

# Eton College Employees (1972) Pension & Life Assurance Scheme

## Implementation Statement

### Purpose of this statement

This implementation statement has been approved by the Trustees of the Eton College Employees (1972) Pension & Life Assurance Scheme ("the Scheme") to set out the following information over the year to 31 August 2024:

- How the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- The voting activity undertaken by the Scheme's investment managers ("the managers") on behalf of the Trustees over the year, including information regarding the most significant votes.

Data on the managers' voting activity is not given over the Scheme year to 31 August 2024 as managers only report this data quarterly. Therefore, the data has been provided over the year to 30 June 2024.

### Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force as at 31 August 2024 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. The SIP was last reviewed in November 2023 and has been made available online here:

<https://schemedocs.com/download/eton-college-statement-investment-principles.pdf?ver=2023>

The Trustees have decided not to set stewardship priorities for the Scheme. The Scheme solely invests through pooled investment vehicles where the Scheme's investments only represent a small proportion of the capital held within the funds. The Trustees understand that they are therefore constrained by the policies of the managers, however they have resolved to:

- Review the stewardship and engagement activities of the managers annually through the implementation statement.
- Commission an annual sustainability monitoring report, which further considers the sustainability credentials of the managers.

## How voting, engagement and stewardship policies have been followed over the year

Based on the information provided by the Scheme's managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- At the Scheme year-end, the manager appointed to manage assets on behalf of the Scheme was Columbia Threadneedle Investments. During the year, the Scheme also had holdings with Pyrford International (noting that Pyrford International forms part of Columbia Threadneedle Investments), from which the Scheme completed a full disinvestment in November 2023. The Trustees consider the performance of the funds in which the Scheme invests and any significant developments in relation to the managers at least twice a year.
- Over the Scheme year to 31 August 2024, the Trustees reviewed the voting and engagement activities of the managers as part of producing the 2023 implementation statement and no action was taken in light of this. The Trustees also carried out a sustainability monitoring exercise in March 2024, which further considered the sustainability credentials of the managers.
- The Trustees implemented their decision to appoint Columbia Threadneedle for a corporate bond and gilt mandate in November 2023. As there is less scope for the consideration of voting and engagement to improve risk-adjusted returns within a pooled liability hedging portfolio (due to the significant investment in gilts), stewardship considerations were not a material factor in the selection process. The Trustees are comfortable that Columbia Threadneedle is suitable to run this mandate over all criteria considered.
- The Scheme invests entirely in pooled funds and, as such, the Trustees delegate responsibility for carrying out voting and engagement activities to the managers. Investment rights (including voting rights) are expected to be exercised by the managers in line with the managers' general policies on corporate governance. The Trustees also expect the managers to have engaged with the companies in which they invest in relation to environmental, social and governance (ESG) matters.
- The Trustees are comfortable with the managers' strategies and processes for exercising rights and conducting engagement activities and, specifically, that they attempt to maximise shareholder value as a long-term investor.
- The Trustees annually receive and review voting data and engagement information, as provided by the managers, to ensure alignment with their own policies.

The subsequent sections of this statement consider the voting behaviour of the managers over the year, including a summary of most significant votes, and engagement activities.

## Voting data

This section provides a summary of the voting activity undertaken by the managers on behalf of the Trustees over the year to 30 June 2024 (given that the managers' reporting is based on calendar quarters).

The Scheme's corporate bond and gilt mandate with Columbia Threadneedle (that is, the Cashflow Matching Credit Only LDI Fund, Regular Profile Unleveraged Nominal Gilt Fund, Regular Profile Unleveraged Real Gilt Fund and Short Profile Unleveraged Real Gilt Fund) are expected to have no voting rights attached as these funds have no exposure to physical equities. As such, these funds have been excluded from the tables below.

We have continued to show voting data for the Pyrford Global Total Return Fund since, despite the Scheme having fully disinvested by the end of the period, it was invested for part of the period under review.

| Manager   | Columbia Threadneedle Investments  | Pyrford International    |
|---|--|--------------------------|
| Fund name   | Dynamic Real Return Fund   | Global Total Return Fund |
| Structure   | Pooled   | Pooled                   |
| Ability to influence the voting behaviour of the manager  | The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour |                          |
| Number of company meetings the manager was eligible to vote at over the year  | 418  | 65                       |
| Number of resolutions the manager was eligible to vote on over the year   | 6,182  | 992                      |
| Percentage of resolutions the manager voted on, as a percentage of the votes for which the manager was eligible to vote | 99%  | 90%                      |
| Percentage of resolutions the manager abstained from <sup>1</sup>   | 1%   | 0%                       |
| Percentage of resolutions voted <i>with</i> management <sup>1</sup>   | 93%  | 95%                      |
| Percentage of resolutions voted <i>against</i> management <sup>1</sup>  | 7%   | 5%                       |
| Percentage of resolutions voted against proxy adviser recommendation <sup>1</sup>                                       | Not applicable   | 2%                       |

Source: Information provided by the managers.

<sup>1</sup> As a percentage of the total number of resolutions voted on. Figures may not sum due to rounding.

Columbia Threadneedle's final voting decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as Institutional Shareholder Services (ISS), Institutional Voting Information Service (IVIS) and Glass Lewis & Co. Columbia Threadneedle utilises the proxy voting platform of ISS to cast votes for client securities and to provide recordkeeping and vote disclosure services.

Pyrford employ the use of ISS as a proxy adviser service. However, the portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines.

### Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities or themes. At this time, the Trustees have not set stewardship priorities or themes for the Scheme, as set out on page 1 of this statement. Therefore, for this implementation statement, the Trustees have asked the managers to determine what they believe to be a "significant vote". The Trustees have not communicated voting preferences to their managers over the period, as they are yet to determine whether they wish to develop a specific voting policy. Going forwards, the Trustees may consider the most significant votes in conjunction with any agreed stewardship priorities or themes.

Columbia Threadneedle and Pyrford have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities or themes, three votes have been shown from each manager. To represent the most significant votes, the votes on the largest holdings from the selection of significant votes provided by Columbia Threadneedle are shown below. Pyrford provided details of only three votes and therefore these form the selection of votes shown below.

## Columbia Threadneedle Dynamic Real Return Fund

|  | Vote 1  | Vote 2  | Vote 3   |
|--|---|---|--|
| Company name   | Amazon.com, Inc.  | Apple Inc.  | Eli Lilly and Company  |
| Date of vote   | 22 May 2024   | 28 February 2024  | 6 May 2024   |
| Approximate size of the Fund's holding as at the date of the vote (as percentage of the portfolio)             | 1.1%  | 0.8%  | 0.6%   |
| Summary of the resolution  | Report on median and adjusted gender/racial pay gaps  | Report on median gender/racial pay gap  | Report on effectiveness of diversity, equity, and inclusion efforts  |
| How the manager voted  | For   | For   | For  |
| If the vote was against management, did the manager communicate their intent to the company ahead of the vote? | No  | No  | No   |
| Rationale for the voting decision  | The proposed enhanced disclosure was expected to help the board and shareholders better assess existing and potential future risks related to human capital management. | The proposed enhanced disclosure was expected to help the board and shareholders better assess existing and potential future risks related to human capital management. | The manager felt that the company should disclose its demographic workforce data as per the Equal Employment Opportunity requirement. The aim of this was to help increase transparency and aid shareholders in assessing the effectiveness of the company's stated efforts to address related human capital material risks and opportunities. |
| Outcome of the vote  | Fail  | Fail  | Fail   |
| Implications of the outcome  | Active stewardship (engagement and voting) continues to form an integral part of Columbia Threadneedle's research and investment process.                               |   |  |
| Criteria on which this vote was assessed to be "most significant"  | The votes were against management on social proposals and more than 20% of the voting body disagreed with management's proposal.  |   |  |

Source: Information provided by the manager.

## Pyrford Global Total Return Fund

|  | Vote 1   | Vote 2   | Vote 3  |
|--|--|--|---|
| Company name   | Novartis   | Woodside Energy  | SGS SA  |
| Date of vote   | 15 September 2023  | 24 April 2024  | 26 March 2024   |
| Approximate size of the Fund's holding as at the date of the vote (as percentage of the portfolio)             | 0.5%   | 0.5%   | 0.3%  |
| Summary of the resolution  | Break-off of Sandoz Group AG into a standalone publicly listed company   | Approve Climate Transition Action Plan and 2023 Progress Report  | Share capital increase for the issuance of a scrip dividend   |
| How the manager voted  | For  | Against  | For   |
| If the vote was against management, did the manager communicate their intent to the company ahead of the vote? | Whilst Pyrford's portfolio managers do, on occasion, contact management prior to a vote, usually they will vote without prior dialog with management. Engagement with management will usually follow a vote if escalation is deemed necessary from management.   |  |   |
| Rationale for the voting decision  | Pyrford believed the break-off of Sandoz allows both companies to pursue independent strategic ambitions and focus on maximising value creation for shareholders of both companies.  | Although the company's efforts to reduce emissions and achieve net-zero targets by 2050 were acknowledged, concerns about the lack of firm targets led to Pyrford voting against the report. The vote against was intended to encourage the company to accelerate efforts and focus on concrete goals, including the development of new technologies to reduce costs and improve emissions reductions. | Pyrford voted for this proposal, as the company has made the offer of a stable cash dividend but also with the option for shareholders to take a scrip dividend. With the scrip, the shares will be offered at a discount of 6% to the market price. Pyrford voted for this as they believe that the dilution is not too large. The scrip was expected to allow the company to retain balance sheet strength. |
| Outcome of the vote  | Pass   | Fail   | Pass  |
| Implications of the outcome  | The decision to follow up with companies after a vote lies with the individual portfolio manager responsible for casting the vote and with discretion over the company. Where it is deemed necessary to follow up, Pyrford have stated that they will do so through a process of direct engagement with the company. Pyrford have stated that in most cases they feel that follow up is not required.  |  |   |
| Criteria on which this vote was assessed to be "most significant"  | Pyrford believe that all proxy votes are important and they aim to vote on all ballots received on behalf of their clients. All proxy votes are reviewed by their ESG Forum on a quarterly basis. Those deemed to be "significant" are where they believe the outcome could have a meaningful impact on shareholder returns over their five-year investment horizon and/or could have a bearing on the decision to continue holding a stock. |  |   |

Source: Information provided by the manager.

## Engagement data

The managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year to 30 June 2024.

Although Columbia Threadneedle have not provided data on the number of entities engaged with on behalf of the holdings in the Dynamic Real Return Fund as at 30 June 2024, they have stated that they expect to be able to provide further fund level data in the future.

| Manager  | Columbia Threadneedle Investments |  | Pyrford International    |
|--|-----------------------------------|--|--------------------------|
| Fund name  | Dynamic Real Return Fund          | Cashflow Matching (Credit Only) LDI Fund | Global Total Return Fund |
| Does the manager perform engagement on behalf of the holdings of the Fund?                         | Yes                               | Yes                                      | Yes                      |
| Has the manager engaged with companies to influence them in relation to ESG factors over the year? | Yes                               | Yes                                      | Yes                      |
| Number of entities engaged with on behalf of the holdings in the Fund over the year                | Information not available         | 71                                       | 6                        |
| Number of entities engaged with at a firm level over the year                                      | 992*                              |  | 12                       |

Source: Information provided by the managers.

\*Columbia Threadneedle provided the total number of companies engaged with (at a firm level) on a half-yearly basis. As such, it is not possible to discern whether a single company has been counted more than once within the above figure (e.g., this would be the case if the manager engaged with the same company in both half-yearly periods and the same engagement was counted in the figure provided for each half-yearly period).

| Manager                            | Example of engagement -Firm Level   |
|------------------------------------|---|
| Columbia Threadneedle Investments- | <p>Columbia Threadneedle engaged with Amazon regarding the company's use of Responsible AI*, driven by concerns over its transparency and governance in this area. As AI plays a crucial role in Amazon's operations, including personalised product recommendations and to advance sustainability efforts, Columbia Threadneedle sought to understand how the company manages associated ethical risks.</p> <p>In their engagement, Columbia Threadneedle emphasised the need for more detailed disclosures on Amazon's AI governance, particularly its risk assessments. Whilst Amazon has made progress, such as committing to the White House Voluntary AI initiatives in 2023, it has yet to provide clarity on the broader ethical impacts of its AI systems. Columbia Threadneedle encouraged Amazon to improve transparency and consider quantitative measures to demonstrate the sustainable outcomes of its AI practices. They will continue monitoring the company's Responsible AI framework and its efforts to improve disclosure.</p> <p><i>*Responsible AI is a term used across the tech industry to refer to frameworks, principles, and practices aimed at ensuring artificial intelligence is developed and used in ways that prioritise ethics, safety, fairness, transparency, and accountability.</i></p> |
| Pyrford International              | <p>Pyrford engaged with National Grid to discuss the company's progress on providing Electric Vehicle (EV) charging infrastructure, a crucial part of the UK's decarbonisation efforts. This follow-up meeting revisited a 2019 engagement, focusing on how National Grid is addressing concerns around EV adoption, including range anxiety and the pace of infrastructure expansion.</p> <p>During the discussion, Pyrford inquired about potential shifts in National Grid's investment plans and commitment to EV infrastructure. National Grid reaffirmed its target to support 1.5 million EVs by 2028, despite challenges such as grid connection delays and slower adoption rates. Pyrford also explored solutions to these delays, including prioritising mature projects and improving the connection framework.</p> <p>Pyrford will continue to monitor National Grid's progress, recognising that the energy transition is key to the company's growth and ESG objectives.</p>  |

## Summary

Based on the information set out above, the Trustees believe that the managers have acted in accordance with the Scheme's stewardship policies. The Trustees are supportive of the action taken by the applicable managers over the period to encourage positive governance changes.

**Approved by the Trustees of the Eton College Employees (1972) Pension & Life Assurance Scheme**

**November 2024**