

SME Centralised Pension Scheme (the “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 2025 to 5 April 2026 (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 December 2025 and can be accessed online here:

[SME CPS - SIP - 2025 12 Clean Final](#)

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 manager invests. However, the responsible investment policies of the pooled fund investment manager 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 and corporate bond funds, however, the manager embeds 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 manager's approach to investing.

Scheme's Investment Structure

The Scheme invests in pooled investment vehicles, via an investment platform, as such, the Trustee has no direct relationship with the Scheme's underlying investment manager. The Trustee has the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Aptia Pension Consulting Limited ("Aptia").

Trustee's Engagement

Over the Scheme year, the Trustee has not directly engaged with the pooled fund investment manager on matters pertaining to ESG, stewardship or climate change. The engagement initiatives are driven by the investment manager, 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 manager.

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 manager, covering a wide range of different issues, including ESG factors. Below we outline examples provided by the Scheme's current manager, L&G. The investments held with other investment managers were disinvested during the Scheme year.

- **L&G** engaged with Starbucks on human and social capital management related topics. Engagement focused on labour relations and board oversight, recognising that workforce management can have a material impact on business resilience, regulatory exposure and long-term shareholder value.

L&G highlighted concerns regarding ongoing labour disputes and labour law violations, including a significant settlement relating to fair workweek practices. L&G highlighted that these issues create legal and reputational risks, distracting from the company's efforts to improve employee benefits.

L&G viewed the issue as significant enough to warrant a vote against the director considered most responsible for overseeing these matters. The manager will continue to monitor progress in labour relations and governance practices across the business.

Stewardship

The Trustee is supportive of the UK Stewardship Code (the “Code”). The Trustee expects its manager, who is authorised in the UK, to comply with the UK Stewardship Code, including public disclosure of support via an external website. As at 9 July 2026 the current investment manager, L&G, was a signatory 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 manager in relation to particular products or activities.

The investment manager used over the year has provided an outline of their approach to stewardship and engagement in their stewardship policy, available through the links below.

L&G	https://am.landg.com/asset/4a34ae/globalassets/lgim/_document-library/responsible-investing/uk-stewardship-code-summary.pdf/
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The Trustee was satisfied that the manager’s policies were reasonable, and no remedial action was required.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the investment manager are in alignment with the Fund’s stewardship policies.

Voting Activity

The Scheme's investment manager, where applicable, actively exercises voting rights and engages 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 manager's 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 manager 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 manager 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.

L&G All World Equity Fund

L&G's Investment Stewardship team uses Institutional Shareholder Services' ("ISS's") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and no strategic decisions are outsourced.

A summary of the voting undertaken over the Scheme year in respect of the L&G All World Equity Fund is provided below:

- L&G were eligible to vote in 6,821 meetings and 69,413 votable proposals.

- L&G voted on 100% of resolutions where they were eligible to vote. In around 78% of these votes for proposals, L&G indicated their support to the companies' management, while voting against management in around 21% of the proposals.

Given the large number of eligible votes undertaken on the Scheme's behalf, below we outline a select extract of votes that 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
Visa Inc. (0.6%)	Provide Right to Act by Written Consent – 27/01/2026	For	A vote for this proposal is warranted given that the ability to act by written consent would enhance shareholder rights.	Pass	Good board governance
Oracle Corporation (0.5%)	Elect Director Bruce R. Chizen – 18/11/2025	Against	A vote against is applied because the director is not independent and sits on a Board Committee that should be comprised solely of independent directors. L&G expects the Chair of the Nominations/Governance Committee to have served on the board for no more than 12 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. L&G expects a company to have at least one-third of women on the board. L&G have concerns regarding the time commitment required to manage all board positions and how this may impact their ability to remain informed and effectively contribute to board discussions.	Failed	Good board governance
The Procter & Gamble Company (0.4%)	Elect Director Jon R. Moeller – 14/10/2025	Against	L&G considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	Failed	Good board governance

L&G Diversified Fund

A summary of the voting undertaken over the Scheme year in respect of the L&G Diversified Fund is provided below:

- L&G was eligible to vote in 9,160, meetings and 99,162 votable proposals.
- L&G has voted on 100% of resolutions where they were eligible to vote. In around 76% of these votes for proposals, L&G has indicated their support to the companies' management, while voting against management in around 23% of the proposals.

Given the large number of eligible votes undertaken on the Scheme's behalf, below we outline a select extract of votes that 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
Microsoft Corporation (0.4%)	Elect Director Satya Nadella - 05/12/2025	Against	A vote against is applied as L&G expect companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Pass	Good board governance
SK hynix, Inc. (0.2%)	Elect Cha Seon-yong as Inside Director - 25/03/2026	For	A vote for is applied as no major concerns have been highlighted.	Pass	Good board governance