

## Annual Implementation Statement

### Scheme year ending 30 September 2022

#### 1. Introduction and purpose of this Statement

This document is the Annual Implementation Statement (“the Statement”) prepared by the Trustee covering the Scheme year to 30 September 2022. The purpose of this Statement is to:

- detail any reviews of the Statement of Investment Principles (‘SIP’), required under section 35 of the Pensions Act 1995, that the Trustee has undertaken, and any changes made to the SIP over the year as a result of the review
- set out the extent to which, in the opinion of the Trustee, the Scheme’s SIP has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year
- set out the extent to which, in the opinion of the Trustee, the engagement policy within the SIP has been followed during the year.

A copy of this Statement will be made available on the following website:  
[[www.cityandguildsgroup.com/group-policies](http://www.cityandguildsgroup.com/group-policies)]

#### 2. Review of and changes to the SIP

##### Review of the SIP and changes made during the Scheme year

The latest SIP is dated June 2021 and was formally adopted by the Trustee on 24 September 2021 after consultation with the Institute. The SIP was not reviewed and updated during the Scheme year, although it was updated shortly after the end of the Scheme year.

#### 3. Adherence to the SIP

As at the Scheme year end, the Scheme's DB investments asset allocation was not within the asset allocation ranges set out in the Statement of Investment Principles in force at the time. In particular, the Diversification funds allocation was above the upper range set out in the SIP. This meant the overall allocation to return-seeking assets was also above the upper range and the allocation to the LDI portfolio was below its lower range. This was a function of market movements, in particular the significant increase in gilt yields during 2022 and also the extreme volatility of gilt yields seen towards the end of Q3 2022. The Trustee was in discussions about rebalancing the portfolio over year-end. Some of the ranges around the Strategic Asset Allocation were subsequently updated and rebalancing actions were agreed to bring the actual asset allocation back within these ranges.

The Trustee believes that all other policies set out in the SIP have been followed during the 2021/2022 Scheme year and the justification for this is set out in the remainder of this section. For ease of reference, compliance with the SIP has been sub-divided into separate Defined Benefit and Defined Contribution sections to reflect the different considerations and policies applying to each section.

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### Defined Contribution (DC) Section

#### Overall investment objectives

The Trustee's overall investment objectives are set out on page 9 of the SIP which can be accessed [www.cityandguildsgroup.com/group-policies](http://www.cityandguildsgroup.com/group-policies)

The Trustee meet these objectives by reviewing the Scheme's investment strategy on at least a three-yearly basis. The last review was undertaken in September 2018. Each review considers such matters as: the demographic profile of the membership, the likely income choices members will make at retirement, the membership's risk profile, the Trustee's governance approach to the investment options to be made available, developments in the money purchase/defined contribution market and legislative changes.

#### How does the Trustee meet its investment obligations?

The Trustee met quarterly to conduct its business, which includes monitoring the Scheme's investment strategy and performance of the Scheme's fund range. The Scheme's investment and DC advisers updated the Trustee in between these meetings if a particular issue arose with its DC investment platform provider, Aviva, or one of the funds made available on Aviva's investment platform.

#### Setting investment strategy

As described above, the Trustee formally reviews the Scheme's investment strategy on at least a three-yearly basis.

The current investment strategy was set in September 2018. The Trustee engaged their DC adviser to undertake a review of the Scheme's investment strategy, taking into account the demographic profile and expected needs of the Scheme's current and expected future membership.

The Scheme's fund range offered to members, fund objectives, benchmark and fees can be found on page 23 of the SIP which can be accessed [www.cityandguildsgroup.com/group-policies](http://www.cityandguildsgroup.com/group-policies)

No formal review of the strategy was scheduled or undertaken during the reporting period. The Trustee monitored the performance of the underlying funds on a quarterly basis and kept abreast of any legislative or investment changes that would necessitate a review sooner than the next scheduled review. This scheduled review was due in September 2021 but it was decided to defer this until the outcome of the Institute's review of its future DC pension strategy and subsequent employee consultation was known.

The outcome was that the Legal and General Master Trust ('Master Trust') was selected for future pension contributions from 1 September 2022. As part of the review, the Institute asked the Trustee to consider whether accounts in the DC Section should be transferred to the Master Trust.

Following input from its adviser, the Trustee approved the bulk transfer of the value of accounts in the DC Section and this took place in early January 2023.

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### **Risk management**

The Trustee has considered and identified the key DC risks members are exposed to. These are shown on page 19 of the SIP which can be accessed [www.cityandguildsgroup.com/group-policies](http://www.cityandguildsgroup.com/group-policies) The Trustee has considered and identified the following key DC risks members are exposed to:

**Inflation risk** is managed by providing an investment option which is expected to provide a long-term rate of return that matches or exceeds inflation.

**Capital risk** is managed by providing an investment option which offers a degree of capital protection. A cash deposit fund is an example of such an option.

**Pension conversion risk** is managed by providing an investment option which generally reflects changes in long term interest rates in the belief that the cost of many annuities in the future will be based, at least in part, on these rates.

**Mismatching risk** is managed by providing alternative investment options, enabling members to align their investment approach to the way in which they wish to access their pension rights on retirement.

The Trustee does not consider risk in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustee reviewed the key DC risks at each quarterly meeting through a risk register.

### **Default fund**

For members that do not make an active investment choice, the Trustee has chosen a strategy, in line with its overall investment objectives, which manages overall risk and return through the member's journey to retirement.

The default investment strategy (Aviva's My Future Lifetime Investment programme) balances the trade-off between risk and expected returns both through the growth phase (medium risk assets aimed at helping pension savings grow) and the consolidation phase (switching into lower risk assets as members approach retirement).

As part of their monitoring, the Trustee considered the performance and volatility of the default strategy over various periods, concentrating on the mid to long-term periods.

### **Self-select funds**

In line with the Trustee's objective to enable members to set their own investment strategy, the Trustee makes available a range of self-select funds. These include a number of life-style investment strategies that target different outcomes at retirement.

Members who prefer to make their own investment choices can therefore choose from a range of individual funds which were selected by the Trustee after taking professional investment advice.

In relation to the self-select funds, the Trustee has selected a range of funds which attempt to address the key DC risks the Trustee has identified. The Trustee measures the effectiveness of the investment choices to address these risks on an ongoing basis.

### **Investment performance monitoring**

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The Trustee regularly monitors the performance of the investment options and the Scheme's investment managers.

Over the reporting period, the Trustee considered the performance of the fund range at each of the quarterly Trustee meetings. In doing this, the Trustee discussed the market context alongside assessing how closely each of the funds had tracked their respective benchmarks as set out on page 23 of the SIP which can be accessed [www.cityandguildsgroup.com/group-policies](http://www.cityandguildsgroup.com/group-policies)

The Trustee was satisfied that all investment options were performing in line with the agreed objectives and as such, no changes were made to the investments over period.

### **Professional advice**

The Trustee is aware of the requirement to take professional advice when setting and reviewing investment strategy.

The Trustee has appointed Willis Towers Watson (WTW) to provide such advice. In accordance with this engagement, WTW provides a triennial strategy review which includes recommendations in relation to the default, additional lifestyles and wider fund range.

WTW also discusses the quarterly investment performance of the DC Section and highlights any particular cases where the funds have not performed in line with their agreed objectives.

### **Environmental, Social and Governance (ESG) considerations**

Considering that the DC Section of the Scheme is delivered via a bundled platform, and the investment funds are predominantly passively managed, the Trustee takes a pragmatic approach to ESG considerations. This is reflected in the SIP.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying investment managers. The Trustee takes account of known financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact, taking into account the Scheme's investment time horizon and objectives.

Through the reporting period, the strategy has been to invest predominantly in the passive funds which do not explicitly take account of social, environmental and governance considerations in the selection, retention and realisation of investments.

From April 2021, Aviva started to phase in an allocation of just over 40% to a new ESG focused investment fund within the My Future Lifetime Investment programme, the Scheme's default investment strategy.

The Trustee invites Aviva to present to the Trustee annually on the approach taken by Aviva Investors on ESG issues. However, this did not take place in the reporting period given the outcome of the Institute's review of its future DC pension strategy and the decision to carry out a bulk transfer of the value of accounts in the DC Section.

### **Additional Voluntary Contributions (AVCs)**

Assets in respect of members' additional voluntary contributions are invested via the DC Section of the Scheme. These AVC funds benefit from the same oversight and governance as the main DC Section.

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### Defined Benefit Section

#### Governance

The Trustee is responsible for investment matters related to the Defined Benefit Section of the Scheme. Four Trustee meetings were held over the year. The main investment focus of the Trustee over the course of 2022 was reviewing the Scheme's liability proxy and reacting to the impact of the significant increase in gilt yields experienced during the year.

During December 2021, the Trustee received training on ESG and climate risk. This training session focused on monitoring climate risk by utilising carbon metrics and targets and also provided background on managing climate risk through carbon journey planning (which involves setting a target for carbon reduction and monitoring progress against this plan over time).

During March 2022, the Trustee updated the Scheme's liability benchmark (proxy) using liability characteristics information provided by the Scheme Actuary. This new proxy was incorporated into BlackRock's LDI mandate in conjunction with updating the target hedge ratio within the mandate to 82% (of liabilities) for both interest rates and inflation (to maintain the Trustee's policy of hedging 100% of assets).

During September 2022, the Trustee considered the impact of the significant market volatility experienced throughout 2022. The Trustee agreed to rebalance the portfolio to bring the portfolio allocations back within the ranges around the Strategic Asset Allocation benchmark of the Scheme. It was also agreed to increase the target hedge ratio within the BlackRock LDI IMA to reflect the increase funding position at that point. However, these decisions were superseded in reaction to the UK gilts crisis that ensued in late September 2022.

#### Investment strategy

The Trustee's investment objectives are set out in the SIP.

The Scheme's investment objectives as at 30 September 2022 were as follows:

- The acquisition of suitable assets of appropriate liquidity intended to generate income and capital growth appropriate to meet, together with contributions from the Institute, the cost of current and future benefits which the Scheme undertakes to provide as set out in the Trust Deed and Rules.
- Target a return of Gilts+1.6% p.a. consistent with the 2020 actuarial valuation.
- Look to generate this return as efficiently as possible given the governance constraints of the Scheme.

In seeking to achieve these objectives, the Trustee has agreed a Strategic Asset Allocation benchmark (SAA). In addition, the Trustee's policy during the year was to hedge 100% of the Scheme's exposure to interest rate and inflation (measured as a % of assets).

The table below sets out the SAA and control ranges that were agreed as part of the investment strategy review in 2021, together with the actual asset allocation as at 30 September 2022. The Scheme's asset allocation was outside of the asset allocation ranges set out in the Statement of Investment Principles in a number of cases. This was a function of market movements, in particular the significant increase in gilt yields during 2022 and also the extreme volatility of gilt yields seen towards the end of Q3 2022. This caused the value of the LDI portfolio to fall, and resulted in a proportional increase in the allocation to the various return-seeking assets. This

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caused the allocation to Diversification funds (and return-seeking assets as a whole) to exceed the upper range.

In addition, due to the gilt yield crisis, the level of hedging (of interest rates and inflation risk) was around 80%-85% of assets as at 30 September 2022, below the range set out in the SIP.

In light of this, the Trustee was in discussions about rebalancing the portfolio over the year-end. The ranges were subsequently updated, and rebalancing was agreed to bring the actual asset allocation back within these ranges. The Trustee also agreed to reduce the level of hedging from 100% of assets to 75% of assets. As at the end of December 2022, the asset allocation and hedge ratios were within the new ranges that were agreed.

Asset Class	Actual % of total assets*	Target % of total assets*	Ranges % of total assets	Performance index benchmark
<b>Total Return Seeking</b>	<b>67.3</b>	<b>44.5</b>	<b>35.0 – 55.5</b>	
<b>Total equities</b>	<b>3.8</b>	<b>2.0</b>	<b>1.0 – 5.0</b>	
UK equities	0.3	0.1	0.0 – 0.5	FTSE All-Share
Overseas Developed Markets equities	3.2	1.7	1.0 – 4.0	
<i>GBP Hedged</i>	<i>1.6</i>	<i>0.85</i>	<i>0.5 – 2.0</i>	<i>FTSE All World Developed ex UK 95% GBP Hedged</i>
<i>Unhedged</i>	<i>1.6</i>	<i>0.85</i>	<i>0.5 – 2.0</i>	<i>FTSE All World Developed ex UK</i>
Emerging Markets	0.3	0.2	0.0 – 0.5	MSCI Emerging Markets Index
Property	9.0	7.5	5.0 – 10.0	IPD UK– All Balanced Property Funds Weighted Average
Diversification funds	54.5	35.0	30.0 – 40.0	50% UK CPI + 2%; 50% UK RPI + 3%
<b>Total Liability Hedging</b>	<b>32.8</b>	<b>55.5</b>	<b>45.0 – 65.0</b>	
LDI Portfolio	32.8	55.5	45.0 – 65.0	Blended portfolio
<b>Total</b>	<b>100.0</b>	<b>100.0</b>		

\*Figures may not sum to 100% due to rounding

#### Investment manager arrangements

There were no changes to the investment managers employed to manage the Scheme's assets during the year. WTW provides regular confirmation that investments are satisfactory.

The Scheme's portfolio is comprised of a portfolio of equities (UK, Overseas developed markets and Emerging Markets), a diversification funds' allocation, a UK property allocation and a portfolio of leveraged and unleveraged LDI funds.

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The equities and LDI funds are managed passively by BlackRock. The diversification funds allocation is split between the Towers Watson Partners Fund, which is managed by Towers Watson Investment Management and the Fulcrum Diversified Absolute Return Fund. The UK Property allocations are managed by Hermes and Schroders.

The asset allocation and the investment vehicles through which the strategy is implemented ensures the portfolio has a suitable mix of return-seeking and liability hedging assets, consistent with the Trustee's policy. In addition, through the diversification funds' allocation, the Scheme accesses a very wide range of return-seeking assets, providing exposure to a range of different sources of risk and return. Implementing the Scheme's investment strategy in a manner consistent with the Trustee's policies ensures that the Scheme's DB Section portfolio in aggregate is consistent with the policies set out in the Statement of Investment Principles.

### Realisation of investments

The Trustee agreed a liquidity policy for the DB Section in October 2018 and liquidity is assessed as part of regular reporting provided to the Trustee. The Scheme currently has two liquidity fund investments. The first is a liquidity fund within the LDI portfolio over which BlackRock have discretion to invest and disinvest as they see fit. The second sits outside of the LDI portfolio and is the main source of cash used for meeting Scheme cashflows, if these cannot be met from contributions paid by the Sponsor. The balance held in this fund is monitored regularly. If it needs to be increased, WTW provides advice on the assets to be sold in order to raise the necessary funds.

The Scheme currently has two UK property mandates with Hermes and Schroders respectively. Following the Scheme year-end, we were informed that these managers are currently deferring redemptions as a result of the ongoing market volatility in the UK property sector. This announcement was unsurprising given the current market pressures faced by institutional investors and serves to maintain the interests of existing investors in the funds whilst also being conscious of those wishing to exit. The Trustee considers all other investments to be readily marketable.

### Risk management

The Trustee has identified several risks involved in the management of the Scheme's assets which are taken into account when reviewing the investment arrangements.

***Solvency and mismatching risk*** were considered through the analysis undertaken by WTW as part of the investment strategy review in 2021. This illustrated the expected progression of the growth in the assets relative to the liabilities as well as quantifying the downside risks under different strategies. This progression is monitored regularly at Trustee meetings.

***Manager risk*** is managed by appointing a passive manager to manage the equity and LDI investments, where the expectation is that the manager will deliver returns which are very close to those of an underlying market index or provide exposures that align with the Scheme's liabilities. In addition, the diversification fund allocation invested via the Towers Watson Partners Fund and Fulcrum DAR Fund provide, in aggregate, exposure to a very well diversified portfolio of third-party investment managers, which limits the risk of any one manager performing poorly.

***Liquidity risk*** is managed by the Scheme's administrators assessing the Scheme's cashflow requirements as well as holding a proportion of the Scheme's assets in relatively liquid investments (i.e. the equities, LDI and liquidity funds managed by BlackRock).

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**Currency risk** is managed by hedging a proportion of the Scheme's exposure to non-Sterling currencies.

**Political risk** is managed by having a well-diversified investment portfolio, and the change in investment strategy did not materially impact the diversification of the portfolio.

**Sponsor risk** is managed by assessing the interaction between the Scheme and the Institute's business, as measured by several factors, including the creditworthiness of the Institute and the size of the pension liability relative to the financial strength of the Institute. A formal assessment of the covenant was conducted in June 2021 alongside the deliberations relating to the 30 September 2021 actuarial valuation. Further covenant advice is obtained on an ad hoc basis where relevant.

### Investment performance monitoring

The Trustee receives a six-monthly monitoring report to 31 March and 30 September from Willis Towers Watson as well as receiving quarterly reports from the investment managers.

The BlackRock equity investments performed in line with expectations, delivering returns within an acceptable deviation of the underlying benchmark index. The LDI portfolio, also managed by BlackRock, helped to mitigate the impact of changes to interest rates and inflation expectations, as it is designed to do. However, the management of this portfolio was impacted by the extreme market stress at the end of September and early October 2022, which meant the portfolio provided less protection than usual.

The UK property investments have performed reasonably well over the long-term, delivering positive absolute returns, however, these funds have marginally underperformed their benchmarks over a 1-, 3- and 5- year time horizon.

The Towers Watson Partners Fund significantly underperformed its CPI benchmark over 1 year to 30 September 2022. This was primarily due to the current high inflation environment and poor performance of equities over this period. The Fulcrum DAR mandate also underperformed its inflation benchmark (albeit to a lesser extent) for similar reasons. In contrast, both mandates significantly outperformed their equity benchmarks over the same time period due to the poor performance seen in equity markets over 2022.

### ESG considerations

The Trustee has provided a copy of the Statement of Investment Principles to its investment managers (and does so on an annual basis).

Managers are asked to confirm whether they comply with the UK Stewardship code and, if they do not, are asked to explain their reasons for not doing so. As at 30 September 2022, all managers confirmed compliance with the code.

The Trustee confirms with each manager that they manage the portfolio with a medium to long-term time horizon and utilise investment engagement in order to enhance portfolio value. The Trustee also monitors costs to ensure that managers are incentivised to invest with a long-term time horizon. In addition, the Trustee monitors the turnover of each mandate to ensure that this is consistent with the asset class and time horizon being targeted by each investment manager.

The Trustee reviewed and updated the DB Risk Register on 27 May 2022 as part of its quarterly review process.



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Voting information is collected from each manager and this is summarised in the next section of this statement.

### 4. Turnover

The Trustee's investment consultant monitors the investment managers' portfolio turnover and confirmed that over the Scheme year portfolio turnover was in line with expectations and therefore there were no particular concerns highlighted around inappropriate costs being incurred.

Information on portfolio turnover as provided by the investment managers is given below:

Note: Turnover is defined as the lesser of the value of purchases or the value of sales divided by average annual market value

Mandate	Manager	Expected long-term level of portfolio turnover pa	Fund Activity*	Manager commentary
DAR	Fulcrum	c.90%	62%	Turnover was in line with expectations
Property Unit Trust	Hermes	0 – 15%	8%	Turnover was in line with expectations
UK Real Estate Fund (SREF)	Schroders	0 – 15%	6%	Turnover was in line with expectations
Partners Fund	TWIM	10%	3%	Turnover was in line with expectations
LDI	BlackRock	n/a	26%	Turnover only occurs when cash is committed or disinvested or when the hedge ratio is adjusted. The hedge ratio was adjusted, and cash was committed during the year.

\* % turnover over the trailing 12 month period as at 30 September 2022

### 5. Voting and engagement

#### Defined Benefit Section

The Trustee delegates responsibility for voting and engagement in respect of the Scheme's underlying investments to the investment managers. Details of the activity undertaken by the managers is set out below.

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The Trustee meets with the Scheme's investment managers periodically, to explore how the Scheme's assets are being managed.

### Voting

The below table sets out the voting activity of the Scheme's equity and multi-asset investment managers, on behalf of the Trustee, over the year:

Asset class	Number of resolutions eligible to vote on	Proportion eligible votes voted	Of resolutions voted:*		
			For	Against	Abstained
BlackRock UK Equity	14,951	95.0%	95.0%	5.0%	1.0%
BlackRock World ex-UK Equity (covering both currency hedged and unhedged mandates)	27,684	91.0%	92.0%	7.0%	0.0%
BlackRock Emerging Markets	24,669	98.0%	88.0%	11.0%	3.0%
Fulcrum DAR	13,240	99.9%	89.5%	9.1%	1.4%
TWIM Partners	23,038	93.9%	86.4%	13.2%	0.4%

*\*Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*

Voting statistics are out of total eligible votes and are sourced from the investment managers BlackRock, TWIM and Fulcrum.

The following table outlines a number of significant votes cast by the Scheme's investment managers on the Trustee's behalf. The commentary set out below is based on detail in the relevant manager's reports on the votes cast:

- BlackRock reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2022, including the rationale for the voting decision and the outcome of the vote. A number of these key votes are set out below. The votes shown were chosen taking account of the size of the allocations to the companies affected as a percentage of each pooled fund, whether the votes were against management resolutions and whether the votes were in respect of shareholder resolutions.
- Fulcrum reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2022, including the rationale for the voting decision (in some cases this was based on independent advice received from independent engagement advisor Glass Lewis) and the outcome of the vote. A number of these key votes are set out below.
- TWIM reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 30 September 2022, including the rationale for the voting decision and the outcome of the vote. A number of these key votes are set out below.

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Significant votes cast	Coverage in portfolio
<p><b><u>Company: Barclays Plc</u></b></p> <p><b><u>Meeting date: 04 May 2022</u></b></p> <p><b>Company summary:</b> Barclays Plc (Barclays) operates as a bank holding company that provides retail banking, credit cards, corporate and investment banking and wealth management services.</p> <p><b>Resolution:</b> Approve Barclays' Climate Strategy, Targets and Progress 2022</p> <p><b>Company management recommendation:</b> For</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> BlackRock supported this proposal in recognition of the company's disclosed plan to manage climate-related risks and opportunities and the company's progress against this plan. They do, however, believe there are areas where the company could enhance its disclosure.</p>	BlackRock UK Equity
<p><b><u>Company: Ocado Group Plc</u></b></p> <p><b><u>Meeting date: 4 May 2022</u></b></p> <p><b>Company summary:</b> Ocado Group Plc (Ocado) is a UK online grocery retailer that specializes in developing and supplying online retailing technology (including distribution logistics) to other grocers.</p> <p><b>Resolution:</b> multiple (5)</p> <p><b>Item 2:</b> Approve Remuneration Policy</p> <p><b>Item 11:</b> Re-elect Andrew Harrison as Director</p> <p><b>Item 12:</b> Re-elect Emma Lloyd as Director</p> <p><b>Item 13:</b> Re-elect Julie Southern as Director</p> <p><b>Item 20:</b> Amend Value Creation Plan</p> <p><b>Company management recommendation:</b> For all items</p> <p><b>How the manager voted:</b> Against all items</p> <p><b>Rationale:</b></p> <p><b>Item 2 and 20:</b> BlackRock did not support the extension of the Value Creation Plan introduced in 2019, and the Remuneration Policy of which it formed a significant part, due to their concerns about its appropriateness as a tool for measuring performance and incentivizing management.</p> <p><b>Items 11, 12 and 13:</b> BlackRock voted against the re-election of members of the Remuneration Committee to reflect their concerns about remuneration practices at the company.</p>	BlackRock UK Equity

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<p><b><u>Company:</u> Grupo México, S.A.B. de C.V.</b></p> <p><b><u>Meeting date:</u> 28 April 2022</b></p> <p><b>Company summary:</b> Grupo México, S.A.B. de C.V. (Grupo México) is a materials company, based in Mexico, that engages in copper production, freight transportation, and infrastructure activities. The company is the fourth largest in the country in terms of market capitalization, operates in six countries in addition to Mexico, and employs nearly 30,000 people.</p> <p><b>Resolution:</b> Annual election of board members</p> <p><b>Company management recommendation:</b> For</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale:</b> BlackRock determined that it is in the best interests of their clients as long-term shareholders to not support the director bundled ballot election at the 2022 AGM. The company has not updated their sustainability related reporting, and in particular, their climate-related disclosures since the release of their “2020 Sustainable Development Report.” In addition, the company has not addressed shareholder concerns, including BlackRock’s, regarding the quality and effectiveness of their Board of Directors.</p>	BlackRock World-ex UK Equity
<p><b><u>Company:</u> Amazon.com, Inc</b></p> <p><b><u>Meeting date:</u> 25 May 2022</b></p> <p><b>Company summary:</b> Amazon.com, Inc. (Amazon) is a technology company focusing on the provision of online retail shopping services.</p> <p><b>Resolution: Multiple (6)</b></p> <p><b>Item 1g:</b> Elect Judith A. McGrath</p> <p><b>Item 3:</b> Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p><b>Item 8:</b> Report on Efforts to Reduce Plastic Use (Shareholder proposal)</p> <p><b>Item 9:</b> Report on Worker Health and Safety Disparities (Shareholder proposal)</p> <p><b>Item 14:</b> Report on Lobbying Payments and Policy (Shareholder proposal)</p> <p><b>Item 16:</b> Commission a Third-Party Audit on Working Conditions (Shareholder proposal)</p> <p><b>Company management recommendation:</b> For Items 1g and 3 and against Items 8, 9, 14, and 16</p> <p><b>How the manager voted:</b> BlackRock voted against Item 1g, 9 and 16, and for Items 3, 8 and 14</p> <p><b>Rationale:</b></p> <p><b>Item 1g:</b> BlackRock did not support the re-election of the Chair of the Leadership Development and Compensation Committee because of their concerns about the Board’s response to various human capital management risks, which they believe may</p>	BlackRock World-ex UK Equity

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<p>create adverse impacts that could expose the company to legal, regulatory, and operational risks and jeopardize their long-term success.</p> <p><b>Item 3:</b> BlackRock supported management's Say on Pay proposal as they did not have concerns about Amazon's executive compensation philosophy, particularly in light of the first CEO succession in the company's history.</p> <p><b>Item 8:</b> BlackRock supported this shareholder proposal because, in their assessment, shareholders would benefit from more information on the company's approach to reducing plastic waste arising from their products and services.</p> <p><b>Item 9:</b> The company has already agreed to a racial equity audit. Therefore, BlackRock did not support this shareholder proposal because they believe this third-party audit will address the proponent's request.</p> <p><b>Item 14:</b> While Amazon's political activities disclosure is robust, BlackRock supported this proposal because they believe they could make the current disclosure more accessible, which would better enable stakeholders to assess the information provided.</p> <p><b>Item 16:</b> BlackRock did not support this shareholder proposal because they believe that the company's existing disclosure and policies already meet the proponent's request.</p>	
<p><b><u>Company: Monster Beverage Corporation</u></b></p> <p><b><u>Meeting date: 14 June 2022</u></b></p> <p><b>Company summary:</b> Monster Beverage Corporation (Monster Beverage) is a U.S.-based beverage company. The company, through multiple subsidiaries, develops and markets a wide variety of popular energy drink brands in 154 countries, including the Monster Energy line of energy drinks, which is second in U.S. market share. Monster Beverage also develops the NOS, Samurai, and Reign energy drink brands and, through Monster Energy, offers coffee, tea, and alcohol products.</p> <p><b>Resolution:</b> Shareholder Proposal Regarding a Report on the Company's Plans to Reduce Greenhouse Gas (GHG) Emissions.</p> <p><b>Company management recommendation:</b> Against</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> BlackRock recognizes the enhancements Monster Beverage has made to their climate-related disclosures over the last two years. However, they supported the shareholder proposal as current disclosures do not provide sufficient detail on plans to reduce Scope 1 and 2 GHG emissions to align the company's business model with likely pathways to a lower carbon economy</p>	BlackRock World-ex UK Equity
<p><b><u>Company: China Tower Corporation Limited</u></b></p> <p><b><u>Meeting date: 14 January 2022</u></b></p> <p><b>Company summary:</b> China Tower Corporation Limited (China Tower) is a state-owned telecommunications company and the world's largest telecommunications tower infrastructure service provider. China Tower was established in 2014 and listed in Hong Kong in 2018. As of June 2021, China Tower operated and managed a total of 2.035 million tower sites.</p> <p><b>Resolution:</b> multiple (2)</p>	BlackRock iShares Emerging Markets Equity

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<p>Item 3: Re-elect Gao Tongqing as a non-executive director</p> <p>Item 7: Re-elect Deng Shiji as an independent non-executive director and authorize the board to determine his remuneration</p> <p><b>Company management recommendation:</b> For (both items)</p> <p><b>How the manager voted:</b> BlackRock voted against Item 3 and Item 7</p> <p><b>Rationale:</b> BlackRock voted against the re-election of the two incumbent directors on China Tower's Nomination Committee, whom they believe should be held accountable for the lack of gender diversity on the board.</p>	
<p><b><u>Company: Samsung Electronics Co., Ltd.</u></b></p> <p><b><u>Meeting date: 16 March 2022</u></b></p> <p><b>Company summary:</b> Samsung Electronics Co., Ltd. (Samsung) is South Korea's largest company in market capitalization and one of the world's largest manufacturer of electronics and computer peripherals. Headquartered in Suwon, South Korea, Samsung delivers products and services through three main business divisions: consumer electronics, information technology and mobile communications, and device solutions. The company employs more than 260,000 people and has a presence in 74 countries.</p> <p><b>Resolution:</b> Item 2: Election of Directors</p> <p><b>Company management recommendation:</b> For</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> BlackRock voted for the proposed director elections based on the company's indication that it is in its final review stage of a revised climate strategy, and on BlackRock's expectation that it will be announced in the months to come.</p>	BlackRock iShares Emerging Markets Equity
<p><b><u>Company: Rio Tinto plc</u></b></p> <p><b><u>Meeting date: 27 March 2022</u></b></p> <p><b>Management resolution:</b> Approval of Climate Action Plan</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> Glass Lewis have certain reservations concerning proposals that request shareholders approve or disapprove a company's climate strategy. However, having reviewed the circumstances at the Company, they believed that shareholder support for this proposal was warranted. Additionally, the Company provides information concerning its response if the vote receives significant opposition. Namely, the Company states that if the "resolution receives less than 50% in favour, it would hold specific discussions with shareholders and seek information from them about why they did not support the proposed CAP, inform all shareholders about the results of that process and announce its intended measures aimed at taking them into account. Fulcrum agree with Glass Lewis's rationale to encourage such engagement with all shareholders and hence support their proposal to vote for the proposal.</p>	Fulcrum DAR

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<p><b><u>Company: Alphabet Inc</u></b></p> <p><b><u>Meeting date: 30 May 2022</u></b></p> <p><b>Resolution:</b> Shareholder Proposal Regarding Report on Board Diversity</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale:</b> Glass Lewis are unconvinced that adoption of this proposal would necessarily lead to a more diverse or inclusive board. The Company has adopted a number of policies and has provided leading-class disclosure concerning its diversity considerations and the diversity of its board, as indicated by its "Exemplary" diversity policy and disclosure assessment. Further, the Company leads or has roughly commensurate levels of diversity on its board relative to its peers. Fulcrum agree with their recommendation and have voted AGAINST the proposal.</p>	Fulcrum DAR
<p><b><u>Company: Royal Bank Of Canada</u></b></p> <p><b><u>Meeting date: 31 March 2022</u></b></p> <p><b>Resolution:</b> Shareholder Proposal Regarding Say on Climate</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> While Glass Lewis believes that shareholders should clearly communicate to boards that they require comprehensive climate reporting, they are concerned regarding the provisions of the proposal and therefore recommended that Fulcrum vote against the proposal. However, Fulcrum agree with the proponent's perspective and the conclusions set out in the Intergovernmental Panel on Climate Change, therefore voted for the proposal.</p>	Fulcrum DAR
<p><b><u>Company: Microsoft Corporation</u></b></p> <p><b><u>Meeting date: 30 November 2021</u></b></p> <p><b>Management resolution:</b> Report on Effectiveness of Workplace Sexual Harassment Policies</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> For shareholder resolution, against management recommendation. Shareholder proposal promotes appropriate accountability or incentivisation, and proposal promotes transparency</p>	TWIM Partners
<p><b><u>Company: Cigna corp</u></b></p> <p><b><u>Meeting date: 27 April 2022</u></b></p> <p><b>Management resolution:</b> Report on gender pay gap</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> TWIM support disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.</p>	TWIM Partners

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<p><b><u>Company: Meta Platforms, Inc.</u></b></p> <p><b><u>Meeting date: 25 May 2022</u></b></p> <p><b>Management resolution:</b> Report on Child Sexual Exploitation Online</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks</p>	TWIM Partners
<p><b><u>Company: Salesforce</u></b></p> <p><b><u>Meeting date: 03 June 2022</u></b></p> <p><b>Management resolution:</b> Oversee and Report a Racial Equity Audit</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> Promotes appropriate accountability and incentivisation on gender and diversity</p>	TWIM Partners

### Engagement

The BlackRock Investment Stewardship team engages with public companies on behalf of all portfolio strategies at BlackRock. When engaging with a company BlackRock are focused on the long-term governance and business operational matters (including environmental and social considerations) that they believe are consistent with sustained financial performance. Each year BlackRock prioritises its engagement work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance for the Scheme. In 2022, the key focus for BlackRock was on board quality and effectiveness, strategy purpose and financial resilience, incentives aligned with value creation, climate and natural capital and company impacts on people.

Fulcrum is in general a top-down, global macro investor alongside a significant systematic business (in which the Scheme invests through the DAR mandate), investing across all asset classes. As single stock equities play a role in the DAR mandate, Fulcrum carefully monitors and engages with the issuers it invests in to guarantee suitable investment practices. This includes daily following of company announcements; meetings with executive management; or review of external research and company results. Shareholder engagement will usually be limited to the responsible exercise of voting rights. This is due primarily to Fulcrum's stance as a top-down macro investor and the often-insignificant holding of the issuer's outstanding shares or size of holding as it relates to the overall fund.

As a policy, Towers Watson Investment Management monitors the sustainable investment credentials of managers and reviews their policies and actions. Underlying investment managers are expected to undertake ESG integration and stewardship activities to the extent that it is practical. TWIM engages in a two-way dialogue with managers that can make improvements. As part of the ongoing research, areas of concern are highlighted to the manager alongside the rationale for concern. TWIM encourages the manager to resolve these issues with 12 months. Should there be little or no change, TWIM will attempt further engagement to understand the lack of progress and may take steps to review their rating for the strategy.



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Furthermore, the TWIM Partners Fund achieves the majority of its public equity exposure via the Towers Watson Global Equity Focus Fund (GEFF), where it has appointed EOS at Federated Hermes (EOS) to provide corporate engagement and voting recommendation services to enhance the efforts of the underlying managers. EOS directly engages with the underlying companies of the fund. EOS measures and monitors progress on all engagement, setting clear objectives and specific milestones for the most intensive engagements.

#### **Defined Contribution Section**

As all investments are held within pooled funds which are made available via a bundled platform with Aviva, the key area of activity during the Scheme year was to consider how to monitor the investment managers' (Aviva Investors, BlackRock and HSBC) performance in these areas.

The Trustee does not own the legal entitlement to the underlying portfolio of securities. The Trustee's rights pertain only to owning units in the pool.

Accordingly, the Trustee's policy is that day-to-day decisions relating to the investment of DC Section's assets is left to the discretion of their investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant.

When reviewing existing managers, the Trustee, together with WTW, looks to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant. The Trustee's primary focus in this regard is on Aviva Investors since over 99% of the DC Section's assets, including those in the current and legacy default investment strategies, are invested with Aviva Investors. Furthermore, Aviva Investors take responsibility for the governance of the portfolios underlying its funds, including those where the investment management is outsourced to BlackRock as is the case for many of the DC Section's funds. Note that whilst BlackRock were appointed by Aviva Investors to determine the asset allocation in Aviva's My Future Lifetime Investment programme, the DC Section's default investment strategy, the voting rights are retained by Aviva Investors. Further information on the voting and engagement activities of the managers is provided in the summary table below.

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Further information on the voting and engagement activities of the managers is provided in the summary table below.

Please note that funds marked with a \* are the underlying funds which make up the equity portion of the My Future strategies. No voting information has been provided for other funds listed in the SIP as they do not contain any equity components. For each fund two of the most significant votes are shown. The two votes have been chosen based on the votes related to companies which the relevant fund has the largest holdings in.

Fund	Votes cast	Use of a proxy voter?	Significant votes		
			Company and how manager voted	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Criteria by which manager has assessed this vote to be "most significant"?
Av BlackRock World ex- UK Equity Index Fund	24,725 (93% of eligible votes)  On the resolutions voted on:  <ul style="list-style-type: none"> <li>• 31% of votes were against management</li> <li>• 2% were abstained</li> </ul>	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.	<b>Microsoft Corp</b> –voted for resolution 6: Report on Effectiveness of Workplace Sexual Harassment Policies.	4.18%	This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation.
			<b>Meta Platform Inc</b> –voted for resolution 5: Require Independent Board Chair.	0.81%	This vote was selected as the governance issues identified are potentially material to the investment case.
Av BlackRock 30:70 Global Equity (Currency)	32,450 (94% of eligible votes)  On the resolutions voted on:	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach	<b>Microsoft Corp</b> –voted for resolution 6: Report on Effectiveness of Workplace Sexual Harassment Policies.	2.74%	This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation.

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<b>Hedged) Index</b>	<ul style="list-style-type: none"> <li>• 23% of votes were against management</li> <li>• 2% were abstained</li> </ul>	to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.	<b>Meta Platform Inc</b> – voted for resolution 5: Require Independent Board Chair.	0.52%	This vote was selected as the governance issues identified are potentially material to the investment case.
<b>Av BlackRock 40:60 Global Equity Index</b>	35,547 (95% of eligible votes) On the resolutions voted on: <ul style="list-style-type: none"> <li>• 24% of votes were against management</li> <li>• 2% were abstained</li> </ul>	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.	<b>Microsoft Corp</b> – voted for resolution 6: Report on Effectiveness of Workplace Sexual Harassment Policies.	3.35%	This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation.
			<b>Meta Platform Inc</b> – voted for resolution 5: Require Independent Board Chair.	0.64%	This vote was selected as the governance issues identified are potentially material to the investment case.
<b>Aviva Investors Stewardship UK Equity Fund</b>	851 (>99% of eligible votes) On the resolutions voted on: <ul style="list-style-type: none"> <li>• 3% of votes were against management</li> <li>• 1% were abstained</li> </ul>	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.	<b>GlaxoSmithKline plc</b> – voted against the resolution to Approve Remuneration Policy.	7.33%	This vote was selected as the governance issues identified are potentially material to the investment case.
			<b>Ashtead Group plc</b> – voted against the resolution to Approve Remuneration Report.	3.93%	This vote was selected as the governance issues identified are potentially material to the investment case.

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<b>BlackRock Emerging Markets Fund</b>	24,198 (98% of eligible votes) On the resolutions voted on: <ul style="list-style-type: none"> <li>• 11% of votes were against management</li> <li>• 3% were abstained</li> </ul>	BlackRock does not follow any single proxy research firm's voting recommendations, though they subscribe to two research firms. Their voting and engagement analysis is determined by several key inputs including a company's own disclosures, and record of past engagements.	<b>China Shenhua Energy Company Limited</b> – voted for the resolution to Approve New Mutual Coal Supply Agreement, Proposed Annual Caps and Related Transactions.	Not provided by manager	Not provided by manager
			<b>Top Glove Corporation Bhd</b> – voted against the resolution to Approve Issuance of New Ordinary Shares in Connection with the Listing of the Company on the Hong Kong Stock Exchange.	Not provided by manager	Not provided by manager
<b>Av HSBC Islamic Global Equity Index</b>	1,608 (96% of eligible votes) On the resolutions voted on: <ul style="list-style-type: none"> <li>• 17% of votes were against management</li> <li>• 1% were abstained</li> </ul>	Aviva uses the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own bespoke voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines.	<b>Alphabet Inc.</b> – voted for the resolution to Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates.	6.36%	This vote was selected as the company has a significant weight in the portfolio and we voted against management.
			<b>Amazon.com, Inc.</b> – voted for the resolution to Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates.	5.81%	This vote was selected as the company has a significant weight in the portfolio and we voted against management.

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<p>Aviva Investors UK Equity Index Fund*</p>	<p>Information not available from provider at time of drafting</p>				
<p>Aviva Investors Developed Asia Pacific ex Japan Equity Index*</p>	<p>3,317 (100% of eligible votes)</p> <p>On the resolutions voted on:</p> <ul style="list-style-type: none"> <li>• 33% of votes were against management</li> <li>• 1% were abstained</li> </ul>	<p>Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.</p>	<p><b>Rio Tinto Ltd</b> – voted against the resolution to Approve Remuneration Report for Australian Law Purposes.</p>	<p>0.97%</p>	<p>This vote was selected as the governance issues identified, which affect social and environmental factors, are potentially material to the investment case.</p>
			<p><b>Woodside Petroleum Ltd</b> – voted against the resolution to Approve Climate Report.</p>	<p>0.68%</p>	<p>This vote was selected given the materiality of the management-led resolution and the potential impact climate change will have on the business.</p>
<p>Av BlackRock UK Equity Index</p>	<p>10,560 (&gt;99% of eligible votes)</p> <p>On the resolutions voted on:</p> <ul style="list-style-type: none"> <li>• 6% of votes were against management</li> </ul> <p>1% were abstained</p>	<p>Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.</p>	<p><b>GlaxoSmithKline plc</b> – voted against the resolution to Approve Remuneration Policy.</p>	<p>3.64%</p>	<p>This vote was selected as the governance issues identified are potentially material to the investment case.</p>
			<p><b>Compass Group plc</b> – voted against the resolution to Approve Remuneration Policy.</p>	<p>1.25%</p>	<p>This vote was selected as the governance issues identified are potentially material to the investment case.</p>

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<b>Aviva Investors Developed European ex UK Equity Index*</b>	7,225 (80% of eligible votes)  On the resolutions voted on: <ul style="list-style-type: none"> <li>• 23% of votes were against management</li> <li>• 6% were abstained</li> </ul>	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.	<b>Banco Santander SA</b> – voted against the resolution for Advisory Vote on Remuneration Report.	0.72%	This vote was selected as we did not support the pay report. Certain structural concerns persist, such as a long-term incentive plan which can reward below-median performance. In general, pay levels stand out above peer median levels.
			<b>Vonovia SE</b> – voted against resolution to Approve Remuneration Policy.	0.42%	This vote was selected as the governance issues identified are potentially material to the investment case.
<b>Aviva Investors North American Equity Index*</b>	8,231 (>99% of eligible votes)  On the resolutions voted on: <ul style="list-style-type: none"> <li>• 46% of votes were against management</li> <li>• &lt;1% were abstained</li> </ul>	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.	<b>Microsoft Corp</b> – voted for resolution 6: Report on Effectiveness of Workplace Sexual Harassment Policies.	5.84%	This vote was selected as it was a shareholder resolution which received overwhelming support against management recommendation.
			<b>Meta Platform Inc</b> – voted for resolution 5: Require Independent Board Chair.	1.16%	This vote was selected as the governance issues identified are potentially material to the investment case.
<b>Aviva Investors Japanese Equity Index*</b>	6,214 (100% of eligible votes)  On the resolutions voted on:	Use of proxy advisory services ISS and IVIS. For a number of years, ISS has been providing voting recommendations based on Aviva Investor's own policy in order to ensure the most efficient approach to voting thousands of meetings a	<b>DAIKIN Industries Ltd</b> – voted against resolution to Elect Director Akiji Makino.	1.18%	This vote was selected as the governance issues identified are potentially material to the investment case.

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	<ul style="list-style-type: none"> <li>• 18% of votes were against management</li> <li>• &lt;1% were abstained</li> </ul>	<p>year. Aviva Investors can override these recommendations to consider other factors including additional context provided in the ISS standard research and other internal and external research considerations.</p>	<p><b>Mitsubishi Electric Corporation</b> – voted against resolution to Elect Director Kei Uruma.</p>	<p>0.58%</p>	<p>This vote was selected as the governance issues identified are potentially material to the investment case.</p>
<p><b>BlackRock World ESG Insights Equity*</b></p>	<p>Information not available from provider at time of drafting</p>				