The Carlyle (1972) Pension & Life Assurance Scheme – Implementation Statement for the year ending 31 March 2024

1. Purpose

This Implementation Statement has been prepared by the Trustees of The Carlyle (1972) Pension & Life Assurance Scheme (the "Scheme"). It 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 ending 31 March 2024. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. This review has been conducted by the Scheme's Investment Adviser and the Trustees have reviewed and approved the conclusions within this statement. 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 their Investment Adviser (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

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

3. Executive summary

Over the Scheme year, the Trustees:

- Reviewed the investment strategy. Following advice from the Investment Advisor, the Trustees have implemented a new investment strategy during the year.
- Reviewed, with the help of their Investment Advisor, the voting and engagement activity of the funds that invest in equities. The Trustees are satisfied with their Investment Adviser's conclusion that the Scheme's investment managers have appropriately carried out their stewardship duties.
- Are of the opinion that it has complied with the relevant policies and procedures as identified in the SIP. The SIP was updated shortly after the year-end to reflect changes that were made to the Scheme's investment strategy during the Scheme year.
- Have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

During the Scheme year, the Trustees set stewardship priorities for the Scheme and these have been considered within this statement. Funds that do not hold equities do not have voting rights. 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 set stewardship priorities following the Scheme year end. Whilst the Trustees feel that all ESG matters are important, they decided to focus their stewardship efforts on managing climate-related risks, as it recognises that a rise in global temperatures could have an adverse effect on the Scheme’s investments, and board structure, as it recognises that a good level of diversity in company boards can help improve long-term returns for investors. Furthermore, the Trustees recognise that investment managers commonly provide voting information on these two areas, which will allow the Trustees to assess whether or not their voting activity aligns with the Trustees’ priorities. The Trustees will monitor and discuss instances where the investment managers’ voting activity does not align with its priorities, and seek to understand the reasons for this in the first instance. The Trustees will then escalate the matter if it persists and may review their holding in the fund if this is deemed appropriate.

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

- 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:

- Insight GBP Liquidity Fund
- Insight Inflation Focus Funds 2030
- Insight Maturing Buy & Maintain Bond Funds
- Insight Partially Funded Gilts and Index Linked Gilts Funds
- M&G Total Return Credit Fund

Please note Partners Group only report voting information on a semi-annual basis. The information pertaining to this manager has therefore been provided over the year ending 31 December 2023.

Manager’s voting and stewardship policies and procedures

Details of the managers’ voting and stewardship policies can be found in Appendix 1. In this statement, Quantum Advisory has noted the investment managers stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. Quantum Advisory are satisfied that the voting and policies/procedures of the investment managers are reasonable and consistent with industry practice. Quantum Advisory are also satisfied that the general stewardship policies of all the investment managers are reasonable and consistent with industry practice. This includes investments in bonds and other instruments. The Trustees have approved of these conclusions.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the year for the funds held by all sections of the Scheme.

Statistic	LGIM World Equity Index Fund – GBP Hedged	Partners Generations Fund
Number of equity holdings	2,915	>50
Meetings eligible to vote at	2,982	67
Resolutions eligible to vote on	37,017	999
Proportion of eligible resolutions voted on (%)	99.9	100.0
Votes with management (%)	79.1	93.0
Votes against management (%)	20.8	6.0
Votes abstained from (%)	0.1	1.0
Meetings where at least one vote was against management (%)	75.3	36.0
Votes contrary to the recommendation of the proxy adviser (%)	15.5	4.0

Source: Scheme's underlying investment managers.

Quantum Advisory has noted that, as a whole, the voting activity meets expectations and the Trustees are generally satisfied with the level of voting activity that has been undertaken during the Scheme year.

Significant votes over the reporting year

Quantum Advisory has reviewed the most significant votes cast by the investment managers on behalf of the Trustees and, as a whole, are satisfied that these meet expectations.

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 set stewardship priorities following the end of the Scheme year, where possible, significant votes have been selected to align with the stewardship priorities of the Scheme. The Trustees have reviewed and are satisfied with the significant votes undertaken 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.

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. 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.

Insight

Insight confirmed that, to the best of their knowledge, 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.

The issues are generally related to the divergence between client interests and their beneficiaries' interests, rather than conflicts between Insight's interests and those of the clients'. 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 polices 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.

Partners Group

With regards to Partners Group's listed exposure, to the best of their knowledge, they are not affected by points 1 through 5. With regard to points 1-3, Partners noted:

"Given Partners Group's role as a private markets investor, with the primary approach of taking ownership stakes in various assets, it is common practice for senior members of the relevant investment teams to hold positions such as board seats. Here, they can use their expertise to aid in transforming the asset, leveraging their own experience and that of the wider Partners Group platform. This also extends to our stewardship activities, where investment teams represent Partners Group and our clients who have entrusted us with managing their assets, playing a key role as an active owner. We do not view these scenarios as 'conflicts of interest' as may be the case in the context of public markets, but rather as a tangible benefit which enables us to drive genuine value and change."

Regarding point 4:

"Partners Group is unlikely to be affected by this potential conflict of interest outlined above. However, we remain conscious of the specific needs of individual clients and will continue to operate in their best interests."

Finally, regarding point 5:

"Whilst clients have individual stewardship policies, Partners Group has adopted an approach that generally represents industry standard and is aligned with our clients. We would consider individual differences on a case-by-case basis, but it is not an issue which we have yet encountered."

Appendix 1 – Investment manager stewardship policies and procedures

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. Although LGIM tend to focus on equity stewardship, LGIM also extends its ESG analysis and engagement policies to its active fixed income investments. LGIM aims to incorporate ESG considerations to assess ESG risks from a financial perspective and LGIM also engages with issuer companies through its global engagement groups. For Equity holdings, 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.

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

M&G aim to systematically include the consideration of ESG capabilities into investment analysis and decision making in all asset classes on an iterative and continuous basis, as they believe ESG issues can significantly impact investment outcomes. For this reason, they explicitly and systematically include ESG issues in investment analysis and investment decisions, where these are expected to be meaningful to risk and potential return. M&G therefore considers a range of materiality frameworks including those set out by the Sustainability Accounting Standards Board.

Partners

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 information below sets 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 Quantum Advisory on behalf of the Trustees. Significant votes have been selected, where possible, which align with the Scheme's stewardship priorities.

LGIM World Equity Index Fund – GBP Hedged

Company Name	Exxon Mobil Corporation	Berkshire Hathaway Inc.
Date of Vote	May 2023	May 2023
Summary of the resolution	Shareholder resolution calling for a Report on Asset Retirement Obligations Under IEA Net Zero Emissions Scenario	Require Independent Board Chair
Stewardship Priority	Climate	Board Structure
Size of the holding (% of portfolio)	0.7	0.8
How the firm voted	For the proposal	For the proposal
Was the vote against management and was this communicated beforehand?	Vote was against management. LGIM co-filed this shareholder resolution and pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, there was regular communication with the company ahead of the meeting.	Voted against management, but the vote was not communicated to management beforehand.
On which criteria has the vote been deemed as 'significant'?	The Trustees consider this action significant as it aligns with their stewardship priorities in relation to climate change.	The Trustees consider this action significant as it aligns with their stewardship priorities in relation to board governance.
Outcome of the vote	Fail	Fail
Do the Trustees/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM

Partners Group 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	Breitling	Gren
Summary of the company's efforts	Environment: Completed initiatives: Since 2020, Breitling has measured its environmental impact, including greenhouse gas emissions, and developed measures to reduce the negative impact, mainly in its supply chain. Future focus: Breitling aims to improve its product supply chain beyond carbon removal. Social: Completed initiatives: This year, Breitling assessed equal pay for 1658 employees in 19 countries, considering location, roles & tenure. Governance: Breitling conducts a double materiality assessment every three years to consider how the company's actions impact people and planet (inside out) but also how its business is affected by sustainability issues (outside in)	Partners have appointed ESG Responsibilities at the board, executive, and leadership levels within 100 days. Environment: Partners focus is on reducing their carbon footprint, with a plan to decarbonize operations by developing a GHG reduction strategy. Social: Health & Safety is a priority, and they strive to maintain safe working conditions with zero cases of work-related illnesses, accidents, or fatalities. Governance: Partners focus on business resilience, ESG strategy, and CSR reporting includes assigning board, executive, and operational ESG responsibilities, strengthening information security management, updating business resilience and continuity plans, and improving their overall information security maturity level through annual cybersecurity assessments.
On which criteria has the vote been deemed as 'significant'?	The Trustees consider this action significant as it aligns with their stewardship priorities, particularly climate change.	The Trustees consider this action significant as it aligns with their stewardship priorities, particularly climate change.
Does the Trustee/ asset manager intend to escalate stewardship efforts?	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.