

# Engagement Policy Implementation Statement (“EPIS”)

## Kuehne + Nagel RH Scheme (the “Scheme”)

### Scheme Year End – 31 August 2023

The purpose of the EPIS is for us, the Trustees of the Kuehne + Nagel RH Scheme, to explain what we have done during the year ending 31 August 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How the Trustees have exercised their voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

#### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In the Trustees view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by their managers align with the Trustees’ stewardship expectations. However, there are areas where the Trustees would like to see additional details, as set out in our engagement action plan.

The Trustees delegate the management of the Scheme’s assets to their fiduciary manager, Aon Investments Limited (“Aon”) and are comfortable with the management and the monitoring of ESG integration and stewardship of the underlying managers that Aon has carried out on their behalf.

## How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the Trustees' policy. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose adequate evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, the Trustees monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, the Trustees received quarterly ESG ratings from Aon for the funds the Scheme is invested in where available.

Each year, the Trustees review the voting and engagement policies of the Scheme's investment managers to ensure they align with their own policies for the Scheme and help the Trustees to achieve them.

The Scheme's stewardship policy can be found in the SIP: <https://uk.kuehne-nagel.com/-/legal-information>

## Our Engagement Action Plan

Some of the Scheme's underlying managers were not able to provide all the information requested, we have decided to take the following steps over the next 12 months:

1. While LGIM provided comprehensive list of its fund level engagements, which we find encouraging, these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group ("ICSWG") best practice industry standard engagement reporting guide. Our fiduciary manager, Aon, will continue to engage with the manager to encourage better reporting.
2. Marshall Wace confirmed that it engaged at a firm level, but did not provide any engagement data requested beyond a case study of its engagement. Our fiduciary manager, Aon, has opened an engagement with Marshall Wace to better understand its engagement practices and discuss the areas which are behind those of its peers.
3. We will invite our fiduciary manager to a meeting to get a better understanding of how it is monitoring voting practices and engaging with underlying managers on our behalf, and how these help us fulfil our Responsible Investment policies.
4. We will undertake more regular meetings with our fiduciary manager if required, to ensure our fiduciary manager is using its resources to effectively influence positive outcomes in our relevant funds.

## What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

## Fiduciary manager's engagement activity

The Trustees delegate the management of the Scheme's defined benefit assets to their fiduciary manager, Aon. Aon manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and liability matching funds. Aon selects the underlying investment managers on our behalf.

The Trustees delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. The Trustees have reviewed Aon's latest annual Stewardship Report and believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code.

### What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

## Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment manager to responsibly exercise its voting rights.

### Voting statistics

The table below shows the voting statistics for the Scheme's material fund with voting rights. Managers collate voting information on a quarterly basis. The voting information provided is for the year to 30 June 2023 which broadly matches the Scheme year.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - Multi-Factor Equity Fund	11,596	99.9%	20.7%	0.1%

Source: Manager

### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's manager uses proxy voting adviser.

	Description of use of proxy voting adviser (in the manager's own words)
Legal and General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Manager

### Significant voting example

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's equity holding investment manager to provide a selection of what it considers to be the most significant votes in relation to the Scheme's fund. A sample of this can be found in the appendix.

### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN PRI

### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
LGIM - Multi-Factor Equity Fund	279	1,224	Environment - Climate change Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Remuneration
Marshall Wace Llp ("MW") - Market Neutral ESG TOPS Fund			<i>Not provided</i>
MW - Global Opportunities Fund			
Boussard & Gavaudan ("BG") Fund <sup>1</sup>	20	20	Environment - Climate change, Pollution, Waste Social - Human capital management Governance - Board effectiveness – Independence or Oversight, Shareholder rights Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting) Other - Exit of Russian assets

Source: Managers.

<sup>1</sup>The investment manager confirmed that BG Fund is the flagship fund, hence all the firm activity is focused on this Fund.

## Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund-level engagement information but not in line with the best-practice industry standard ICSWG engagement reporting guide.
- MW did not provide any engagement data requested, although the manager confirmed that it engaged at a firm level and provided a case study of this engagement.

We note that no engagement/voting data is reported for the Scheme's alternative investments (accessed through Aon's Diversified Alternatives Strategy and Opportunities Strategy). This is because stewardship (including voting and engagement) is not relevant to the asset classes invested in through these funds (including currencies, gold and insurance-linked securities).

This report does not include commentary on certain asset classes such as liability driven investments/gilts or cash because of the limited materiality of stewardship to these asset classes. Further this report does not include the

additional voluntary contributions (“AVCs”) due to the relatively small proportion of the Scheme’s assets that are held as AVCs.

## Appendix – Significant Voting Example

In the table below is an example of a significant vote as provided by the Scheme's equity holding manager. We consider a significant vote to be one which the manager considers significant.

<b>LGIM - Multi-Factor Equity Fund</b>	<b>Company name</b>	Alphabet Inc.
	<b>Date of vote</b>	02-Jun-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.7%
	<b>Summary of the resolution</b>	Approve Recapitalization Plan for all Stock to Have One-vote per Share
	<b>How you voted</b>	For (against management recommendation)
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	<b>Rationale for the voting decision</b>	Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.
	<b>Outcome of the vote</b>	Fail
	<b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

Source: Manager