

SME Centralised Pension Scheme – Engagement Policy Implementation Statement (the “Statement”)

Introduction

This statement sets out how, and the extent to which, the Scheme’s Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year running from 6 April 2024 to 5 April 2025 (the “Scheme Year”). This statement has been produced in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 2013, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with the SIP that was in place during the Scheme year dated February 2024 and can be access online:

<https://schemes.vidett.com/wp-content/uploads/SME-CPS-SIP-2024-02-typed-name-and-dated.pdf>

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustee’s primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The objectives set out above provide a framework for the Trustee when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, ESG factors.

The SIP includes the Trustee’s policies on ESG factors, stewardship and climate change and is subject to review at least triennially.

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

The Scheme's assets are invested in pooled funds and therefore the Trustee accepts that it has very limited ability to influence the ESG policies and practices of the companies in which the investment managers invest. However, the responsible investment policies of the pooled fund investment managers are taken into account in the selection of funds.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the diversified growth absolute return bond (ARB) and corporate bond funds, however, the managers embed such considerations into the management of their funds where it is appropriate to do so. ESG considerations do not readily apply to the fixed interest and index-linked gilt funds.

The Trustee is satisfied that responsible investment is embedded appropriately in the investment managers approaches to investing.

Scheme's Investment Structure

The Scheme invests in pooled investment vehicles, via an investment platform, with the assets managed by a number of investment managers. As such, the Trustee has no direct relationship with the Scheme's underlying investment managers. The Trustee has the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Mercer Limited.

Trustee's Engagement

Over the Scheme year, the Trustee has not directly engaged with the pooled fund investment managers on matters pertaining to ESG, stewardship or climate change. The engagement initiatives are driven by investment managers, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

However, the Trustee considers how ESG, stewardship and climate change are integrated within investment processes when appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers.

As noted above, ESG considerations do not readily apply to the fixed interest and index-linked gilt funds, and therefore the Trustee has no ability to influence issuers behaviour by engagement.

The Trustee will review ESG considerations at future reviews of the SIP, to ensure that the policy evolves in line with emerging trends and developments.

The Trustee received details of relevant engagement activity for the Scheme year from each of the sections' investment managers, covering a wide range of different issues, including ESG factors. The following examples provided cover the period up to which the relevant manager or fund was terminated, if the appointment was terminated during the Scheme year.

- **Schroders** engaged with several companies on multiple areas. Engagement focused on corporate governance related topics such as board and management, executive remuneration and purpose, strategy and capital allocation. On climate change related themes, the manager engaged on climate alignment (decarbonising and minimising emissions), deforestation and climate risk and oversight. On social related issues, the manager engaged mostly on corporate culture and oversight of human capital and Investment in the workforce.

An example of engagement conducted by **Schroders** is stated below:

Schroders engaged with Bayerische Motoren Werke (“BMW”) on governance and environmental topics. The primary focus of the engagement was the composition of the committee, board nomination, employee representation, remuneration, strategic market considerations, and the company's oversight of lobbying. The engagement highlighted the need for greater independence and diversity within the board to adequately reflect the company's international presence, particularly in China.

As part of its strategic considerations, the company is exploring expansion into new markets and adapting to technological shifts in mobility, particularly regarding artificial intelligence and autonomous driving. The engagement further emphasised changes in the remuneration system and the incorporation of ESG-related targets.

The company's lobbying efforts remain ‘technology agnostic’ supporting continued investment in internal combustion engines and an increased emphasis on Plug-in Hybrid Electric Vehicles and Battery Electric Vehicles and future Fuel-cells.

- **Baillie Gifford** engaged with several companies on a number of issues, including environmental issues such as climate change, pollution and waste, governance related issues such as board diversity and independence and oversight, as well as social related topics, namely conduct, culture, ethics and human capital management.

An example of engagement conducted by **Baillie Gifford** is stated below:

Baillie Gifford engaged with MP Materials Corp. on environmental issues, mainly to assess the company's alignment with Baillie Gifford firmwide climate-related expectations, particularly regarding scope 3 emissions disclosure and progress towards setting decarbonisation targets.

Baillie Gifford set clear expectations for high-impact companies such as MP Materials, emphasising the need to comprehensively disclose scope 1, 2, and 3 emissions by the end of the 2023 reporting period. By 2025, these companies are expected to present strategies in line with the Paris Agreement, covering emissions across all scopes and setting mid-term milestones. The dialogue revolved around MP Materials' current practices and plans in these areas. Key points included the company's assessment of material scope 3 emissions, barriers to disclosure and considerations for setting

emission reduction targets. The manager also touched upon the importance of biodiversity and the company's efforts towards understanding and mitigating nature-related impacts.

This engagement helped inform Baillie Gifford's view against its firmwide climate-related expectations. It highlighted the company's commitment to reducing greenhouse gas emissions per unit of rare earth oxide produced. Further, its strategic approach towards vertical integration will enable the company to gain more direct control over emissions. Progress in mitigating climate risks as the company's activities are fully established is something the manager will continue to monitor for this holding.

- **Legal & General Investment Management ("LGIM")** engaged with companies over the year on a wide range of different ESG related topics, including environmental issues such as deforestation, climate change, energy and water related themes, as well as social issues such as gender diversity, public health, inequality, human rights, labour standards and ethnic diversity. Lastly, the more common themes LGIM engaged on governance related topics were remuneration, shareholders rights, board composition, LGIM ESG score and nominations and successions.

An example of engagement conducted by **LGIM** is stated below:

LGIM engaged with Anglo American, and the engagement was focused on restructuring the company's portfolio to focus on copper and high-grade iron ore, specifically:

- To clarify the value proposition from Anglo's portfolio of world-class assets by simplifying and focusing on commodities which will most benefit from the energy transition while reducing exposure to commodities with uncertain long-term demand; and
- To support the growth of the copper business by strengthening the balance sheet through asset disposals.

LGIM first presented ideas around portfolio restructuring to Anglo American in April 2024. However, days later, and before the proposal could be circulated to the management team more broadly, BHP made an offer to buy Anglo American. LGIM determined that the offer did not constitute good value for money for shareholders and threatened to slow down the pace of copper growth globally. This view was communicated publicly through several newspaper articles, as well as senior executives from BHP and Anglo American.

LGIM was subsequently consulted by Anglo American on its defense strategy multiple times, with five meetings with senior management and board members during what is known as the "put up or shut up" period.

On 14 May 2024, Anglo American announced its intention to significantly restructure its portfolio by exiting its platinum, diamond, metallurgical coal and nickel businesses and pausing investment in its Woodsmith mine. Later that month, the board announced it had refused BHP's offer. The portfolio restructuring is expected to take between 18 and 24 months to complete.

The outcome of this engagement so far has been a powerful, collaborative relationship with management and the board, with a willingness to continue conversations on further, more granular topics related to the energy transition.

LGIM will continue to monitor progress on the portfolio restructuring decisions while continuing to engage on operational excellence, the company's decarbonisation of its own emissions and its low-carbon ventures business.

- **Aegon** engaged with various companies on a number of issues, relating to climate change, remuneration, human and labour rights, board effectiveness, shareholder rights, biodiversity, and others.

An example of engagement conducted by **Aegon** is stated below:

Aegon engaged with Mercedes-Benz Group AG, a manufacturer and distributor of premium cars on environmental related issues, with the objective of improving the company's scores on the Climate Action 100+ (CA100+) benchmark and thereby pushing for further progress towards Net Zero by 2050. This allows the company to be better prepared for the impact of climate change on their business and manage the risks and opportunities of climate change accordingly. The company's climate targets, and its climate advocacy work were, in Aegon's view, the areas that required the most attention during engagement.

Aegon engaged with the company's Investor Relations team and reviewed their disclosures and related public statements. The company said that the withdrawal of electric vehicle (EV) sales targets would not lead to immediate changes, and that it will continue to invest billions in EVs and architecture. However, according to the company, there is tension about where market conditions are changing or where the sentiment of the customer is changing. Their worry is not with the future of EVs, but the timing and scale. The company's 2035 target was already scheduled for review in 2026, and the company wants to wait until then to decide whether this target should be revised. Investment, however, will continue to be allocated as planned. After the launch of the EV platform, some technical developments can be applied to conventional combustion engines as well. However, since Mercedes' policy positions favour a delay to emission targets for automakers, Aegon also raised their concerns about this.

As the company's response raised further questions, and because Aegon wanted to be reassured that climate targets are not abandoned or scaled back in the near future, they will continue engaging regularly. The company's advocacy work will also remain a priority on the engagement agenda.

- **BNY Mellon** engaged with companies on a number of issues, including environmental, governance and social related issues such as low carbon/Net Zero transition plans, human rights in supply chain and board quality.

An example of engagement conducted by **BNY Mellon** is stated below:

BNY Mellon engaged with Barclays on climate change related issues. Robust disclosures on the bank's client transition framework (“CTF”) including details around its scoring methodology including factors such as sub-targets used for sectoral assessment and material topics used for scoring are very crucial to help investors understand the effectiveness of its client transition framework. Further, robust disclosure on the bank's client engagement process, including major topics of discussion and expectation around best in class practices is useful for investors to understand how the bank's client transition framework is working in practice.

The transition of high-emitting clients is important for the bank because it helps in a phased approach to wind down financing fossil fuels while balancing the current energy needs.

High-emitting sectors face long-term structural challenges, transitioning these clients towards more sustainable practices can enhance their financial stability and in turn safeguard the bank's loan book and help the operating model remain resilient.

Barclays has improved its CTF considerably over the years by providing information on its overall scoring methodology, governance structure and broad parameters it uses to assess clients. However, investors will gain more comfort if they understand the material parameters or risk indicators it uses to assess a specific sector.

Barclays highlighted its overall approach to use the CTF to identify clients that need more help to transition and then seeks to engage with them.

While the bank has highlighted it engages with its clients, more disclosures around its engagement process with a focus on key topics of discussion and expectations around best in class practice would provide investors more comfort. Barclays highlighted that it regularly reviews client's disclosures and actions on transition and engages with them if it feels it can add value, it seeks to work with them and help them transition in the long-term.

BNY Mellon remains comfortable with the bank's overall approach to climate transition and its feedback was acknowledged by the bank to provide more disclosure on specific parameters or metrics used to analyse sub-sectors under the CTF.

BNY Mellon will continue to monitor the bank's update on its broader transition plan later this year and aims to engage again by early next year.

Stewardship

The Trustee is supportive of the UK Stewardship Code (the “Code”). The Trustee expects its managers who are authorised in the UK to comply with the UK Stewardship Code, including public disclosure of support via an external website. As at 11 February 2025 all investment managers, with the exception of BNY Mellon, were signatories of the current version of the UK Stewardship code.

Over the Scheme year, the Trustee did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Voting Activity

The Scheme's investment managers, where applicable, actively exercise voting rights and engage in collaborative or other forms of engagement, aligning with their individual corporate governance policies and considering climate change factors. These activities, including escalation procedures to protect investment value, are reported regularly to the Trustee along with the managers' policies. The Trustee did not use the direct services of a proxy voter over the year.

The Trustee has also considered their own definition of a “significant vote” based on their stewardship priorities, and examples of where these arose with respect to the voting carried out on their behalf by the investment managers are set out below.

The Trustee annually looks at the significant votes of the underlying holdings of the Scheme. The Trustee has decided to consider the following areas of focus for the Scheme, the top area being the most important and the bottom area the least important:

- **Climate Action;**
- **Environmental Pollution;**
- **Good Board Governance.**

To be deemed a “most significant” vote, the Trustee has set a threshold for the approximate size of the fund’s holding as at the date of the vote at 0.2% of the fund in question. The Trustee will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustee did not inform managers of what they considered to be the most significant votes in advance of voting.

Over the Scheme year, the voting activity on behalf of the Trustee was as follows.

Schroder Life Diversified Growth Fund

Schroders used Institutional Shareholder Services (“ISS”) until Q4 2024. From Q1 2024, Schroders switched vendor from ISS to Glass Lewis (“GL”) who act as Schroders’ one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from GL in line with its own bespoke guidelines. In addition, the manager receives GL's Benchmark research. This is complemented with analysis by Schroders’ in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

A summary of the voting undertaken over the Scheme year is provided below:

- Schroders was eligible to vote in 1,297 meetings and 16,606 votable proposals.
- Schroders voted on 96% of resolutions where they were eligible to vote. In around 89% of these votes for proposals, Schroders has indicated their support to the companies’ management, while voting against management in around 11% of the proposals.

Schroders considers significant votes all resolutions when the manager votes against the board’s recommendations, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.

There were 5 votes that fell under the Trustee’s definition of significant votes over the Scheme year, which all have an approximate holding size of at least 0.2%:

Holding Details -Company (approximate size of holding as at date of the vote)	Summary of Resolution - Date of Vote	How the manager voted	Reason for manager’s vote and next steps	Outcome of the vote	Area of Focus
Amazon (0.7%)	Shareholder Proposal Regarding Just Transition Reporting – 22/05/2024	For	While Schroders acknowledges that the company has many upskilling/reskilling programmes in place, the manager believes that a full transition plan which includes assessment on the impact of workers, stakeholder dialogue on the plan and effectiveness of	Failed	Climate Action

			impact mitigation efforts would be additive. Schroders believe how it has voted is in the best financial interests of its clients' investments.		
Amazon (0.7%)	Shareholder Proposal Regarding Report on Plastic Packaging – 22/05/2024	For	Schroders believe that the current scope of reporting on plastics can be expanded beyond shipment packaging which would be additive to current company efforts. Schroders believe how it has voted is in the best financial interests of its clients' investments.	Failed	Climate action
Amazon (0.7%)	Shareholder Proposal Regarding Disclosure of Material Scope 3 Emissions – 22/05/2024	For	The company should demonstrate that it is reporting all material scope 3 subcategories or revise its disclosures to report other material subcategories of scope 3. Schroders believe how it has voted is in the best financial interests of its clients' investments.	Failed	Climate action
Meta Platforms Inc (0.6%)	Shareholder Proposal Regarding Lobbying Activity Alignment with Net Zero Emissions Commitment - 29/05/2024	For	Support for this proposal is warranted as shareholders would benefit from understanding how the company's lobbying activities are aligned to the company's net zero commitment. Schroders believe how it has voted is in the best financial interests of its clients' investments.	Failed	Climate Action
Netflix Inc. (0.3%)	Shareholder Proposal Regarding Amending Code of Ethics and Reporting - 06/06/2024	For	Support for this proposal is warranted because the company's Code of Ethics has gaps in addressing issues relating to discrimination and diversity and inclusion. Strengthening the Code of Ethics and further reporting on certain issues such as discrimination, company culture and harassment, would be valuable to shareholders. Schroders believe how it has voted is in the best financial interests of its clients' investments.	Failed	Good Board Governance

Baillie Gifford Diversified Growth Fund

Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and GL), but do not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. They vote in line with their in-house policy and not with the proxy voting providers' policies.

A summary of the voting undertaken over the Scheme year is provided below:

- Baillie Gifford was eligible to vote in 63 meetings and 768 votable proposals.
- Baillie Gifford has voted on 98% of resolutions where they were eligible to vote. In around 96% of these votes for proposals, Baillie Gifford has indicated their support to the companies' management, while voting against management in around 3% of the proposals.

The list below is not exhaustive, but exemplifies potentially significant voting situations for Baillie Gifford:

- Baillie Gifford's holding had a material impact on the outcome of the meeting;
- The resolution received 20% or more opposition and Baillie Gifford opposed;
- Egregious remuneration;
- Controversial equity issuance;
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;
- Where there has been a significant audit failing;
- Where Baillie Gifford has opposed mergers and acquisitions;
- Where Baillie Gifford has opposed the financial statements/annual report;
- Where Baillie Gifford has opposed the election of directors and executives.
- Where Baillie Gifford identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management.

There were 26 significant votes that fell under the Trustee's definition of significant votes over the Scheme year, which all have an approximate holding size of at least 0.2%:

Holding Details -Company (approximate size of holding as at date of the vote)	Summary of Resolution - Date of Vote	How the manager voted	Reason for manager's vote and next steps	Outcome of the vote	Area of Focus
Segro Plc (0.4%)	To approve the directors' remuneration report 2023 - 18/04/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Ctp N.V. (0.8%)	Remuneration report - 23/04/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Ctp N.V. (0.8%)	Adoption of the remuneration policy -23/04/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Greencoat UK Wind (1.2%)	To approve the directors' remuneration report (other than the part containing the directors' remuneration policy) contained within the annual report and accounts for the financial year ended 31 December 2023 - 24/04/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Tritax Big Box REIT (0.3%)	To receive, adopt and approve the directors' remuneration report - 01/05/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance

RWE (1.6%)	Approve remuneration report - 03/05/2024	Against	Baillie Gifford opposed the executive compensation report as the manager does not believe the performance conditions are sufficiently stretching. The manager did not communicate its vote intention to the company prior to the vote.	Pass	Good board governance
WEC Energy Group (0.4%)	Advisory vote to approve executive compensation of the named executive officers - 09/05/2024	Against	Baillie Gifford opposed the executive compensation report as the manager does not believe the performance conditions are sufficiently stretching. The manager did not communicate its vote intention to the company prior to the vote.	Pass	Good board governance
Terna (1.6%)	Report on the emolument policy and remuneration paid: first section: report on the emolument policy (binding resolution) - 10/05/2024	For	Baillie Gifford supported the remuneration report, although the manager noted the termination provisions to be of a high quantum. Baillie Gifford understands that these were contractual arrangements, which the Company had to honour, and it was pleased that the issue was addressed for future contracts signed during the life of the new remuneration policy.	Pass	Good board governance
Terna (1.6%)	Report on the emolument policy and remuneration paid: second section: report on remuneration paid (non-binding resolution) - 10/05/2024	For	Baillie Gifford supported the remuneration policy, as the manager was pleased that the Company addressed and amended the termination provisions for future contracts signed during the life of the new remuneration policy.	Pass	Good board governance
Renewables Infrastructure Group	To approve the remuneration report of the directors as set	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance

(0.8%)	out in the annual report - 15/05/2024				
Unite Group (0.5%)	To approve the directors' remuneration report contained in the annual report and accounts - 16/05/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
US Solar Fund (0.5%)	Approve remuneration report - 21/05/20234	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
American Tower Corp REIT (0.7%)	To approve, on an advisory basis, the Company's executive compensation - 22/05/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Equinix (0.6%)	Approval, by a non-binding advisory vote, of the compensation of our named executive officers. - 23/05/2024	Against	Baillie Gifford opposed executive compensation as there are overlapping metrics within the short and long-term incentive plans, which risks rewarded executives twice for the same performance, and one-year performance periods in the long-term incentive plan, which Baillie Gifford does not find to be sufficiently long-term. The manager did not communicate its vote intention to the company prior to the vote.	Pass	Good board governance
NextEra Energy (1.0%)	A proposal entitled Climate Lobbying Report requesting a report on the Company s lobbying and trade association memberships in	For	Baillie Gifford supported the resolution on climate lobbying as the manager believes that clear and transparent support for Paris-aligned goals through lobbying is one-way shareholders look to	Fail	Climate change

	relation to the Company s emissions goal - 23/05/2024		demonstrate consistency with their climate targets.		
Enel SpA (1.1%)	Report on the remuneration policy and emoluments due: first section: report on the rewarding policy for the financial year 2024 23/05/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Enel SpA (1.1%)	Report on the remuneration policy and emoluments due: second section: report on emoluments due in the financial year 2023 (unbinding resolution) – 23/05/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Octopus Renewables Infrastructure (0.9%)	To approve the directors' remuneration report included in the annual report - 19/06/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Assura Group (0.5%)	To approve the directors' remuneration report - 04/07/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Severn Trent (1.7%)	Approve the directors' remuneration report - 11/07/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Severn Trent (1.7%)	Approve the directors' remuneration policy - 11/07/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance

TwentyFour Income Fund (1.0%)	Approve remuneration policy - 12/09/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Lynas Corporation (0.9%)	Remuneration report - 27/11/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Vinacapital Vietnam Opportunities (0.4%)	Approve remuneration report - 04/12/2024	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
Grainger PLC (0.3%)	to approve the directors' remuneration report - 05/02/2025	For	There is no voting reason as the vote was in line with management recommendation.	Pass	Good board governance
NKT Holding AS (0.3%)	Presentation of and advisory vote on the company s remuneration report - 19/03/2025	For	Baillie Gifford supported executive remuneration because the manager continues to believe pay is aligned with performance.	Pass	Good board governance