

Marshall Motor Holdings Defined Contribution Pension Scheme

Implementation Statement for the year ended 05 April 2025

Introduction

This implementation statement has been prepared by the Trustees of the Marshall Motor Holdings Defined Contribution Pension Scheme (the “Scheme”). The Scheme provides benefits on a defined contribution (DC) basis only.

The statement:

- sets out how, and the extent to which, the policies set out in the Statement of Investment Principles (the SIP) have been followed during the year;
- describes any review of the SIP, including an explanation of any changes made; and
- describes the voting behaviour by, or on behalf of, the Trustees over the same period.

The Trustees’ policies contained in the SIP have been developed in consultation with their investment consultant.

Trustee’s overall assessment

In the opinion of the Trustees, the policies as set out in the SIP have been followed during the year ended 5 April 2025.

Review of the SIP

The Trustees’ policies have been developed over time by the Trustees in conjunction with their investment consultant and are reviewed and updated periodically and at least every three years.

Policy in relation to the kinds of investments to be held

The Trustees have given full regard to their investment powers as set out in the Trust Deed and Rules and have considered the attributes of the various asset classes when deciding the kinds of investments to be held. The Scheme invests in pooled funds to manage costs, diversify investments, and improve liquidity.

The Trustees consider all the types of assets used to be suitable to the circumstances of the Scheme.

Investment strategy and objectives

Investment strategy

The Scheme provides members with a range of options:

- there are four lifestyle strategies
- there is a range of 'self-select' fund options, including some Scheme-specific blended funds

The Trustees have selected one of the lifestyle options to be the default. Whilst the Trustees believe the chosen default option is a reasonable choice for a lot of the membership, ultimately each member should take into account their own personal circumstances when determining whether the default option or an alternative strategy would best meet their needs.

The objective of the default option is to provide a balanced investment strategy for members who do not make an active investment choice. The strategy aims to deliver a good level of return (net of fees) over the course of a member's working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected. It gradually reduces risk in the final years before retirement, switching into a range of funds that is aimed to be broadly appropriate for a member who plans to take advantage of the pensions freedoms or has not decided what to do with their pension at retirement.

The objective of the alternative investment options available is to allow members to reflect their specific intentions at retirement. In the early years, the investment approach is the same as that for the default. In the run up to retirement, the investments are switched into appropriate combinations depending on the alternative lifestyle selected. There are three alternatives – one aimed at members who wish to take their pot entirely as a cash lump sum; one for those who wish to take a tax-free cash lump sum and buy an annuity; and one for those who wish to take a drawdown approach.

The range should assist members in achieving the following:

- a good level of growth over their period in the Scheme, to ensure a reasonable standard of living in retirement;
- protecting the value of benefits in the years approaching retirement against market falls and (should they decide to purchase an annuity) fluctuations in annuity costs; and
- tailoring their investments to meet their needs.

In considering these factors, the Trustees believe they have complied with the SIP regarding investment strategy considerations.

Policy in relation to the balance between various kinds of investments and the realisation of investments

The investment managers maintain a diversified portfolio of securities within each of the funds offered to members under the Scheme (both within the lifestyles and self-select

options). In addition, the design of the default strategy provides further diversification through the use of multiple funds throughout a member's working lifetime.

Policy in relation to the expected return on investments

The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Scheme's membership and having taken into account the risk considerations set out in the SIP. The Trustees have also considered the return expectations of each of the alternative fund options offered.

Risk capacity and risk appetite

Policy in relation to risks

The Trustees have considered risk from a number of perspectives. These are the risks that:

- the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
- investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
- investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated tax-free cash, or other cash lump sum benefit,
- the default option is not suitable for members who invest in it, and
- fees and transaction costs reduce the return achieved by members by an inappropriate extent.

The investment strategy for the default option has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.

To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account changes to the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

Stewardship in relation to the Scheme assets

Policies in relation to investment manager arrangements

The Scheme's assets are invested in pooled funds which have their own policies and objectives and charge a fee, set by the investment manager, for their services. The Trustees have very limited to no influence over the objectives of these funds or the fees they charge (although fee discounts can be negotiated in certain circumstances).

There have been no changes to the benchmark/objectives of the funds in which the Scheme invests over the year.

In addition, the Trustees receive information on any trading costs incurred as part of asset transfer work as and when these occur. Such an exercise would only be undertaken if the expected benefits outweigh the expected costs.

The investment managers have invested the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. In return the Trustees have paid their investment managers a fee which is a fixed percentage of assets under management.

The investment consultant has reviewed and evaluated the investment managers on behalf of the Trustees, including performance reviews and manager oversight meetings.

Investment manager monitoring and changes

During the year the Trustees received four reports from the investment consultant examining the performance of the pooled funds used.

There were changes to the Scheme's investment strategy during the year. During the year, the majority of the Scheme's assets were transferred to the Aviva Master Trust.

Stewardship of investments

The Trustees have a fiduciary duty to consider its approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through the investment managers.

The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

Non-financial matters may be taken into account if the Trustees have good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

Stewardship - monitoring and engagement

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to each investment manager and to encourage the manager to exercise those rights. The Trustees have not set out their own voting policy but follow that of the investment managers. Each investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Standard Life	Yes	Yes
BlackRock	Yes	Yes
Vanguard	Yes	Yes
HSBC	Yes	Yes

The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the manager's voting and engagement policies, their investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustees have not set out their own stewardship priorities but follow that of the investment managers.

The Trustees will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustees from time to time.

If the Trustees find any manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

Since all the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on

the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental, and corporate governance aspects.

Links to each investment manager’s engagement policy or suitable alternative is provided in the Appendix.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

Engagement			
	SL iShares UK Equity Index	SL iShares Emerging Markets Equity Index Pension Fund	SL HSBC Islamic Global Equity Index Pension Fund
Period	01/04/2024 – 31/03/2025	01/04/2024 – 31/03/2025	01/04/2024 – 31/03/2025
Engagement definition	Purposeful, targeted communication with an entity (e.g., company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	124	209	40
Number of engagements over the year	191	275	70

SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	
Period	01/04/2024 – 31/03/2025
Engagement definition	N/A
Number of companies engaged with over the year	N/A
Number of engagements over the year	N/A

**N/A indicates the engagement data wasn’t available*

Note: The data relating to voting and engagement covers the data available and does not include all of the underlying managers of the Scheme’s assets.

	SL Corporate Bond	SL Long Corporate Bond
Period	01/04/2024 – 31/03/2025	01/04/2024 – 31/03/2025
Engagement definition	Purposeful, targeted communication with an entity (e.g., company, industry body) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.	Purposeful, targeted communication with an entity (e.g., company, industry body) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.
Number of companies engaged with over the year	N/A	N/A
Number of engagements over the year	N/A	N/A

**N/A indicates the engagement data wasn't available*

Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustees have been provided with details of what each investment manager considers to be the most significant votes. The Trustees have not influenced the manager's definitions of significant votes but have reviewed these and are satisfied that they are all reasonable and appropriate.

The Trustees have selected the three votes affecting the largest asset holdings for inclusion in this statement. The Trustees did not communicate with the manager in advance about the votes they considered to be the most significant.

The investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the

requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believe this to be an important (but not the only) consideration of investor behaviour.

The latest available information (for mandates that contain public equities) is as follows:

Voting behaviour			
	SL iShares UK Equity Index	SL iShares Emerging Markets Equity Index Pension Fund	SL HSBC Islamic Global Equity Index Pension Fund
Period	01/04/2024 – 31/03/2025	01/04/2024 – 31/03/2025	01/04/2024 – 31/03/2025
Number of meetings eligible to vote at	698	4,229	105
Number of resolutions eligible to vote on	9,896	32,126	1,719
Proportion of votes cast	99%	98%	96%
Proportion of votes for management	97%	88%	78%
Proportion of votes against management	2%	11%	21%
Proportion of resolutions abstained from voting on	<1%	2%	<1%

Figures may not sum due to rounding

SL Vanguard ESG Developed World All Cap Equity Index Pension Fund	
Period	01/04/2024 – 31/03/2025
Number of meetings eligible to vote at	4,557
Number of resolutions eligible to vote on	52,840
Proportion of votes cast	99%
Proportion of votes for management	95%
Proportion of votes against management	4%
Proportion of resolutions abstained from voting on	<1%

Figures may not sum due to rounding

Note: The data relating to voting and engagement covers the data available and does not include all of the underlying managers of the Scheme's assets.

During the period under review the Trustees have exercised their rights in relation to their holdings.

Trustee engagement

The Trustees recognise that engagement and voting policies, practices, and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the Engagement Policies for each of the investment managers can be found here:

Investment manager	Engagement Policy (or suitable alternative)
Standard Life	https://www.standardlife.ie/docs/integrating-a-responsible-approach-to-your-pension-and-investments.pdf
BlackRock Investment Management	https://www.blackrock.com/corporate/about-us/investment-stewardship
Aviva	https://www.avivainvestors.com/en-gb/about/responsible-investment/
HSBC	https://www.assetmanagement.hsbc.co.uk/-/media/files/attachments/common/resource-documents/engagement-policy-en.pdf
Vanguard	https://www.ie.vanguard/content/dam/intl/europe/documents/ucits/Vanguard-Engagement-Statement.pdf

Information provided by Standard Life on the most significant votes for each of the funds containing public equities is shown below.

For the UK Equity Index fund, BlackRock provided a list of only 2 most significant votes.

SL	Vote 1	Vote 2
iShares UK Equity Index		
Company name	Shell Plc	Shell Plc
Date of Vote	21/05/2024	21/05/2024

Approximate size of fund's holding as at the date of the vote (as % of portfolio)	N/A	N/A
Summary of the resolution	Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Approve the Shell Energy Transition Strategy
How the fund manager voted	Against	For
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	<p>BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish their voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. They apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. Their voting decisions reflect their analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and their active investment colleagues. Their market-specific voting guidelines are available on their website at https://www.blackrock.com/corporate/about-</p>	

	us/investment-stewardship#principles-and-guidelines	
Rationale for the voting decision	N/A	N/A
Outcome of the vote	Fail	Pass
Implications of the outcome	<p>Generally, BlackRock Investment Stewardship supports the vote recommendations of the board of directors and management. When they determine it is in their clients' financial interests to convey concern to companies through voting, they may do so in two forms: they might not support the election of directors or other management proposals, or they might not support management's voting recommendation on a shareholder proposal. In some cases, companies may request an engagement after a shareholder meeting to provide additional clarity.</p> <p>They value the opportunity to listen to company leadership, which enhances their understanding of their business models, ensuring that their proxy voting decisions are based on a comprehensive view on company practices and priorities.</p> <p>In these conversations, they do not direct companies on how they should manage their business. That responsibility lies with management, with input from the board.</p> <p>N/A</p>	
Criteria on which the vote is assessed to be "most significant"	<p>BlackRock Investment Stewardship publishes "vote bulletins" and "case studies" on key votes at shareholder meetings to provide insight into certain vote decisions the team expects will be of particular interest to clients. The vote bulletins are published on the "Vote Bulletin library" section of the BlackRock Investment Stewardship website. The case studies can be found in BlackRock Investment Stewardship's flagship publications, also available on the website. These bulletins and case studies are intended to explain vote decisions relating to proposals addressing a range of corporate governance issues, including sustainability-related matters that may be material to a company's business model, that are on the agenda for a shareholder general meeting. Other factors BlackRock Investment Stewardship may</p>	

consider in deciding to publish a vote bulletin and/or a case study include the profile of the issue in question and the level of client interest they expect in the vote decision. The vote bulletins and case studies include relevant company-specific background, sector or local market context, and engagement history when applicable. Vote bulletins and case studies may also include observations on emerging corporate governance issues and market-level stewardship developments.

The Investment Stewardship website is available here:
<https://www.blackrock.com/corporate/insights/investment-stewardship>

For the Emerging Markets Equity Index Pension fund, BlackRock provided a list of 5 most significant votes. As the size of the fund's holding was not indicated, Gallagher selected 3 votes in relation to Remuneration, Corporate Strategy and Board Composition & Effectiveness.

SL iShares Emerging Markets Equity Index Pension Fund	Vote 1	Vote 2	Vote 3
Company name	CSPC Pharmaceutical Group Limited	CSPC Pharmaceutical Group Limited	Grupo Cementos de Chihuahua SAB de CV
Date of Vote	28/05/2024	28/05/2024	25/04/2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	N/A	N/A	N/A
Summary of the resolution	Approve Grant of Options Under the Share Option Scheme	Elect Cai Dongchen as Director	Elect Directors and Chairman of Audit and Corporate Practices Committee;

	Approve their Remuneration		
How the fund manager voted	Against	Against	For
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish their voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. They apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. Their voting decisions reflect their analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and their active investment colleagues. Their market-specific voting guidelines are available on their website at https://www.blackrock.com/corporate/about-us/investment-stewardship#principles-and-guidelines		
Rationale for the voting decision	Incentive arrangements do not support the long-term economic interests of shareholders.	Chair of the Nomination Committee is not independent.	N/A
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	Generally, BlackRock Investment Stewardship supports the vote recommendations of the board of directors and management. When they determine it is in their clients' financial interests to convey concern to companies through voting, they may do so in two forms: they might not support the election of directors or other management proposals, or they might not support management's voting recommendation on a shareholder proposal. In some cases, companies may request an engagement after a shareholder meeting to provide additional clarity.		

They value the opportunity to listen to company leadership, which enhances their understanding of their business models, ensuring that their proxy voting decisions are based on a comprehensive view on company practices and priorities.

In these conversations, they do not direct companies on how they should manage their business. That responsibility lies with management, with input from the board.

Criteria on which the vote is assessed to be “most significant”

BlackRock Investment Stewardship publishes “vote bulletins” and “case studies” on key votes at shareholder meetings to provide insight into certain vote decisions the team expects will be of particular interest to clients. The vote bulletins are published on the “Vote Bulletin library” section of the BlackRock Investment Stewardship website. The case studies can be found in BlackRock Investment Stewardship’s flagship publications, also available on the website. These bulletins and case studies are intended to explain vote decisions relating to proposals addressing a range of corporate governance issues, including sustainability-related matters that may be material to a company’s business model, that are on the agenda for a shareholder general meeting. Other factors BlackRock Investment Stewardship may consider in deciding to publish a vote bulletin and/or a case study include the profile of the issue in question and the level of client interest they expect in the vote decision. The vote bulletins and case studies include relevant company-specific background, sector or local market context, and engagement history when applicable. Vote bulletins and case studies may also include observations on emerging corporate governance issues and market-level stewardship developments.

The Investment Stewardship website is available here:
<https://www.blackrock.com/corporate/insights/investment-stewardship>

**SL HSBC Islamic
Global Equity
Index Pension
Fund**

Vote 1

Vote 2

Vote 3

Company name

Apple Inc.

Microsoft
Corporation

NVIDIA Corporation

Date of Vote	25/02/2025	12/10/2024	26/06/2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	8.4%	8.1%	7.7%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Ratify Deloitte & Touche LLP as Auditors	Elect Director Stephen C. Neal
How the fund manager voted	Voted Against	Voted Against	Voted Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	No	No	No
Rationale for the voting decision	The vesting period is not sufficiently long.	HSBC have concerns about auditor independence.	HSBC are voting against this Nomination Committee Chair as they have concerns about insufficient gender diversity of the board.
Outcome of the vote	The Management resolution passed.	The Management resolution passed.	The Management resolution passed.
Implications of the outcome	HSBC will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.	HSBC will likely vote against a similar proposal should they see insufficient improvements.

Criteria on which the vote is assessed to be “most significant”	The company has a significant weight in the portfolio and HSBC voted against management.	The company has a significant weight in the portfolio and HSBC voted against management.	The company has a significant weight in the portfolio and HSBC voted against management.
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SL Vanguard ESG Developed World All Cap Equity Index Pension Fund

Vote 1

Vote 2

Vote 3

Company name	The Walt Disney Company	Adobe Inc.	United States Steel Corporation
Date of Vote	03/04/2024 ¹	17/04/2024	12/04/2024
Approximate size of fund’s holding as at the date of the vote (as % of portfolio)	N/A	N/A	N/A
Summary of the resolution	Advisory Vote on Board Size and Related Vacancies	Require a Majority Vote Standard for the Election of Directors with Mandatory Resignation Policy	Advisory Vote on Golden Parachutes
How the fund manager voted	Against	Against	Against
Where the fund manager voted against management, did they communicate their intent to the	N/A	N/A	N/A

company ahead of the vote

Rationale for the voting decision	Determined the proposal was not aligned with Vanguard-advised funds' voting policy.	Determined the proposal was not aligned with Vanguard-advised funds' voting policy.	Concern regarding compensation/remuneration plan structure.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	N/A	N/A	N/A
Criteria on which the vote is assessed to be "most significant"	N/A	N/A	N/A

1. Data provided was for the period between 1 April 2024 and 31 March 2025.

SL Vanguard FTSE Developed World ex UK Pension Fund	Vote 1	Vote 2	Vote 3
Company name	The Walt Disney Company	Adobe Inc.	LVMH Moet Hennessy Louis Vuitton SE
Date of Vote	03/04/2024 ¹	17/04/2024	18/04/2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	N/A	N/A	N/A
Summary of the resolution	Advisory Vote on Board Size and Related Vacancies	Require a Majority Vote Standard for the Election of Directors with	Approve Compensation

		Mandatory Resignation Policy	Report of Corporate Officers
How the fund manager voted	Against	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	N/A	N/A	N/A
Rationale for the voting decision	Determined the proposal was not aligned with Vanguard-advised funds' voting policy.	Determined the proposal was not aligned with Vanguard-advised funds' voting policy.	Concern regarding compensation/remuneration.
Outcome of the vote	Fail	Fail	Pass
Implications of the outcome	N/A	N/A	N/A
Criteria on which the vote is assessed to be "most significant"	N/A	N/A	N/A

1. Data provided was for the period between 1 April 2024 and 31 March 2025.

Information on the most significant engagement case studies for each of the funds/managers containing public equities or bonds is shown below.

SL HSBC Islamic Global Equity Index Pension	Case Study 1	Case Study 2	Case Study 3

Fund – Strategy level

Name of entity engaged with	Leading European Pharmaceutical	Proactive engagement with a Chinese multinational technology company	Medical & Consumer Health Device Maker
Topic	Scope 3 emissions and CEO succession	Human Rights, Scope 3 Emissions, Corporate Governance, Data Security & Privacy, and AI & Digital Risks	Product Quality, Circular Economy, Biodiversity
Rationale	The company has proven highly innovative and successful in developing a number of leading drugs across its therapeutic focus areas. Much of this success has been driven by a CEO who delivered a highly successful turnaround of the company. They hold some concerns over the succession of this individual as they believe that a sudden change in the CEO could disrupt the company's equity story. They also	At the start of 2022, HSBC provided input as investors into the company's ESG materiality assessment, and provided recommendations on various ESG issues where they would like to see improvements and more disclosures. The company management has been difficult to access historically. Transparency is therefore one of their key concerns and area of engagement.	The company has a stellar heritage in electronic device innovation and in the last decade has pivoted from consumer electronic products to focus more on advanced healthcare devices for hospitals and the home. However there have been a number of product quality issues in some of its medical device products which have led to extremely high fines (+€1bn), product sales bans, and a damaged reputation. They wanted to engage to

	<p>hope to see the CEO's very high pay return to a more moderate level as a new CEO takes up the leadership of the company. They also note the growing scope 3 emissions of the company and believe it should and can be aiming to reduce these emissions both as part of maintaining a strong license to operate and ESG rating, as well as demonstrating it takes a long term and engaged approach to ensuring a sustainable supply chain, upon which its success is partly based.</p>	<p>Having seen increasing regulatory pressure on the internet and e-commerce sector and workplace controversies reported in the media, they highlighted these social and governance concerns through 1-to-1 and collaborative engagements with the company over the years.</p>	<p>understand how the cultural and management change is ongoing to ensure major recalls are not required again. The company is stronger in other aspects of ESG but they also felt they can extend their circular economy initiatives as many of their products carry a shorter term use consumables element which is not currently widely recycled and could be exposed to regulation. They also felt their biodiversity work could be upgraded to best practice.</p>
<p>What the investment manager has done</p>	<p>In Q3 2024 HSBC met IR and ESG IR for a private meeting and shared their perspectives on succession, pay, board practices, and their concern about the rise in scope 3 emissions despite the reduction target. They praised the company's approach to health</p>	<p>Over the past couple of years, HSBC have highlighted material ESG issues including anti-competitive practices and anti-trust, data privacy and security, artificial intelligence (AI) ethics, governance, gig economy and</p>	<p>HSBC met IR and the Head of Sustainability reporting and shared initial perspectives, learning about their challenges and opportunities. They attended a company event for investors where they talked 1-1 with the CEO and incoming CFO and</p>

access in less wealthy countries, and their commitment to living wages across its production facilities and supply chain. Q4 2024, they attended a company event for investors on health equity and access where they were able to share their perspectives with the head of sustainability, and the wider IR team. They decided not to support the CEO pay package in 2024 due to the quantum, their view on inclusive growth and inequality. They shared this action with the company.

worker rights/welfare, human capital (long working hours (996), sexual harassment controversies and business culture. They built on their engagement with the company in 2023 on their corporate restructuring strategy and governance. They also joined the Big Tech and Human Rights collaborative engagement initiative organized by the AP Funds Council on Ethics, focusing on issues relating to child safety and data privacy. In 2023, they voted against the longest serving non-executive male director due to insufficient gender diversity of the board. In 2024, the company invited us to present their stewardship approach and expectations on the ethics of science and technology at their monthly

shared HSBC's desire to see improvement on their core topics, and learned more about their plans for company culture and talent. They attended a company organised ESG day, and separate innovation day (see photo 1 & 2 – 2 shows scanner using 95% less helium), where they met with a range of company staff and shared their expectations whilst also gaining a better read on the changes being embedded in the company.

		internal ESG webinar. This presented an excellent opportunity to broaden their engagement reach with a deep-dive on salient topics.	
Outcomes and next steps	<p>Whilst the engagement is only a few quarters progressed, HSBC are pleased to see that the company has revealed more explicit targets to engage its supply chain on becoming science based target aligned for emissions reductions (Q4 2024). They learned from the head of sustainability that some suppliers may have to be changed if they cannot reduce emissions, following a clear improvement process that is not completed. The CEO is not expected to stand down soon, but they are reassured that the company has a deep talent pool and succession</p>	<p>Their input has contributed to the company's first ESG report published in 2022, which is much more comprehensive and includes an ESG governance framework at the board level, and an ESG strategy.</p> <p>The company has taken steps to enhance board independence and gender diversity in 2024, adding new INEDs such that board is now 55% independent and has 27% female directors – both above their expectations for the Hong Kong market. The Compensation Committee will also become 100% independent. In 2023, as part of the</p>	<p>The CEO has made significant changes to the quality management systems in the organisation, cutting systems from 130 to 30, and hiring a lead for quality. They were impressed with the focus of all staff on this topic and encouraged further disclosures on the progress of the embedding of quality management in each business group (previously quality management was a central function). They await more proactive moves from the company when they do uncover product issues in development. By the end of the ESG and innovation days the company was</p>

planning, and this also carries a strong diversity element too. They have pushed for this information to be more clearly expressed in reporting. They will continue to monitor the company and engage in 2025.

company's corporate restructuring, it has separated the Chair and CEO roles, which they view as a positive step towards better board governance. The company also formed a technology committee with six guiding principles to steer the research and development of artificial intelligence ethics. There is also evidence of improved disclosures on work plans and progress made by the sustainability committee. The company has formed a systematic governance approach to ensure building a healthy digital consumption environment, though disclosures are still limited for high-risk digital risks identified and KPIs used to track adherence to AI ethics principles.

well aware of their desire to see improvement on circularity and biodiversity. They are innovating more recyclable materials for the consumer products and agreed to share more details in public in the next year. Biodiversity in the supply chain will take longer as the suppliers are generally quite new to ESG but they were very impressed with the work the company does to support sustainability progress at their suppliers as a 'doctor', rather than 'police'. They showed us some recent biodiversity initiatives at sites (see photo of the HQ bat cave) and were confident they could meet the 80 projects target.

Standard Life (firm level as at 31 December 2024 latest available)	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	Anglian Water Services	SSE PLC	LVMH MOET HENNESSY LOUIS VUITTON
Topic	Environment	Climate Change Environment Corporate Behaviour Corporate Governance	Labour Management Human Rights
Rationale	<p>In April 2024, Standard Life followed up on their previous engagements with Anglian Water, a leading UK water company providing water supply, sewerage, and sewage treatment services.</p> <p>They had previously emphasised the importance of Anglian publishing a live sewage discharge map, similar to those provided by their industry peers, to offer customers and</p>	<p>Standard Life engage regularly with SSE, a major UK power company, both directly and on a collaborative basis through their membership of the Climate Action 100+ (CA100+) working group for SSE. As part of their collaborative engagements through CA100+, they have regular meetings with the company's head of sustainability and representatives from investor relations and business operations. There</p>	<p>LVMH is a French Luxury Goods company. The company controls around 60 subsidiaries which supply goods worldwide. In 2024, an Italian court found that one of these subsidiaries, Dior, had used a supplier which had been involved in human rights abuses against employees, with reports stating that workers were subjected to excessive hours, slept in factories, and were paid below minimum</p>

	<p>investors greater transparency into the environmental impacts of their operations. During this engagement, they wanted to review their progress and the outcomes of their efforts to address this issue.</p>	<p>were two company meetings with the CA100+ working group in 2024. There are also ad-hoc written communications in between these meetings.</p>	<p>wage while working in unsafe conditions. At the time of writing, there are currently several ongoing investigations in Italy related to this issue. In light of this issue, Standard Life engaged with LVMH to understand how this oversight occurred and what it can do to mitigate similar events happening in the future. This engagement aligns with their focus on ensuring that investee companies are effectively managing human rights and labour practices within their operations.</p>
<p>What the investment manager has done</p>	<p>Their engagement began in 2023 when Standard Life met with Anglian Water as part of their UK water utilities thematic engagement programme. Anglian is a strong performer in many environmental areas but experienced a decline in</p>	<p>Standard Life is an active member of the small working group of five investors to develop the engagement priorities, conduct questioning of the company in engagements and draft AGM statements and questions. At the time of writing, the</p>	<p>During their engagement, Standard Life met with LVMH's investor relations team. They shared that the revelations were a significant internal shock and that they were working to understand how the suppliers managed to conceal these</p>

performance in certain aspects. They sought to identify the root cause of their drop in performance, particularly in areas such as serious pollution incidents, and to understand the plans in place to address these issues. Anglian's recent increase in serious pollution incidents was largely attributed to extreme weather storm overflows, and they shared details of accelerated monitoring efforts to prevent further occurrences. However, they discussed potential areas for improvement in their disclosure, including the need for a publicly available live sewage discharge map. In April 2024, they followed up on this milestone to review Anglian's progress. While Anglian is viewed as middle of the pack in terms of environmental

CA100+ working group's principal areas of engagement for SSE are:

- The potential impacts from new energy policies under the Labour government;
- SSE's approach to securing community consent in areas affected by new transmission infrastructure built by the company;
- SSE's response to physical climate risks; and
- Risks associated with hitting SSE's 2030 climate-related targets.

Separately, they note that Standard Life's investment analyst held three meetings with the company during 2024 with the CEO, Chair and investor relations, in which questions were posed to the company on the

practices from Dior's auditors. LVMH has since terminated its relationships with the suppliers involved and have developed a supply chain action plan to strengthen audit and detection measures going forward. The maisons of LVMH have also contacted suppliers to remind them of LVMH's code of conduct. LVMH continues to engage with the Italian authorities to identify solutions which can improve oversight of textile working conditions in Italy.

	<p>performance compared to other UK water utilities, they continue to lag behind peers in serious pollution incident metrics. Therefore, improving both performance and disclosure in this area remained a focal point of their engagement with Anglian.</p>	<p>interaction between the company's financial and decarbonisation strategies. These company meetings and research are also used to meet Standard Life's commitment to engage with their top 20 highest net financed emitters across equity and credit holdings as part of their net zero targets. For SSE specifically, they assessed progress against the milestones they previously set for these engagements, such as the company's target to engage with half of its suppliers to encourage them to commit to or set science-based emissions targets.</p>	
<p>Outcomes and next steps</p>	<p>Standard Life were pleased to hear in their 2024 engagement with the company that Anglian had recently released a live sewage discharge map, providing detailed information</p>	<p>Overall, on the basis of these engagements, Standard Life are broadly of the view that SSE is one of the leading companies in terms of the strength of its commitment to</p>	<p>The meeting provided reassurance that Dior is taking steps to address the issue. However, following the call, they escalated Standard Life's concerns by writing</p>

on their drainage and wastewater management plans. This outcome enabled us to close this milestone with the company and highlights how their active engagement helped to drive meaningful improvements in transparency and accountability at Anglian Water.

driving the energy transition, coupled with its strong social policies. In 2024, SSE achieved its lowest recorded levels of Scope 1 carbon intensity and met its supplier engagement goal. The company has also disclosed key decarbonisation levers required to meet its science-based targets, reinforcing its position as a clear transition leader. While they are encouraged by SSE's progress on its climate strategy, including its delivery against key targets, they recognise there is room for further advancements in certain disclosures. The company also faces challenges related to an evolving policy and market environment as well as potential risks with security community consent for SSE's infrastructure investments. They will therefore continue to engage

to the chair of LVMH's sustainability committee. In the letter, they highlighted Standard Life's concern that Dior had sourced materials from the supplier in question and that these abuses had gone undetected during supplier audits. They also requested greater transparency from LVMH concerning their supply chain oversight and provided suggestions on how they can enhance their disclosure and oversight practices. They will continue to monitor LVMH's progress against their requests and follow up on the milestones that they have set.

with SSE, tracking progress against outstanding milestones, including those set as part of Standard Life's top financed emitters programme, which is entering its second year. Should progress be insufficient, they will consider taking voting action in 2025.
