Currie Motors Retirement Benefits Plan – year to 5 April 2024

Implementation Statement

Overview

The Trustee of the Currie Motors Retirement Benefits Plan ("the Plan") has prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Trustee has followed the policy on voting, stewardship and engagement as set out in the Plan's Statement of Investment Principles ("SIP"), dated November 2023. This statement covers the year to 5 April 2024.

The Plan's assets are held in pooled investment funds (via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the Fund Managers of the pooled investment funds (the "Fund Managers").

The Fund Managers of the pooled investment funds are Legal & General Investment Management ("LGIM"), BNY Mellon Investment Management ("BNYM") and Columbia Threadneedle Investments ("CT").

As Trustee of the Plan's assets, we are responsible for the selection and retention of the funds. Reviewing the voting and engagement activities, which we include details on below, is an important exercise to help us ensure they remain appropriate and are consistent with the Fund Managers' stated policies in this regard. We are satisfied with the voting and engagement activities of the Fund Managers, and in particular, that the Fund Managers are using their position as stakeholder to engage constructively with investee companies. However, we will engage with them should we have any concerns about the voting and/or engagement activities carried out on our behalf. The Trustee had no cause to challenge the Fund Managers' voting and/or engagement activities during the year to 5 April 2024.

The Trustee made minor changes to the wording in the SIP during the year to 5 April 2024. No changes to the investment strategy were made.

Reporting and oversight

The Trustee has regularly reviewed the performance of the funds over the year and performance information is set out elsewhere in this report. The Trustee is satisfied that the performance of the funds is consistent with their objectives. The Trustee, in conjunction with the sponsoring employer, continues to review the operational efficiency and ongoing management of the Plan, including potential alternatives to the current structure. The Trustee continues to engage with its advisors in this regard.

Voting and engagement

The Trustee's policy, as set out in the SIP, is to consider only factors that are expected to have a financial impact on the Plan's investments. Details on significant voting and engagement activities provided by the Fund Managers are set out below. In order to produce this Statement, we have asked all of the Fund Managers a series of questions on their policies and actions and to provide examples relating to their voting and engagement activities during the year and in conjunction with our advisers, have identified significant voting and engagement activities (i.e. those most relevant to the Trustee's policy). We have then reviewed and summarised their responses for the purpose of this statement.

LGIM have provided information relating to the Global Equity (30:70) Index - 75% GBP Hedged Fund, the Diversified Fund, as these funds hold equities for which they have voting rights.

The BNYM Global Dynamic Bond Fund does not hold equities and, given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, BNYM do undertake engagement activities in respect of their bond holdings, and we have included examples below.

The CT Dynamic LDI Funds do not hold equities and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds. However, CT does undertake engagement activities with counterparty banks on relevant issues, where applicable, and we have included examples below.

LGIM - voting and engagement activities

The following commentary is based on the information that LGIM have provided in response to our questions and illustrates how they co-ordinate their voting and engagement activities with companies.

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant 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. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally *and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.*

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA)."

LGIM Global Equity (30:70) Index – 75% GBP Hedged Fund

LGIM were eligible to vote on 72,082 resolutions. Votes: For 81%, Against 19%, Abstained <1%. There were 998 engagements over the year in relation to this fund. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed LGIM's voting activity and in conjunction with their adviser, Cartwright, on the Trustee's behalf, have identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Plan, as set out in the SIP:

1. **SHELL PLC**

   Date: 24/05/2023

   Resolution: Approve the Shell Energy Transition Progress Update

   Vote: Against (Against management recommendation)

   "LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

   A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory."

2. **GLENCORE PLC**

   Date: 26/05/2023

   Resolution: In respect of the Next Climate Action Transition Plan"

Vote: For (Against management recommendation)

"LGIM considers this vote to be significant as LGIM co-filed this shareholder resolution as an escalation of our engagement activity, targeting some of the world's largest companies on their strategic management of climate change.

Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition."

LGIM Diversified Fund

LGIM were eligible to vote on 93,090 resolutions. Votes: For 77%, Against 23%, Abstained <1%. There were 1,643 engagements over the year in relation to this fund. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed LGIM's voting activity and in conjunction with their adviser, Cartwright, on the Trustee's behalf, have identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Plan, as set out in the SIP:

1. APPLE INC.

Resolution: Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy

Vote: Against

***"** A vote against is this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and nondiscrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice."*

2. TOYOTA MOTOR CORP.

Date: 14/06/2023

Resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement

Vote: For (Against management recommendation)

"LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.

LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris aligned regulatory environment.

We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified.

Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multipathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this."

BNYM - engagement activities

The following commentary is based on the information that BNYM have provided in response to our questions on voting and engagement and illustrates how they co-ordinate their voting and engagement activities with companies. Newton are a subsidiary of BNYM and are the entity that manage the Global Dynamic Bond Fund.

"We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our understanding of a company's fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. 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 (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares, as we believe executive pay should be aligned with performance."

BNYM Global Dynamic Bond Fund

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, Newton's (as a subsidiary of BNYM) engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund.

There were 3 engagements over the year in relation to this fund. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed Newton's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Plan, as set out in the SIP.

> **BARCLAYS PLC**
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> *"The engagement goal is to encourage the bank to strengthen its climate transition plan. Barclays has considerable exposure to the fossil fuel industry, therefore monitoring and encouraging the bank to strengthen its climate transition plan wherever necessary is important to ensure that the bank remains on track to achieve its emission reduction targets.*
>
> *Key takeaways:*
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> *- Client transition framework: 150 clients (from sectors where the bank has targets) are part of this framework, with 80% having climate targets. The bank is working with Oliver Wyman to review and compare with best practice. It will disclose its transition plan framework this year and will cover outputs of the methodology as well.*
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> *- Physical and transition risk: The bank participated in Bank of England's (BoE) Climate Biennial Exploratory Scenario (CBES) and received feedback on both physical and transition risks, although it is restricted in what it can disclose of this central stress test. The bank incorporates climate in its own stress tests and evaluates which portfolios are more susceptible to weather risks.*
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> *- BlueTrack (internal tool for climate targets for sectors): Originally constructed with third party help. Targets not externally verified, but numbers used for the targets are assured by KPMG. BlueTrack includes capital markets financing, which is important for the bank, therefore the bank is working with SBTi and waiting for PCAF methodology to include the same.*
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> *Outcomes: The bank will disclose its client transition framework this year. We are pleased to see movement on this as we have been asking the bank to provide this for some time. We also view it as a positive that the bank is working with the SBTi to align methodologies. While we note the merit of BlueTrack including capital market financing, external verification of targets would provide us with added comfort.*
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> *Next steps: Monitor the bank's reporting on its client transition framework, assess the progress vs. current sectoral targets disclosed by the bank."*

<u>CT - engagement activities</u>

The following commentary is based on the information that CT have provided in response to our questions and illustrates how they co-ordinate their engagement activities with companies. These examples provide evidence that they are engaging actively with the companies they invest in on behalf of the Scheme.

"We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.

Our approach is aligned with the core values and beliefs of the wider Financial Group, and draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory.

LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones."

CT Dynamic LDI Funds

The funds contains investments that provide exposure to long dated interest rates / inflation. They do not hold equity investments and the fund manager is therefore not eligible to vote. However, CT does still engage with counterparty banks on relevant issues.

There were 15 engagements over the year in relation to all CT LDI portfolios. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed CT's engagement activity and in conjunction with their adviser, Cartwright, has identified the following as the most significant example of engagement from the perspective that they potentially have the biggest financial impact on the Plan, as set out in the SIP.

> **BARCLAYS PLC**
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> *"Barclays updated their fossil fuel financing policy. They will no longer provide financing to oil sands exploration and production companies, or financing focused on the construction of new oil sands exploration assets, production and processing infrastructure or oil sand pipelines.*
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> *We have engaged numerous times with Barclays on their management of climate risks. While this is an important part of their management of climate risks, their fossil fuel financing policy remains looser compared to other UK peers, and will likely continue to create reputational risks."*