	May-21	May-21	June-21
Summary of the resolution	Resolution 1.2 Elect Director Gustavo A. Cisneros	Resolution 1i Elect Director Pamela D.A. Reeve	Resolution 5 Amend Articles to Allow Virtual Only Shareholder Meetings
How the firm voted	Withhold	LGIM voted against the resolution	LGIM voted against the resolution
Outcome of the vote	93.0% of shareholders supported the resolution.	94.7% of shareholder supported the resolution.	83.8% of shareholders supported the resolution.
On which criteria have you assessed this vote to be "most significant"?	LGIM views gender diversity as a financially material issue for their clients. They therefore enacted a policy to vote against companies in the S&P 500 and S&P/TSX with less than 25% women on the board.	LGIM considers this vote significant as it was applied under the Climate Impact Pledge. This programme targets some of the world's largest companies on their strategic management of climate change, voting against management in circumstances where the company does not meet LGIMs minimum standards with regards to climate risk disclosure and management.	This was a high-profile vote where the company proposed a change in articles to allow virtual-only AGMs beyond the temporary regulatory relief effective for 2 years from June 2021.

Source: Investment Manager.

### Invesco Global Targeted Returns Fund

Invesco have used the following criteria in determining their most significant votes.

- The size of the holding and its material impact on the portfolio
- The content of the resolution and if it includes a key proposal from an ESG perspective
- If the holding is included within the managers ESG Watchlist

Company Name	Wolters Kluwer NV	Eurofins Scientific SE
Date of Vote	Apr-2021	Apr-2021
Summary of the resolution	Authorize Board to Exclude Pre-emptive Rights from Share Issuances	Approve Creation of Class C Beneficiary Units and Amend Articles of Association
How the firm voted	Voted with management recommendations – For the proposal	Voted against management recommendations – Against the proposal
Outcome of the vote	Pass	Pass
On which criteria have you assessed this vote to be "most significant"?	Size of the holding and Includes key ESG proposal	Size of the holding and Includes key ESG proposal

Source: Investment Manager

### Aviva Multi Strategy Fund

Aviva have used a number of different criteria to determine their most significant votes.

- 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 they have in affecting change).

Company Name	Anglo American Plc	Microsoft Corporation
Date of Vote	May-21	November-21
Summary of the resolution	Resolution 1. Approve Matters Relating to the Demerger of Thungela Resources Limited	Resolution 6. Report on Effectiveness of Workplace Sexual Harassment Policies
How the firm voted	For	For
Outcome of the vote	94% of shareholders approved the resolution	The resolution was approved and received 78% support.

<p><b>On which criteria have you assessed this vote to be "most significant"?</b></p>	<p>This vote was deemed significant due to the materiality of climate change / other environmental issues to the investment case. This demerger forms part of Anglo American's strategy to continue to reduce its thermal coal production footprint and its overall trajectory towards those products that enable a low carbon economy.</p>	<p>This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation. Aviva noted that it was important to increase the level of disclosures around the issues targeted in the proposal, as the report represents a risk to the company.</p>
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Source: Investment Manager

### Partners Group Generations Fund

In determining the most significant votes, Partners Group consider the size of the holding relative to the fund itself.

Company Name	VSB Renewables Platform	Techem Metering GmbH
<b>Date of Vote</b>	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Summary of the resolution</b>	<p>VSB Goes Green Initiative</p> <p>This seeks to improve the alignment of business units and its employees with the company's climate friendly nature. One of the initiatives included assessing Scope 1 and Scope 2 emissions with the support of an external advisor. One of the essential aims of these initiatives for VSB is to reduce its carbon footprint.</p>	<p>ESG Climate engagement</p> <p>The company performed a climate change engagement with an external advisor in order to produce a detailed greenhouse gas inventory including Scope 1, Scope 2 as well as material Scope 3 emissions. Initial carbon reduction opportunities were then identified, and this analysis formed the basis for the development of Techem's carbon neutrality target.</p>
<b>How the firm voted</b>	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>Outcome of the vote</b>	N/A <sup>1</sup>	N/A <sup>1</sup>
<b>On which criteria have you assessed this vote to be "most significant"?</b>	<p>Partners Group deemed the vote significant given the overall size of the position within the Fund.</p>	<p>Partners Group deemed the vote significant given the overall size of the position within the Fund.</p>

Source: Investment Manager. <sup>1</sup>Please note, the firm maintains a controlling level of private investment in the company and as such the resolution was not proposed at a single formal meeting and no proxy voting was held.