Engagement Policy Implementation Statement

The Pension and Life Assurance Plan of Cross Manufacturing Company (1938) Limited

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual implementation statement which:

- Explains how and the extent to which they have followed their engagement policy, which is outlined in the SIP.
- Describes the voting behaviour by, or on behalf of the Trustees (including the most significant votes cast by Trustees or on their behalf) during the scheme year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The Engagement Policy Implementation Statement for the Pension and Life Assurance Plan of Cross Manufacturing Company (1938) Limited ("the Plan") has been prepared by the Trustees for the Plan year 1 July 2020 to 30 June 2021.

Plan Stewardship Policy Summary

The below bullet points summarise the Plan's Stewardship Policy in force over the majority of the reporting year to 30 June 2021. The full SIP can be found online at:

https://www.crossmanufacturing.com/wp-content/uploads/2020/10/Statement-of-Investment-Principles-SIP-23-Sep-2020-nosig.pdf.

- The Trustees recognise the importance of their role as a steward of capital and the need to encourage high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.
- As part of their delegated responsibilities, the Trustees expect the Plan's fund managers to:
  - take into account social, environmental, corporate governance, or ethical considerations in the selection, retention and realisation of investments; and
  - exercise the Trustees' voting rights in relation to the Plan's assets.
- The Trustees review the stewardship activities of all their asset managers on an annual basis, covering both engagement and voting actions with relevance to the Plan.
- The Trustees regularly review the continuing suitability of the appointed managers and take advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.
- Where the Trustees identify significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of an asset manager or other stakeholder; they will consider the methods by which they would monitor and engage with such an asset manager or other stakeholders.

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Scheme stewardship activity over the year

Engagement and voting actions of asset managers are reviewed yearly in the EPIS. The Trustees use this, along with quarterly reports containing Aon manager ratings, to monitor the suitability of the managers for the plan.

Training

Over the year, the Trustees have received advice and information from Aon regarding cost transparency and responsible investment in order to ensure compliance with the new regulations. The Trustees have updated their SIP over the year using this information.

Over the year, the Trustees received responsible investment guidance from their investment advisor, which provided the Trustees with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. Following this an updated version of the SIP was published in September 2020.

The Trustees received responsible investment training in June 2020 on the new regulatory requirements on stewardship, disclosures and costs, providing them with a background to the new requirements and the timelines for implementation of the new requirements.

Updating the Stewardship Policy

Throughout the year, the Trustees have ensured the Scheme appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, as mentioned, the Trustees reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustees recognises the importance of its role as a steward of capital, as well as indicating how the Trustees would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

This has been made available online where it can be accessed by the public.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring reports being provided to the Trustees by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

The Plan invests in some fiduciary investments managed by Aon Investments Limited ("AIL"). For these investments AIL selects the underlying managers. When doing so AIL considers the same ESG ratings and has the authority to disinvest if they are not satisfied with the ESG approach and rating of the manager.

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Discussions with the sponsor to align applicable ESG objectives

The sponsor has had opportunity to align ESG objectives of the company and Plan where applicable. For example in September, following consultation with the sponsor, the Trustees implemented revised wording and updated the SIP to meet the regulatory requirements.

Summary

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that their most material investment managers were able to disclose evidence of voting and engagement activity, but also note a small minority were not able to.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement. In addition as the Trustees move more towards fiduciary management they expect further improvements and simplification in the disclosures.

Further details are provided for each asset class in which the Plan invests.

Voting and Engagement activity – Equity

Over the year, the Plan invested in the Active Global Equity Strategy managed by Aon Investments Limited ("AIL"). AIL selects the underlying investment managers to manage investments on behalf of the Trustees. This section provides an overview of the voting and engagement activities of some of the most material underlying managers over the reporting period.

AIL Global Equity Strategy

The main equity investments held in the Global Equity strategy were:

Manager	
Sands	Global Growth
Harris	Global Equity
GQG Partners	Global Equity
Longview	Global Equity
Arrowstreet	Global Developed Equity

All managers use the services of third-party proxy voting organisations and voted in at least 96% of the resolutions in which they were eligible to vote. A full summary of the voting statistics by strategy can be found at the end of the statement.

An example of a significant vote by Sands against management took place in September 2020 regarding executive officer's compensation at NIKE, Inc (“Nike”) and was assessed as significant as Sands were in the minority on this issue and felt that the company's disclosures around a multi-year compensation plan made it difficult to support.

Sands believed that paying a combined $20M transition bonus to ex-Chief Executive Officer (“CEO”) Mark Parker & incoming CEO John Donahoe without clearly disclosed targets was inappropriate and that utilizing the “top 45% total shareholder return for the S&P 500" was not an appropriate hurdle for compensating top-tier executives at a company like Nike.

Sands engaged with the company and a compromise was made and adjusted as part of the compensation package. Sands still felt that the quality of the pay program did not match the levels of pay provided to the CEOs. There is also a notable gap between other senior executives and incoming

CEO's pay package. Sands plans to continue engaging the company on this to assist in improving the plan over time.

As an example of engagement activity, in November 2020, Harris engaged with the Oracle Corporation regarding a resolution to increase gender and racial pay gap reporting. After considering the case, Harris decided to vote with management against this resolution, but engaged with the company directly to communicate the importance that they attach to this issue, which Harris have stated they will continue to monitor to ensure that the issue is being adequately managed. Harris did not support the shareholders' resolution as it believed it was not in the financial interest of shareholders, and because it stated that Oracle are already reporting in line with other technology companies and undertaking sufficient initiatives to ensure gender equality in the workplace.

Arrowstreet stated that they do not currently track significant voting examples and historically have not engaged with companies due to the quantitative nature of their strategy, which includes a high turnover of investments. Due to the timing of the manager's new partnership with Sustainalytics (a third party engagement provider), Arrowstreet has been unable to provide engagement data for the requested time period, however they are aiming to accommodate future requests going forward.

Voting and Engagement activity – Multi-Asset Funds

During the year the Plan was invested in the following funds

Manager	Fund
BlackRock	Dynamic Diversified Growth
Ruffer	Absolute Return
Nordea	Stable Return Diversified Growth

BlackRock

Voting policy

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship ("BIS") team and voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

BlackRock's vote analysis process uses many inputs including its subscription to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis. BlackRock primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format, so that its investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial.

Voting example

As an example of a significant vote, in May 2021 BlackRock voted against the proposal to report on impacts of net Zero 2050 Scenario for Chevron Corporation.

BIS voted against this proposal as the company has already committed to fulfilling its ask and has demonstrated meaningful progress on climate action to date. The shareholder proposal requested that the Board issue an audited report to shareholders on whether and how a significant reduction in fossil fuel demand, envisioned in the IEA (International Energy Agency) Net Zero 2050 scenario, would affect its financial position and underlying assumptions. The proposal requested that the report should be completed by 31 January 2022, at reasonable cost and should omit proprietary information.

As background for BlackRock's voting decision, Chevron had already committed to updating its disclosures following the release of the IEA's report in May 2021. Chevron are expected to need more time to analyse and compare the IEA's report with the company's existing assumptions reflected in its own Climate Change Resilience report.

Overall, BlackRock believe that the Chevron is taking meaningful steps as it works towards a "Net Zero" future (i.e. limiting its net greenhouse gas emissions to zero). This includes changes in its capital allocation and investment in innovation that is necessary to achieve this target. Due to BlackRock's confidence that Chevron will deliver on its commitment, BlackRock did not consider that support for the resolution was warranted.

Engagement policy

BIS' stated key engagement priorities include:

1. Board quality
2. Environmental risks and opportunities
3. Corporate strategy and capital allocation
4. Compensation that promotes long-termism
5. Human capital management.

Over 2020, BIS had over 3,500 engagements — an increase of 35% against 2019 – with 2,110 unique companies, covering nearly 65% by value of their clients' equity investments. They also had 936 engagements on the impact of COVID-19.

Ruffer

Voting policy

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although the company is cognisant of proxy advisers' voting recommendations, in general, it does not delegate or outsource its stewardship activities when deciding how to vote on its clients' shares.

Research analysts, supported by Ruffer's responsible investment team, are responsible for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based on their knowledge of the company. Ruffer looks to discuss with companies any relevant or material issue that could impact its investment and will ask for additional information or an explanation, if necessary, to inform its voting discussions. If the manager decides to vote against the recommendations of management, it will endeavour to communicate this decision to the company before the vote along with its explanation for doing so.

Voting example

As an example of a significant vote, in January 2021 Ruffer voted against a renumeration proposal for WH Smith, having written to the board and met with a board member prior to the vote. When determining whether to support a remuneration policy or report, Ruffer assess a number of factors including how management are incentivised, the structure of executive remuneration and the overall quantum.

Ruffer voted against management on the approval of the remuneration report, as it felt the timing of an executive pay increase was inappropriate. This did not express a negative view of the performance of the CEO and management team during this challenging period, but rather that Ruffer felt that preceding with a pre-planned base remuneration increase was not appropriate. Ruffer were also of the view that the disclosure around the personal performance criteria was not clear.

Engagement policy

Ruffer believes that engagement is an effective tool to achieve meaningful change and the management is committed to engaging with companies in which its clients' assets are invested on a wide range of topics. Ruffer is engaging with companies that make a significant contribution to global greenhouse gas emissions, to encourage them to adapt their business models in order to align themselves with the transition to a low-carbon economy. Ruffer's responsible investment team engages regularly with formal and informal groups on ESG issues and facilitates Ruffer's involvement in collaborative engagements.

Nordea

Voting policy

Proxy voting is supported by two external vendors to facilitate the voting and provide analytic input. Nordea use ISS for proxy voting, execution, as well as research, while Nordic Investor Services is mainly used for analysis. Generally, Nordea focuses its stewardship efforts on companies on which it can have a significant impact.

Voting example

In May 2021, Nordea voted for a proposal regarding a report on sugar and public health for McDonalds. Nordea felt that this additional disclosure would benefit shareholders by increasing transparency regarding the company's efforts to address the risks related the use of sugar. The proposal was rejected, however, Nordea have stated they will continue to support shareholder proposals on these issues while the company is not showing substantial improvements. Nordea consider this to be a significant vote on the basis that they company's practices are against Nordea's principles and that Nordea believe that they need to enact change in the company as a result.

Engagement policy

At the manager level, Nordea's Responsible Investment Team is engaging on environmental issues in collaboration with Climate Action 100+: Launched in December 2020, Nordea was among the first to join the Net Zero Asset Managers (NAM), committing to support the goal of net zero emissions by 2050, in line with the global efforts to limit warming to 1.5 degrees Celsius through investments.

Nordea's activities with regards to thematic engagement on environmental issues are aligned with the environmental objectives of the Global Climate and Environment Strategy, and are highly relevant with regards to some of the United Nations Sustainable Development Goals ("SDGs").

The engagement activities entail constructive dialogues with companies through face-to-face meetings, conference calls, letters or field visits. As such, it provides an opportunity to improve the understanding of companies that Nordea invests in, as well as the ability to influence them.

Engagement activity – Fixed income

During the year the Plan invested in the Active Global Fixed Income Strategy managed by AIL. Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited, in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

Below are some examples of engagement activity provided by the most material fixed income funds the Plan invests in through the AIL Active Global Fixed Income Strategy.

BlackRock

The BIS team is positioned as an investment function, which allows for the mutual exchange of views between the active portfolio management teams across equity and credit. In addition, BlackRock's Global Fixed Income Responsible Investing team may partner with the BIS team to reflect on ESG related topics, as well as to attend or host engagement meetings on certain highlighted ESG flagged holdings[1].

An example of an engagement by BlackRock was with Exxon. BlackRock discussed several engagement topics with the company such as governance structure, corporate strategy, environmental risks and opportunities. This included questions on the company's approach to the European regulatory environment, their views on electric vehicle penetration as a risk to their business, and their risk management in relation to physical climate change risks.

Schroders

Schroders is currently engaging with banks on their fossil fuel financing. Schroders' credit team, along with a number on equity teams, selected around 50 banks in Europe, North America and Asia for deeper analysis and engagement. Following each engagement, Schroders highlighted three to four objectives they would like each bank to work on. Examples included:

- Development of a commitment to align the bank's financing activities with the goals of the Paris Agreement, as well as related milestones and targets.
- Reviewing and strengthening the bank's fossil fuel policies in line with the latest science and/or good practice.
- Development of Task Force on Climate-Related Financial Disclosures /climate risk reporting, including disclosure of additional climate metrics.

For banks that have already made progress in the areas, the discussions have focused on the robustness and evolution of the bank's measurement and target-setting methodologies, in relation to the bank's commitment to align its financing activities with the Paris Agreement. Schroders have said that it is still too early to assess the impact of their discussions, however they have held positive discussions with the banks so far.

Insight

Insight have proactively engaged on industry and regulatory issues that have implications for their clients and the wider market. As an example, in Q2 2021 Insight engaged with the Thinktank group, a large Australian property lending specialist established in 2006 focussing on commercial and residential lending. Insight engaged with senior management to better understand the governance and social risks associated with Thinktank's origination and servicing business.

Insight identified that the key areas that could be strengthened were the number of members on the board and some aspects of the renumeration policy. In particular, the compensation and its linkage to the amounts of products sold, as well as the collection recovery targets, were areas that were discussed. Insight also expressed some concerns about the complaints governance process, as well as the lack of an independent review.

Engagement activity – Real Estate

Over the year the Plan invested in the BlackRock UK Property Fund. The Fund invests directly in UK real estate, where the concept of stewardship and engagement is less applicable compared to equities and bonds. BlackRock reports annually on its property funds to the Global ESG Benchmark for Real Estate (“GRESB”), which aims to assess and benchmark the ESG and other related performance of real assets across the market.

Sustainability campaigns have been implemented at various properties within the Fund to engage with tenants on a range of sustainability topics. Birmingham Business Park (“BBP”) is a large office campus comprising over 1.7m square ft of office space, spread across 148 acres of mature parkland, with over 130 occupants. Ongoing sustainability campaigns, together with quarterly ‘Sustainability Week’ events are now held at BBP and are open to all occupiers, as well as the wider local community.

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[1] An ESG flagged holding is one where BlackRock hold a significant exposure in its fixed income portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers, or is highlighted by BlackRock's credit research.

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Voting Statistics

	% resolutions voted on for which the fund was eligible	% that were voted against management	% that were abstained from
AIL Global Equity Strategy			
Sands Capital Global Growth Strategy	100.0%	6.4%	0.0%
Harris Global Equity Fund	100.0%	6.3%	0.0%
GQG Partners Global Equity Fund	100.0%	9.0%	1.0%
Longview Global Equity Fund	100.0%	6.0%	0.0%
Arrowstreet Global Developed Equity Fund	96.4%	8.7%	0.9%

Multi Asset Funds			
BlackRock Dynamic Diversified Growth Fund	99.0%	6.0%	1.0%
Ruffer LLP Absolute Return	100.0%	6.9%	2.2%
Nordea Stable Return **Diversified Growth Fund**	89.3%	10.9%	0.7%

Source: Investment Managers, AIL

Signed on behalf of the Trustees by M E Bradley and J D Howe.

30 September 2021