

APOLLO PENSION AND LIFE ASSURANCE PLAN (“THE PLAN”)

Annual Engagement Policy Implementation Statement

1. Introduction

This statement sets out how, and the extent to which, the Plan’s Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year running from 1 April 2022 to 31 March 2023 (the “Plan Year”). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

2. Investment Objectives of the Plan

The Trustees’ objective is to invest the Plan’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. Within this framework, the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Plan is exposed. The Trustees’ overarching objectives are as follows:

- To make sure that the assets can meet the obligations to the beneficiaries of the Plan; and
- To pay due regard to the Company’s interests in the size and incidence of the employer’s contribution payments.

The Trustees have a medium term objective of securing the benefits with an insurer (i.e. through a buy-in/buy-out contract). The Trustees implemented de-risking activity over 2022 to reflect the significant funding level improvement since the 2021 Actuarial Valuation. The current focus is on designing an appropriate strategy and ‘journey plan’ with a view to achieving this objective.

3. Policy on ESG, Stewardship and Climate Change

The Plan’s SIP includes the Trustees’ policy on Environmental, Social and Governance (“ESG”) factors, stewardship and Climate Change. This policy sets out the Trustees’ beliefs on ESG and Climate Change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees’ ESG policy and engagement priorities have been defined over the past two years through training, discussion and, particularly, the completion of a Beliefs Survey in April 2021. This helped define the view of engagement priorities and significant votes set out in the following section.

The following sets out how the Trustees’ engagement and voting policies were followed and implemented during the year.

4. Implementation of the Trustees' Engagement Policy

The Trustees' policy is to give the appointed investment managers full discretion when evaluating ESG issues, including climate change considerations, and in exercising voting rights and stewardship obligations attached to the Plan's investments in accordance with their own corporate governance policies and current best practice.

The Trustees look to review and meet with each of their managers on a regular basis, at which point the Trustees may ask the investment managers to highlight key voting (where applicable) and engagement activity, and the impact on the portfolio.

Voting is primarily relevant to the Plan's mandates that hold equity investments only. At the year-end date, the Plan's strategic target allocation to Equity was 7.5%, though the target and actual allocations to Equity were higher during the year, prior to the de-risking towards the year-end, and the Plan also had Diversified Growth portfolios in place during the Plan Year that had equity exposure. One of the 'liquid proxies', used to fund capital calls for the Private Markets mandates, is also invested in equity. This portfolio made up c. 2% of invested assets at year-end.

We have set out how the Trustees' engagement and voting policies were followed and implemented during the period.

As of this year's statement, the Trustees have also defined their own definition of a 'significant vote' based on their engagement priorities, and we set out examples of where these arose with respect to the voting carried out on their behalf by the investment managers.

The Trustees primarily define significant votes as ones which relate to the theme of climate change. This is considered to be a stewardship priority given that it has been central to various ESG-related conversations within the past few years (see 'Engagement Activity' section further on for more details). The Trustees will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry.

Having reviewed the information provided by the managers, the Trustees are comfortable with the voting that has been completed on their behalf in relation to the Trustee's definition of a significant vote, and the managers' own definitions of a significant vote.

5. Implementation of the Trustees' Voting Policy and Key Voting Activity

The Trustees have delegated their voting rights to the investment managers. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustees do not use the direct services of a proxy voter.

Given the nature of the underlying assets, there was no voting activity undertaken within the following mandates during the year:

- Schroders Property
- Mercer Private Markets ("MPM") Infrastructure and Senior Private Debt
- Mercer Global Investments Europe ("MGIE") UK Long Gilt Fund (Liquid Proxy)

- Legal & General Investment Management (“LGIM”) Liability Driven Investments
- LGIM Global Buy & Maintain Credit

Over the 12 month period to 31 March 2023, the key voting activity on behalf of the Trustees was as set out further below.

LGIM RAFI Multi Factor Developed Equity Index Fund (GBP hedged & unhedged)

This mandate was terminated in October 2022. The data below is shown for the full one year period to 31 March 2023, as the manager does not provide bespoke period data.

The Plan held both a GBP hedged and unhedged vehicle for this fund, for which the voting data for the full year was the same.

Key votes undertaken over the period are summarised below:

- There were 2,638 votable meetings over the year. In these meetings, there were a total of 34,117 votable proposals;
- LGIM participated in the vote for 99.7% of the 34,117 votable proposals. In around 78.6% of proposals voted on, LGIM indicated their support to the companies’ management, while voting against around 21.2% of the proposals.

Outlined below are votes that are considered to be the most “significant” according to the Trustees’ definition:

	Vote	Vote	Vote
Company	Alphabet Inc.	Rio Tinto Plc	Royal Dutch Shell Plc
Date of Vote	01/06/2022	08/04/2022	24/05/2022
Approximate size of holding at date of vote (as a % of portfolio)	0.5%	0.2%	0.1%
Summary of resolution	Resolution: Report on Physical Risks of Climate Change	Resolution: Approve Climate Action Plan	Resolution: Approve Energy Transition Progress Update
How manager voted	For	Against	Against
Rationale for the voting decision	The manager expects companies to be taking sufficient action on the key issue of climate change.	Concern with the absence of quantifiable targets for scope 3 emissions, given they are such a material component of the company’s overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	Concern around the disclosed plans for oil and gas production, and desier for further disclosure of targets associated with the upstream and downstream businesses.
Outcome of the vote	Fail	Pass	Pass

LGIM Future World Global Equity Index Fund (GBP hedged & unhedged)

This mandate was incepted in November 2022. The data below is shown for the full one year period to 31 March 2023, as the manager does not provide bespoke period data.

The Plan has both a GBP hedged and unhedged vehicle for this fund, for which the voting data for the full year was the same.

Key votes undertaken over the period are summarised below:

- There were 5,067 votable meetings over the year. In these meetings, there were a total of 54,368 votable proposals;

- LGIM participated in the vote for 99.9% of the 54,368 votable proposals. In around 80.4% of proposals voted on, LGIM indicated their support to the companies' management, while voting against around 18.6% of the proposals.

The examples outlined further above for this manager were also present within these portfolios. The respective approximate size of holdings at date of vote (as a % of portfolio) were 0.9%, 0.2% and 0.2%.

LGIM Emerging Markets Equity Fund

This mandate was terminated in October 2022. The data below is shown for the full one year period to 31 March 2023, as the manager does not provide bespoke period data.

Key votes undertaken over the period are summarised below:

- There were 4,231 votable meetings over the year. In these meetings, there were a total of 36,506 votable proposals;
- LGIM participated in the vote for 99.9% of the 36,506 votable proposals. In around 79.5% of proposals voted on, LGIM indicated their support to the companies' management, while voting against around 18.4% of the proposals.

Outlined below are votes that are considered to be the most "significant" according to the Trustees' definition:

	Vote	Vote	Vote
Company	China Construction Bank Corporation	Industrial & Commercial Bank of China Limited	BB Seguridade Participacoes SA
Date of Vote	23/06/2022	23/06/2022	29/04/2022
Approximate size of holding at date of vote (as a % of portfolio)	1.1%	0.8%	0.1%
Summary of resolution	Elect Graeme Wheeler as Director	Elect Chen Siqing as Director	Resolution: Accept Financial Statements and Statutory Reports for Fiscal Year Ended Dec. 31, 2021
How manager voted	Against	Against	Against
Rationale for the voting decision	Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.	Concern with the lack of a clear thermal coal policy in place and no disclosure of scope 3 emissions associated with investments.	company is deemed to not meet minimum standards with regard to climate risk management.
Outcome of the vote	Pass	Pass	Pass

Schroders Global Sustainable Fund

This mandate was terminated in October 2022. The data below is for the bespoke period between 31 March 2022 and 30 September 2022 (the closest quarter-end date to termination).

Key votes undertaken over the period are summarised below:

- There were 242 votable meetings over the year. In these meetings, there were a total of 3,625 votable proposals;

- Schroders participated in the vote for 94% of the 3,625 votable proposals. In around 89% of proposals voted on, Schroders indicated their support to the companies' management, while voting against around 10% of the proposals.

Outlined below are the votes considered to be the most "significant" according to the Trustees' definition.

	Vote	Vote	Vote
Company	Royal Bank of Canada	Bank of Montreal	National Bank of Canada
Date of Vote	07/04/2022	13/04/2022	22/04/2022
Approximate size of holding at date of vote (as a % of portfolio)	0.28%	0.30%	0.36%
Summary of resolution	Shareholder proposal: adopt an Annual Advisory Vote Policy on the Bank's Environmental and Climate Change Action Plan and Objectives	Shareholder proposal: adopt an Annual Advisory Vote Policy on the Bank's Environmental and Climate Change Action Plan and Objectives	Shareholder proposal: adopt a Policy of Holding an Advisory Vote on the Bank's Environmental and Climate Action Plan and Objectives
How manager voted	For	For	For
Rationale for the voting decision	Manager welcomes additional mechanisms for shareholders to hold the board accountable for its management of climate risk and contribution to the transition to a low carbon economy.	Manager welcomes additional mechanisms for shareholders to hold the board accountable for its management of climate risk and contribution to the transition to a low carbon economy.	Manager welcomes additional mechanisms for shareholders to hold the board accountable for its management of climate risk and contribution to the transition to a low carbon economy.
Outcome of the vote	Fail	Fail	Fail

Schroders Diversified Growth Fund

This mandate was terminated in October 2022. The data below is for the bespoke period between 31 March 2022 and 30 September 2022 (the closest quarter-end date to termination).

Key votes undertaken over the period are summarised below:

- There were 1,066 votable meetings over the year. In these meetings, there were a total of 13,765 votable proposals;
- Schroders participated in the vote for 95% of the 13,765 votable proposals. In around 89% of proposals voted on, Schroders indicated their support to the companies' management, while voting against around 10% of the proposals.

The examples outlined further above for this manager were also present within these portfolios. The approximate size of holdings at date of vote (as a % of portfolio) were 0.02% for all three.

Baillie Gifford Diversified Growth Fund

This mandate was terminated in October 2022. The data below is for the bespoke period between 31 March 2022 and 30 September 2022 (the closest quarter-end date to termination).

Key votes undertaken over the period are summarised below:

- There were 83 votable meetings over the year. In these meetings, there were a total of 972 votable proposals;

- Baillie Gifford participated in the vote for 97.7% of the 972 votable proposals. In around 95.8% of proposals voted on, Baillie Gifford indicated their support to the companies' management, while voting against around 3.5% of the proposals.

Outlined below are the votes considered to be the most "significant" according to the Trustees' definition.

	Vote	Vote
Company	Booking Holdings Inc	Rio Tinto
Date of Vote	09/06/2022	08/04/2022
Approximate size of holding at date of vote	0.05%	0.07%
Summary of resolution	Shareholder resolution: incorporate climate change metrics into executive compensation arrangements	Resolution: Approve climate action plan
How manager voted	Against	Against
Rationale for the voting decision	Company is already considering this so manager believes that the proposal is unnecessary.	Manager believes that the company should make more ambitious commitments, including on its scope 3 emissions.
Outcome of the vote	Fail	Pass

MGIE Passive Global Equity

This manager does not vote directly on behalf of the Trustees; this is delegated to the sub investment manager, Irish Life Investment Managers Limited. The manager does however carefully evaluate the sub investment manager's capabilities in ESG engagement and proxy voting as part of the investment manager selection process to ensure it is representing their commitment to good governance, sustainable investment and long-term value creation.

Key votes undertaken over the period are summarised below:

- There were 21,475 votable proposals over the year;
- MGIE participated in the vote for 98.1% of these. In around 91% of proposals voted on, the manager indicated their support to the companies' management, while voting against around 9% of the proposals.

Outlined below are the votes that are considered to be the most "significant" according to the Trustees' definition.

	Vote 1	Vote 2	Vote 3
Company	Berkshire Hathaway	Berkshire Hathaway	Boeing Co
Date of Vote	30/04/2022	30/04/2022	03/05/2022
Approximate size of holding at date of vote (as a % of portfolio)	1%	1%	0.2%
Summary of resolution	Shareholder proposal: Climate Report	Shareholder proposal: Aligning GHG Reductions with Paris Agreement	Shareholder proposal: Climate Action 100+ Net Zero indicator
How manager voted	For	For	For
Rationale for the voting decision	To allow shareholders to better understand how the company is managing systemic risks posed by climate change and the transition to a low carbon economy.	To allow shareholders to better evaluate how the company is managing emissions from Berkshire's insurance group, because the company is lagging its peers; and because the report may help the company prepare for future climate regulations.	The company and its shareholders are likely to benefit from increased transparency regarding alignment with the Paris Agreement through compliance with Net Zero Indicator criteria.
Outcome of the vote	Fail	Fail	Pass

MGIE Multi-Asset Credit

The Multi-Asset Credit portfolio uses a fund-of-funds approach, and the services of a proxy voter may be used by the underlying managers within the mandate where they have a small exposure to equity. This could arise from workout situations or convertible holdings.

Given the relatively small size and frequency of these exposures, the manager does not currently have a framework for reporting on voting activity.

6. Key Engagement Activity

All of the Plan's investment managers are signatories of the 2020 UK Stewardship Code.

The Plan's investment performance report is reviewed by the Trustees on a periodic basis and includes ratings (both general and ESG specific) from the investment consultant. The Plan's managers remained generally highly rated during the period.

The Trustees' investment consultant has requested, on behalf of the Trustees, details of relevant engagement activity for the period from each of the Plan's investment managers.

The Plan's investment managers engaged with companies over the period on a wide range of different issues including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.

In November 2022, the Plan transferred its (remaining) equity exposure over to LGIM's Future World Global Equity strategy. This strategy explicitly weights holdings based on ESG criteria, and also incorporates an explicit decarbonisation objective, targeting 'Net Zero' carbon emissions by 2050.

Post-year end, in December 2022, the Plan made changes to the composition of the LDI portfolio. Amongst these changes, there was a new underlying exposure to one of the UK government's 'Green Gilt' bonds, introduced at the discretion of the investment manager for the portfolio.

Also in December 2022, the investment consultant undertook analysis to benchmark the extent to which ESG factors are integrated into the investment decision-making process at the portfolio level. This includes, among other things, an assessment of the current approach to voting and engagement activity. The Plan's RITE rating was B+, compared against an average rating of B for schemes in a similar sector, and C+ for schemes of a similar size. This exercise puts into context how far progressed the Trustees were in this area and through what actions they could go further.

Responsible Investment Total Evaluation (RITE) assesses the extent to which schemes integrate ESG factors. Schemes are scored on a scale from 0-100, with those scores then mapped to a rating scale as set out below.

Rating	Score
A++	91%+
A+	76 – 90%
A	61 – 75%
B+	46 – 60%
B	31 – 45%
C+	16 – 30%
C	0 – 15%

Benchmarking analysis is carried out against schemes with a similar level of assets under management and by sector of the company/sponsoring employer. Any rating/score has been determined at the sole discretion of Mercer Limited, as professional adviser to the Plan. Mercer Limited does not accept any liability or responsibility to any third party in respect of these findings. RITE is an evaluation at a point in time, informed by Mercer's Sustainable Investment Pathway, more details on the Pathway can be found here: <https://www.mercer.com/solutions/investments/sustainable-investment/>.