

Engagement Policy Implementation Statement

NATIONAL CENTRE FOR SOCIAL RESEARCH RETIREMENT

BENEFITS SCHEME

31 March 2024

Introduction

The Trustees of the National Centre For Social Research Retirement Benefits Scheme (the 'Trustees') are obliged, acting in their capacity as Trustees of the National Centre For Social Research Retirement Benefits Scheme (the 'Scheme'), to prepare a yearly statement setting out how they have complied with the Statement of Investment Principles (the 'SIP'), including:

- A description of any amendments to the SIP during the period covered by the statement.
- How and the extent to which, in the opinion of the Trustees, compliance with the SIP has been achieved.
- How the Trustees have demonstrated good stewardship over investments, which includes
 - a description of how, and the extent to which, policies on investment rights (including voting) and engagement described within the SIP have been complied with;
 - a description of voting behaviour made by or on behalf of the Trustees; and
 - a statement on any use of the services of a proxy voter.

This statement relates to the period from 1st April 2023 to 31 March 2024 (the 'reporting period'), and has been prepared in accordance with regulatory requirements and guidance published by the Pensions Regulator. This statement is based on the SIP that applied during the period, the latest of which is available at the following link: [National Centre for Social Research \(NatCen\) Retirement Benefits Scheme](#)

Amendments to SIP

During the period, the Trustees conducted an annual funding and investment review in collaboration with their professional advisors and the Employer. This resulted in a decision to amend the investment strategy to reduce risk, which required an update of the Investment Policy in the SIP, which included:

- a new return target of gilts+3.0% per year (previously gilts+3.5%)
- a new asset allocation across portfolios
- a new target range for hedging inflation and interest rate risks associated with the Scheme's liabilities

The new SIP was adopted on 06 March 2024, replacing the previous SIP dated 23 June 2022.

Compliance with SIP

The Trustees monitor compliance with the SIP annually. In particular, we obtain confirmation from our fiduciary manager, Van Lanschot Kempen Investment Management (VLK) and other advisors that they have complied with the relevant SIP insofar as is reasonably practicable and that in exercising any discretion they have done so in accordance with Occupational Pension Schemes Regulations.

In particular, the Trustees have received periodic investment reports and investment updates from VLK that provide;

- details of the asset allocation, and whether the allocations are consistent with the investment policies specified in the SIP ,
- details of the value of the Scheme's investments, and the estimated value of the liabilities from which an estimated funding position can be determined,
- progress of the funding position with respect to funding targets,
- details of the performance of the individual investments, including relative to a benchmark,
- details of the performance of the total investments, including relative to the target return and investment objectives,
- details of the hedging of the interest rate and inflation risks associated with the liabilities, and whether the hedging is working as expected, and compliant with the bandwidths specified in the SIP,
- details of the investment risk of the underlying investments, and the change in the total investment risk over time,
- the responsible investment characteristics of the underlying investments, and

- details of the engagement behaviour of both VLK and the underlying investment managers they appoint on behalf of the trustees, including their voting behaviour.

The Trustees have reviewed the information provided by VLK and its other advisors, and are satisfied that the policies set out in the SIP have been followed, including for;

- investing the assets according to the investment policy and the investment strategy advised and implemented by VLK,
- choosing suitable investments to achieve the right balance between risk and return, so as to ensure the security, quality, liquidity and profitability of the Scheme's assets,
- managing the key risks of the Scheme appropriately,
- monitoring the underlying managers of the investments, and the performance of those managers relative to the objectives,
- managing ESG risks (financial materially considerations) appropriately (note that non-financial matters, such as member views, are not taken into consideration), and
- exercising of the rights (including voting rights) attaching to investments.

A summary of the stewardship and engagement behaviour of both VLK and the underlying investment managers they appoint on our behalf is provided in the sections below. This includes information on voting behaviour, and votes considered significant by each of the investment managers. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

Stewardship – VLK monitoring and engagement behaviour

Background

The Trustees do not monitor or engage directly with issuers of, or holders of, debt or equity, but instead delegate this activity to VLK and to the underlying asset managers appointed by VLK. The Trustees expect VLK to undertake regular monitoring and engagement in line with its' own corporate governance policies, taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The remainder of this document provides insights into VLK's responsible investment and engagement activities, which have directly and indirectly helped the Trustees with their stewardship responsibilities.

VLK expects the underlying asset managers they select to exercise rights attached to their investments, including voting rights, and to engage with issuers of debt and equity and other relevant persons about matters such as performance, strategy, management of actual or potential conflicts of interest, and environmental, social and governance ('ESG') considerations. ESG criteria are a set of non-financial indicators relating to a company's operations that are used by investors to evaluate corporate behaviour and to determine how it may impact the future financial performance of companies. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

There are several levels of engagement at VLK: they engage with the asset managers they appoint, with companies they invest in directly (e.g. within VLK products), and via collaborative engagement with industry stakeholders, such as regulators, industry initiatives, benchmark providers, and peers.

VLK monitoring of asset managers

Whilst VLK has limited influence over an asset managers' investment practices where assets are held in pooled funds, it has, throughout the last 12 months, encouraged its chosen managers to improve their own

stewardship and engagement practices, and consider ESG factors and their associated risks. VLK uses the following methodology to monitor and engage with the underlying asset managers:

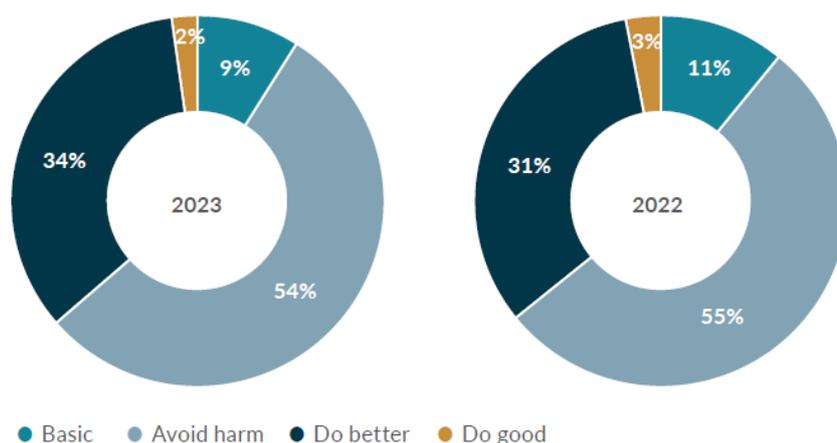
- ESG criteria are assessed based on international conventions and initiatives, such as the UN Global Compact and the Principles for Responsible Investment (PRI);
- All managers are screened against ESG criteria before inclusion in VLK's approved manager list. For example:
 - does the manager have a responsible investment (RI) policy;
 - is the manager open for a dialogue on ESG criteria; and
 - does the manager have exposure to companies that are on VLK's exclusion & avoidance list?
- All managers are reviewed against ESG criteria on an ongoing basis. For example:
 - do responsible investing considerations continue to be integrated into their investment process;
 - is the manager making progress;
 - is the manager well informed and up-to-speed on ESG criteria and initiatives; and
 - is there periodic screening of all the underlying equity and debt securities held by managers within their investment products, to check for exclusion candidates?

VLK have created a proprietary scoring framework (the Sustainability Spectrum) to help them understand and evaluate how asset managers integrate various ESG factors into their investment products and processes. Within this framework, asset managers and their products are classified into one of five different levels: Compliant (level 1), Basic (level 2), Avoid harm (level 3), Do better (level 4), Do good (level 5).

Scoring listed funds

Over 2023 VLK have continued to apply this scoring methodology to rate the ESG characteristics of the underlying managers and investment products used within client strategies. Out of 600 listed funds that VLK had scored by the end of 2023, as a percentage of scored assets under management (AuM), 9% of the funds scored 'Basic', 54% scored 'Avoid harm', 34% scored 'Do better' and 2% scored 'Do good'. Close to 1% could not be scored due to absent data.

Sustainability scores of external managers



VLK do not proactively offer Compliant or Basic products to their clients. Those products that scored within these categories were either legacy products that have been adopted from clients transitioning to VLK's fiduciary solution, or older products (including some in passively managed solutions) which VLK are in the process of replacing with more sustainable investment products.

Scoring alternative funds

In 2023, VLK continued to assess funds in private markets and alternative asset classes. Although the ESG scores are not completely aligned with the listed asset classes mentioned above, they do give a good indication about the sustainability approach of the underlying managers. In 2023, 78 funds of these funds have been assessed on sustainability, of which 10 scored 'Basic'; 35 scored 'Avoid harm'; 20 scored 'Do better'; and 13 scored 'Do good'. The scores of Basic is not unexpected, as it has historically been more challenging to apply sustainability to alternative funds than to listed / traditional investment funds.

VLK highlights

During 2023, VLK have:

- Regularly encouraged the managers they work with to apply responsible investment policies and engage themselves into dialogue with the companies they are investing in. VLK engaged with over 200 managers on over 600 products regarding sustainability and stewardship.
- Researched over 300 sustainability focused products across all asset classes.
- Approved 12 new strategies with the highest sustainability rating ('Do good') for use in client portfolios.
- Rejected or downgraded 25 strategies based significantly on sustainability concerns.
- Introduced minimum standards on climate, modern slavery and engagement reporting for asset managers.
- Collaborated with an external asset manager to integrate responsible investment into their listed real estate benchmark via inclusion of best-in-class selection of companies with high (MSCI) sustainability scores.
- Assessed a range of funds and indices that VLK use to target Sustainable Investment Goals (SDGs). Together with their clients, VLK determined whether these indices have met expectations and what gains they have generated in the sustainability arena.
- Made good progress with cutting VLK's own carbon emissions by 42% per full time employee (compared to 2019 baseline).
- Set more ambitious targets to decrease VLK's carbon footprint and to reduce carbon emissions via their discretionary assets under management, effective from 2024 onwards.
- Continued to put most of their efforts into energy transition – focusing in particular on their role as active owner, engaging on carbon emissions . VLK have also made strides in the food transition – particularly through the lens of preserving biodiversity and soil health. They did this by, among other things, putting in place an investment framework for biodiversity and engaging on this theme.
- Joined Nature Action 100, a newly created collaborative engagement initiative, where VLK are a participating investor in engagements with Novo Nordisk and Sysco Corporation.
- Continued it's involvement in industry initiatives, as members of PRI, GIIN (the Global Impact Investing Network), and ICGN (the International Corporate Governance Network).
- Remained signatories to the Dutch and UK Stewardship Codes.

Below are some specific engagement examples to demonstrate how VLK are monitoring and engaging with the Scheme's underlying managers with respect to stewardship and ESG criteria.

Engagement type	Broad discussion on climate policy and ESG integration
Manager	State Street Global Advisors
Funds/mandates involved	Multiple
Reason for engagement	SSGA answered in the annual sustainability questionnaire that they do not have a separate climate policy. VLK also noted their departure alongside several large asset managers from the Climate 100+ initiative.
Summary of discussion with manager	<p>It should be noted that there are limited opportunities to integrate climate related elements into their investment portfolios as they are one of the most pure index managers in the world. Nevertheless, in VLK's view SSGA has been conservative in not answering whether they have a climate policy. They have climate related objectives and have joined the Net Zero Asset Management (NZAM) initiative for example, and overall VLK believes SSGA does not lag behind their main competitors (BlackRock, Vanguard, Northern Trust). SSGA is willing to engage on stronger climate related disclosures, but has no appetite to engage on the content of transition plans. This appears to be driven by the wider organization for a variety of reasons, including laws within the U.S.</p> <p>SSGA have 14% of their assets in scope for Paris Aligned temperature rises, reflecting the indexing nature of the firm. With respect to climate engagement and voting it does not seem that SSGA is overly assertive, although they have started to use their director votes against companies lagging behind on the topic of climate disclosure.</p> <p>The firm increasingly offers bespoke voting to clients in certain ranges. We have asked SSGA how they voted on AGMs of ten different companies to understand their broader voting behavior better. We will continue our dialogue on climate policies with other index managers and then revisit SSGA on the topic.</p>
Conclusion	This meeting confirmed that it will be hard for VLK to influence the general stance on climate related topics of large asset managers such as SSGA. However VLK strongly believe that the largest part of sustainability integration in index products is realized by product design which includes index selection as well as the application of tailored voting policies. An example is the construction of the index equity fund that is used for VLK's clients which tracks the TPI Climate Transition Index.
Next steps	Investigate the application of a tailored voting policy for the SGA MPF - World TPI Climate Transition Index Equity Sub-Fund.

Engagement type	Engagement on ESG indices and potential fund alternatives
Manager	Legal & General Investment Management
Funds/mandates involved	Defensive Synthetic Equity Fund
Reason for engagement	Evaluating the possibility to move from non-ESG screened indices based approach to ESG screened indices. At the time of launch, liquidity in the ESG screened indices futures was insufficient.
Summary of discussion with manager	<p>The fund's equity exposure is based on a basket of futures, namely 70% S&P 500 and 30% EURO STOXX 50. This means the fund does not incorporate any of the VLK exclusion listed companies, and is a reason why the fund scored a 2 (Basic) on VLK's Sustainability Spectrum . At the time of launch (Q4 2021), liquidity of the futures on the ESG screened S&P 500 and EURO STOXX 50 indices was insufficient. In Q2 2023 VLK revisited the conversation with LGIM, and reconvened again in September 2023 to discuss the outcome.</p> <p>The most liquid ESG futures are the S&P 500 ESG and the STOXX Europe 600 ESG-X (the comparison EURO STOXX 50 vs STOXX Europe 600 ESG-X is not a like-for-like comparison, but the best comparison for this analysis). The analysis showed that only a very tiny fraction of contracts and exposure in the ESG screened indices was traded compared to the non-ESG screened indices. In the case of the S&P 500 0.025% of contracts and 0.02% of exposure, and in the case of the STOXX indices 1% of contracts and 0.4% of exposure.</p> <p>The substantially lower level of liquidity translates, according to LGIM, to an anticipated increase in implicit costs which would range from 2.5 basis points to 15 basis points (6x).</p> <p>Despite the relatively low level of liquidity in the ESG screened index futures, LGIM has still observed an improvement compared to when this was first discussed in 2021. This makes LGIM optimistic that liquidity will increase further and a shift to the ESG-screened indices should be re-evaluated again in the coming years.</p>
Conclusion	The insufficient improvement of liquidity in the ESG-screened index futures would result in a substantial increase in costs. VLK have therefore concluded LGIM should not be changing the underlying index for the fund in question.
Next steps	VLK and LGIM agreed to repeat the analysis in the coming years in order to re-evaluate.

Engagement type	Engagement on net-zero alignment
Manager	JP Morgan
Funds/mandates involved	Infrastructure Investment Fund
Reason for engagement	<p>JP Morgan is the manager of the global Infrastructure Investment Fund (IIF). The strategy was launched in 2007 and the current portfolio is well-diversified across sectors and industries. There were a couple of reasons why VLK started a dialogue with JP Morgan regarding their activities related to net-zero alignment: (1) infrastructure has historically been a carbon emission heavy sector, (2) the portfolio, being a fully-diversified infrastructure portfolio, has exposure to carbon emission heavy portfolio companies, (3) VLK have observed the emergence of carbon emission light or net zero aligned infrastructure funds in the market.</p>
Summary of discussion with manager	<p>Overall, JP Morgan was open and cooperative during the discussion. Furthermore, VLK gained a positive view of JP Morgan's general ESG framework.</p> <p><u>Diverse client base</u></p> <p>The IIF's client base is spread across the US, Europe and Rest of World (roughly a third each). This is important, because clients from different regions have different priorities. For European clients, the climate agenda ranks on top of the ESG agenda, while for US clients the social agenda ranks as most important. There is also a potential risk of misalignment with IIF investors from the oil and gas industry and a too progressive decarbonization agenda.</p> <p><u>Climate goals</u></p> <p>VLK believes that taking a long-term approach to investing in private infrastructure is essential, because these physical assets have a significant risk of becoming a 'stranded asset'. JP Morgan understands the potential risks of climate change for their portfolio companies, so make efforts to have transition plans in place for each portfolio company where it makes sense. Since no portfolio company is the same, these transition plans and associated implementation deadlines are tailored to each case individually. Furthermore, there are certain mid-stream assets (5% of the fund) or hydrocarbon exposure (25% of the fund) which are assumed to be written down in a 20-year period (but necessary during the transition), where it does not make sense to create a net zero commitment. As a result, the fund has not made a commitment to net zero.</p> <p><u>Integrating transition in flagship versus dedicated carve-out solution</u></p> <p>JP Morgan is managing one diversified, global infrastructure strategy according to, what they believe to be, best investment principles. Each asset, whether it is already carbon neutral today, or whether it needs to be transitioned to be ready for the future, has to meet JP Morgan's quality standards and have an attractive expected return. Furthermore, JP Morgan argues that investing only in 'new', carbon neutral solutions is not sufficient to tackle the transition. Transitioning existing assets can have a big impact and, therefore, JP Morgan will spend approximately USD 11 billion Capex on reducing carbon emissions of their existing assets in the coming years. Furthermore, gas utilities still play a vital role to ensure energy stability, and they rather retain those assets. JP Morgan made clear that they would not be following their competitors by launching a dedicated net-zero aligned product today and will stick to their 'one-strategy-approach' which has ESG factors integrated in to it.</p>
Conclusion	<p>VLK believe JP Morgan is serious in their efforts to position their investments and assets in the best possible way to remain relevant in a net-zero world, or the transition to that (even if it means that they write down terminal values in 20 years). It could be easier for JP Morgan to launch a carve-out product that only focuses on net-zero aligned investments, but VLK respects JP Morgan's decision to stick to their 'one-strategy-approach'. However, it comes with the disadvantage of not being able (yet) to aggregate all individual portfolio companies transition plans to a fund level. VLK are comfortable with JP Morgan's efforts to drive the transition to a net-zero world from the bottom-up, however they would like to see JP Morgan include more concrete fund level KPIs going forward.</p>
Next Steps	Maintain the dialogue and push for stricter target setting.

Stewardship – asset manager voting and engagement behaviour

The Shareholder Rights Directive (SRD II) and The UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest, and stress the importance of exercising shareholder voting rights effectively.

Via VLK's monitoring and engagement activities, the Trustees encourage all its asset managers to be engaged investors, and furthermore encourages the managers to report on these activities and to disclose information about responsible investing on their website and in their reporting.

The assets are invested in a diverse range of asset classes, however the intention of this section of the statement is to provide specific details of the voting and engagement behaviour of the equity managers who manage equity investments which have voting rights attached, as well as the engagement behaviour of the fixed income corporate bond managers. Alternative assets and government bonds are excluded.

While managers may have used proxy voters, the Trustees have not used proxy voting services themselves during the last 12 months.

EQUITY MANAGERS' RESPONSE

State Street World TPI Climate Transition Index Equity Fund

Question

Response

How many meetings were you eligible to vote at?	1,041
How many resolutions were you eligible to vote on?	15,686
What % of resolutions did you vote on for which you were eligible?	99.6%
Of the resolutions on which you voted, what % did you vote with management?	92.7%
Of the resolutions on which you voted, what % did you vote against management?	7.3%
Of the resolutions on which you voted, what % did you abstain from voting?	0.3%
In what % of meetings, for which you did vote, did you vote at least once against management?	54.6%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	Institutional Shareholder Services (ISS)
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	6.3%

Notes:

Votes of Abstain can be counted both as a vote of abstain but also as a vote against management and hence vote with management, vote against management and abstain from voting may add up to more than 100%.

Most significant votes: State Street World TPI Climate Transition Index Equity Fund

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Mitsubishi Corp.	Amazon.com, Inc.	Amazon.com, Inc.	Toyota Industries Corp.	Alphabet Inc.
Summary of the resolution	Report on Climate Change	Report on Climate Change	Recycling	Elect Director	Facility Safety
How you voted	For	Abstain	For	Against	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	n/a	n/a	n/a	No	n/a
Rationale for the voting decision	We supported the proposal as the company's disclosure on the topic can be enhanced in line with SSGA expectations and/or market practice.	We voted Abstain because the company provides some relevant disclosure on this topic although it could be enhanced to provide information on how the company approaches the topic of just transition and is assessing impacts to its workforce, supply chain, communities or other stakeholders as a result of actions to implement its climate strategy.	We consider there to be opportunity for Amazon to improve disclosure on managing plastics and packaging-related risks including on its strategy, oversight, and relevant metrics and targets used. A similar proposal in 2022 received over 48% support, which SSGA supported, and we do not believe Amazon has been sufficiently responsive in improving disclosure.	We voted against the election of the nominee due to overall board independence concerns, due to the lack of gender diversity on the board and due to concerns with the actions and oversight function of the board.	We supported the proposal as the company has been placed on OSHA's 'severe violator' list and an independent audit would help shareholders evaluate the effectiveness of the company's related policies and practices and management of potential risks.
Outcome of the vote	Rejected	Rejected	Rejected	Accepted	Rejected
Implications of the outcome e.g. were there any lessons learned and what likely future steps	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement

will you take in response to the outcome?					
On which criteria have you assessed this vote to be the "most significant"?	SH - Environmental Proposal	SH - Environmental Proposal	SH - Environmental Proposal	Director Election	SH - E&S Proposal

Northern Trust Emerging Markets SDG Screened Low Carbon Index

Question	Response
How many meetings were you eligible to vote at?	627
How many resolutions were you eligible to vote on?	5,338
What % of resolutions did you vote on for which you were eligible?	99%
Of the resolutions on which you voted, what % did you vote with management?	86%
Of the resolutions on which you voted, what % did you vote against management?	13%
Of the resolutions on which you voted, what % did you abstain from voting?	2%
In what % of meetings, for which you did vote, did you vote at least once against management?	45%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	ISS
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)	Not applicable

Notes:

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.

Most significant votes: Northern Trust Emerging Markets SDG Screened Low Carbon Index

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
Company name	Gold Fields Ltd.	Naspers Ltd.	CCR SA	Northam Platinum Holdings Ltd.	NEPI Rockcastle NV
Summary of the resolution	Approve Remuneration Implementation Report	Approve Remuneration Policy	Approve Remuneration of Company's Management	Approve Remuneration Policy	Approve Remuneration Implementation Report
How you voted	Against	Against	Against	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	Yes	No	No	No
Rationale for the voting decision	Chris Griffith, former CEO, received a substantial ex-gratia payment without a compelling rationale upon departure, in addition to his two-year notice period.	The remuneration policy included elements in the long-term incentive plans which are not based on pre-determined performance targets, and which vest after only one year from grant.	Northern Trust had concerns of problematic pay practices, and lack of transparency around such payments.	The severance provisions for Executive Directors upon a change of control and in the case of good leaver status continue to depart from best market practice.	The Board continued to apply upward Board discretion on the formulaic bonus outcomes, with limited information to support its appropriateness. It is further noted that the FY2022 bonus awards are significantly higher than the prior year payouts.
Outcome of the vote	Rejected	Accepted	Accepted	Rejected	Rejected
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in	Northern Trust Asset Management (NTAM) considers each vote on a case-by-case basis, monitoring management's responsiveness to minority	NTAM considers each vote on a case-by-case basis, monitoring management's responsiveness to minority shareholder concerns in the case of high dissent.	NTAM considers each vote on a case-by-case basis, monitoring management's responsiveness to minority shareholder concerns in the case of high dissent.	NTAM considers each vote on a case-by-case basis, monitoring management's responsiveness to minority shareholder concerns in the case of high dissent.	NTAM considers each vote on a case-by-case basis, monitoring management's responsiveness to minority shareholder concerns in the case of high dissent.

response to the outcome?	shareholder concerns in the case of high dissent.				
On which criteria have you assessed this vote to be the "most significant"?	Remuneration – Vote against management	Remuneration – Vote against management	Remuneration – Vote against management	Remuneration – Vote against management	Remuneration – Vote against management



VAN LANSCHOT
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