

# The Carlyle (1972) Pension & Life Assurance Scheme – Implementation Statement for the year ended 31 March 2023

## 1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies as set out in the Scheme's Statement of Investment Principles ("SIP") have been complied with during the year ended 31 March 2023. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. This includes the exercise of rights (including voting) and other engagement activities undertaken in respect of the Scheme's investments. The Statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## 2. Background

This Statement has been prepared by the Trustees, with the assistance of its Investment Adviser (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

## 3. Executive summary

Over the Scheme year, the Trustees:

- 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. The SIP was last reviewed in March 2023 as a result of changes to the Scheme's investment strategy.
- Conducted an investment strategy review which restructured the Scheme's portfolio. This involved selling the Jupiter Strategic Bond Fund in its entirety and investing into the M&G Total Return Credit Fund.

The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees believe there is less scope to influence the practices within such arrangements. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they actively engage with their investments.

## 4. Investment Manager's voting and stewardship policies and activity

### 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 are unable to direct how votes are exercised and have not used a proxy voting services provider over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustees, have reviewed the voting activities and stewardship policies of the funds.

The Trustees do not currently have any stewardship priorities in place. However, the Trustees aim to undertake a review of the Scheme's stewardship priorities over the coming Scheme year and will aim to review whether or not the investment managers' stewardship priorities are aligned with these. Should the voting activities and stewardship policies of an invested fund not appropriately align with the Scheme's stewardship priorities, the Trustees will escalate these concerns with the relevant investment manager and if necessary review the Scheme's position within the fund.

Over the Scheme year, the voting activities of the following funds have been reviewed:

- BNY Mellon Real Return Fund
- Legal & General Investment Management ("LGIM") Dynamic Diversified Fund
- LGIM World Equity Index Fund – GBP Hedged
- The Partners Group ("Partners") Generations Fund

In addition to this, the general stewardship policies of the above funds and the funds listed below have also been reviewed:

- LGIM Buy & Maintain Credit Fund
- M&G Total Return Credit Fund
- Insight Partially Funded Gilts and Index Linked Gilts Funds
- Insight GBP Liquidity Fund

### Managers' voting and stewardship policies and procedures

Details of the managers' voting and stewardship policies can be found in Appendix 1. In this Statement, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed. The Trustees are satisfied with the voting and policies/procedures of the investment managers.

## Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year. Due to availability, the below information is provided for Partners Generations Fund as at 31 December 2022.

Statistic	BNY Mellon Real Return Fund	LGIM Dynamic Diversified Fund	LGIM World Equity Index Fund – GBP Hedged	Partners Generations Fund
Number of equity holdings	69	6,854	3,309	63
Meetings eligible to vote at	78	9,541	3,145	69
Resolutions eligible to vote on	1,287	99,647	38,823	959
Proportion of eligible resolutions voted on (%)	100.0	99.8	99.9	100.0
Votes with management (%)	89.2	77.6	78.8	95.4
Votes against management (%)	10.8	21.7	20.5	2.3
Votes abstained from (%)	0.0	0.7	0.7	2.3
Meetings where at least one vote was against management (%)	45.0	72.5	75.6	20.0
Votes contrary to the recommendation of the proxy adviser (%)	7.0	12.6	14.4	1.0

Source: Scheme's investment managers.

The Partners Generations Fund is an alternative investment fund whereby Partners often hold controlling positions in its invested companies. As a result of this, the Partners Generations Fund tends to have a lower proportion of votes against management due to their ability to influence management decisions.

As a whole, the Trustees are generally satisfied with the voting activity that has been undertaken within the invested funds during the Scheme year.

## Significant votes over the reporting year

The Trustees have reviewed the most significant votes cast by the investment managers.

The Trustees have interpreted the most significant votes to mean their choice of votes from an extended list of significant votes provided by each of the investment managers in accordance with the PLSA guidance.

The significant votes provided by investment managers are determined by the stewardship policies they have in place. As the Scheme has not set any stewardship priorities at the end of the Scheme year, significant votes will be classified according to these manager policies. However, the Trustees have reviewed and are satisfied with the managers' classifications of significant votes during the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 5. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed.

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; and
5. Differences between the stewardship policies of managers and their clients.

### **BNY Mellon/Newton**

Newton Investment Management ("Newton") have confirmed that they are affected by point 1 noted above. Newton's voting policies states that if a potential material conflict of interest between Newton, an investee company, and/or a client is identified, it is their policy that the recommendation of their external voting service provider will be followed.

### **Insight**

Insight have confirmed that they are not affected by the above conflicts for the LDI funds. They have however confirmed they are frequently affected by the following two areas:

- Conflicts that arise due to divergences between the responsible investment policies of Insight and the responsible investment policies of the client; and
- Potential divergences between the interests of Insight's clients and their beneficiaries.

Over the reporting period, the issues were generally related to the divergence between client interests and their beneficiaries' interests, rather than conflicts between Insight's interests and those of the clients'. To date, issues highlighted have been resolved through engagement with the client to obtain instruction for how to proceed. The discussions seek to balance financial, and non-financial considerations to establish the correct approach. In all cases, Insight have identified and resolved issues in partnership with clients, formally documenting the agreed approach in the investment guidelines for the mandate.

As Insight further evolve their approach, they believe conflicts are more likely to arise as a result of legal changes; net-zero emissions goals; or the introduction of additional firmwide Environmental, Social and Governance ("ESG") / stewardship-related policies which need to be implemented, such as firmwide

exclusion lists. Conflicts of interest will need to be addressed on a case-by-case basis to address the different implications which clients may be exposed to.

### **LGIM**

LGIM have refrained from directly commenting on which of the conflicts of interest, detailed above, they are impacted by within the selected funds. In place of providing a direct response, LGIM referred the Trustees to their conflicts of interest policy, which includes several examples of conflicts and how these might be managed.

This is available here:

<https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-conflicts-of-interest.pdf>

The Trustees have reviewed the conflicts of interest policy.

### **M&G**

M&G have confirmed that they are not affected by the above conflicts of interest across the firm and within the funds that the Scheme invests. They also stated that they use all reasonable endeavours to identify conflicts of interest and then take steps to either avoid or manage them effectively to treat clients fairly.

### **Partners**

With regards to Partners' listed exposure, to the best of their knowledge, they are not affected by points 1, 3, 4 and 5. With regards to point 2, Partners notes that for direct investments in private equity and private infrastructure they typically look to acquire companies where they have a majority equity position, and control of that business. With this, Partners appoint their senior employees (such as senior investment professionals) to take positions on the boards of the companies. In addition, Partners would also appoint operating Directors. The Trustees are of the view this is appropriate for this asset class.

## Appendix 1 – Investment manager stewardship policies and procedures

### **BNY Mellon/ Newton**

Newton have a proven track-record of being active owners, striving to use their scale to ensure that the companies in which they invest are acting responsibly. In addition to actively engaging with companies, Newton considers ESG risks and opportunities when conducting its research process.

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.

### **Insight**

Insight Investment's philosophy and approach towards responsible investment places an emphasis on the integration of responsible investment and stewardship principles within investment decision-making. Insight has a responsible investment policy to include a corporate conduct statement (outlining what is expected from corporates in which it invests) and has sovereign ESG impact ratings to evaluate how countries are aligned with the UN Sustainable Development Goals.

### **M&G**

As part of M&G's responsible investing credentials, in March 2020 they committed to net zero carbon emissions on their total book of assets under management and administration by 2050 (in line with the Paris agreement). This includes all investments made by M&G Investments, the asset manager within M&G plc. In addition to this, M&G does not invest in companies that are involved in the manufacture of cluster munitions and anti-personnel mines and will use a third-party provider to flag companies involved in the manufacture of those materials. They also apply investment restrictions to thermal coal investments.

### **LGIM**

LGIM have a proven track-record of being active owners; striving to use their scale to ensure that the companies in which they invest are acting responsibly and markets / regulators create an environment in which good management of ESG factors are valued and supported.

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.

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

Partners strive to use their scale to ensure that the companies in which they invest are acting responsibly. To achieve this objective, the Partners exercises their governance rights to work with companies on areas where ESG changes can add and protect value.

The ESG and Sustainability directive divides its practice into two main segments: the decision-making process and the ownership process. In terms of the decision-making process, the company highlights how it reviews sustainable trends, excludes certain segments (including Tobacco and Defence), performs due diligence and considers the impact of its direct investments. In terms of the ownership process, Partners monitors ESG risks, engages with companies on ESG issues, and manages any conflicts of interest as they arise.

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

In certain circumstances, Partners receives Proxy Requests for publicly traded securities. When such Proxy Requests arise, the recipient, typically the respective investment team or Partners 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 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 on the following pages 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.

### Significant vote definitions

#### **BNY Mellon/ Newton**

Newton's significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. Newton draws significant votes from this universe and defines significant votes as those that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.

#### **LGIM**

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the PLSA guidance. 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 we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

#### **Partners**

In determining its most significant votes, Partners consider the size of the holdings in relation to the Fund itself.



## BNY Mellon Real Return Fund

Company Name	Greencoat UK Wind Plc	Universal Music Group NV
<b>Date of Vote</b>	April-2022	May-2022
<b>Summary of the resolution</b>	Re-elect Shonaid Jemmett-Page as Director	Ratify Named Executive Officers Compensation
<b>Size of the holding (% of portfolio)</b>	1.7	0.6
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	Yes, but was not communicated beforehand.	Yes, but was not communicated beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	BNY Mellon voted against the re-election of the chairperson of the board as they raised concerns over the past share issuance undertaken by the trust. BNY Mellon believed that the share placing was not conducted in a manner that was in the best interests of shareholders.	BNY Mellon voted against executive remuneration as there was inadequate information regarding the various one-off grants, specific targets, thresholds, and payouts, to be able to arrive at an informed voting decision. Newton expects better disclosures and a more traditional performance-based pay structure going forward.
<b>Outcome of the vote</b>	Pass	Pass
<b>Do the Trustees/ asset manager intend to escalate stewardship efforts?</b>	The vote outcome implies that a few investors share Newton's concerns around this issue. Newton will continue to monitor the company and exercise their voting rights in regards to share issuance and protecting shareholder interests.	The vote outcome implies that a number of investors share Newton's concerns around this issue. Newton will continue to monitor the company and exercise their voting rights in regards to share executive compensation and good governance practice.

Source: Newton

## LGIM Dynamic Diversified Fund

Company Name	Rio Tinto Plc	Prologis, Inc.
<b>Date of Vote</b>	April - 2022	May - 2022
<b>Summary of the resolution</b>	Climate Action Plan	Elect Director Hamid Moghadam
<b>Size of the holding (% of portfolio)</b>	0.3	0.3
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	Votes are not communicated to management beforehand.	Votes are not communicated to management beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	The company has not set quantifiable targets to reduce their scope 3 emissions. The company has also not committed to an annual shareholder vote with regards to this factor which would have allowed shareholders to monitor the company's progress.	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM also expects to see boards regularly refreshed in order to maintain appropriate mix of independence, relevant skills, experience, tenure and background.
<b>Outcome of the vote</b>	Pass	Pass
<b>Do the Trustees/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage proactively with invested companies in relation to ESG factors, promoting positive changes within investee companies.	LGIM will continue to engage proactively with invested companies in relation to ESG factors, promoting positive changes within investee companies.

Source: LGIM

**LGIM World Equity Index Fund – GBP Hedged**

<b>Company Name</b>	<b>Alphabet Inc.</b>	<b>Meta Platforms, Inc.</b>
<b>Date of Vote</b>	June - 2022	May - 2022
<b>Summary of the resolution</b>	Report on Physical Risks of Climate Change	Require Independent Board Chair
<b>Size of the holding (% of portfolio)</b>	1.1	0.8
<b>How the firm voted</b>	For	For
<b>Was the vote against management and was this communicated beforehand?</b>	Votes are not communicated to management beforehand.	Votes are not communicated to management beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair.
<b>Outcome of the vote</b>	Did not pass	Did not pass
<b>Do the Trustees/ asset manager intend to escalate stewardship efforts?</b>	LGIM will continue to engage proactively with invested companies in relation to ESG factors, promoting positive changes within investee companies.	LGIM will continue to engage proactively with invested companies in relation to ESG factors, promoting positive changes within investee companies.

Source: LGIM

**Partners Generations Fund**

Partners Group did not provide details of votes undertaken as a result of the equity holdings not constituting a large enough size of the fund. However, Partners were able to provide examples of portfolio company’s ESG efforts. Two examples are provided below.

Company Name	Axia Women's Health	Fermaca
<b>Summary of the company’s efforts</b>	Axia Women's Health has improved its quality of care and clinical outcomes, providing a superior and convenient patient experience, exhibiting a reduction in hospital days per patient to 2.1 days, alongside a 10.9% reduction in c-section rates, and a 67.8 net promoter score.	Fermaca has made progress across a number of initiatives in 2022. For instance, in the environmental arena, Fermaca has reduced methane emissions in the entire system by 4.7% and maintained 90% survival of the 27,000 trees planted in 2020 as part of a reforestation effort.
<b>On which criteria has the vote been deemed as ‘significant’?</b>	Size of the holding.	Size of the holding.
<b>Do the Trustees/ asset manager intend to escalate stewardship efforts?</b>	Partners Group will continue to engage proactively with invested companies in relation to ESG factors.	Partners Group will continue to engage proactively with invested companies.

Source: Partners Group.