Grosvenor Pension Plan
Implementation Statement

From 1 January 2022 to 31 December 2022

GROSVENOR

REPORT

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GROSVENOR

STATEMENT

Implementation Statement covering the Plan Year from 1 January 2022 to 31 December 2022

The Trustees of the Grosvenor Pension Plan (the "Plan") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles ("SIP") during the Plan Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1 Introduction

No changes were made to the voting and engagement policies in the SIP during the Plan Year. The last time these policies were formally reviewed was in September 2020 to reflect the Trustees' policies in relation to Responsible Investment and Environmental, Social and Governance matters.

The Trustees have, in their opinion, followed the Plan's voting and engagement policies during the Plan Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Plan's existing managers and funds over the Plan Year, as described in Section 2 (Voting and engagement) below.

2 Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The investment managers' policies (for those who hold listed equities) can be found here:

- BlackRock: BlackRock - policies on voting rights and engagement
- JP Morgan: JP Morgan - policies on voting rights and engagement
- Abrdn: Abrdn - policies on voting rights and engagement

However, the Trustees take ownership of the Plan's stewardship by monitoring and engaging with the managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement. This included the selection of a new LDI (liability driven investment) and short dated credit manager in July 2022.

At the May 2022 Investment Sub-Committee ("ISC") meeting the Trustees reviewed LCP's responsible investment scores for the Plan's existing managers and funds, along with LCP's qualitative responsible investment assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022.

The Trustees were satisfied with the results of the review for the majority of the Plan's managers / funds except for Alcentra, who manage the Plan's illiquid credit mandate. It was noted that Alcentra scored below average in the survey. Furthermore it was noted that Alcentra had not (at that point in time) signed up to the UK Stewardship Code or the Net Zero Asset Managers Initiative – two frameworks that the Trustees encourage its investment managers to sign up to.

The Trustees wrote to Alcentra outlining their expectations of them in relation to Responsible Investment. Following Alcentra's response to this the Trustees were broadly satisfied.

At the November 2022 ISC the Trustees received training from LCP on the DWP's new stewardship guidance. The Trustees agreed to set Climate Change as their stewardship priority, to focus engagement with their investment managers on this specific ESG factor. This priority will be reviewed on a regular basis and may be expanded to further priorities over time.

The Trustees intend to communicate this priority to their investment managers next year alongside their broader expectations of them in relation to responsible investment.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3 Description of voting behaviour during the Plan Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Plan Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Plan's funds that hold equities as follows:

- BlackRock ACS World Low Carbon Equity Tracker Fund
- BlackRock Aquila Life UK Equity Index Fund
- BlackRock Aquila Life World ex-UK Equity Index Fund (GBP hedged)
- JP Morgan Emerging Markets Fund
- Abrdn Diversified Growth Fund

In addition to the above, the Trustees contacted the Plan's asset managers that do not hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the Plan Year. Commentary provided from these managers is set out in Section 3.4.

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which its managers have in place.

BlackRock

BlackRock's voting guidelines are market-specific to ensure BlackRock consider a company's unique circumstances by market, where relevant. BlackRock inform their vote decisions through research and engage as necessary. Their engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that BlackRock believe could impact the long-term sustainable financial performance of companies in those markets.

BlackRock determines which companies to engage directly based on their assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of their engagement being productive. Their voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, considering a company's unique circumstances where relevant. BlackRock inform their vote decisions through research and engage as necessary.

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

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

JP Morgan

JP Morgan investment professionals monitor the corporate actions of the companies held in their clients' portfolios. JP Morgan has developed a Corporate Governance Policy & Voting Guidelines (the "Guidelines") which is intended to assist their investment professionals in determining how to vote on behalf of their clients.

JP Morgan treats every proxy on a case-by-case basis, voting for or against each resolution, or actively withholding our vote as appropriate. JP Morgan's objective is to vote proxies and encourage corporate action that enhances shareholder value and is in the best interest of their clients.

To assist JP Morgan investment professionals with public companies' proxy voting proposals, JP Morgan retains the services of ISS, a proxy voting services advisor. As part of this service, ISS makes recommendations on each board resolution requiring a shareholder vote. While JP Morgan take note of these recommendations, they are not obliged to follow them if they have a contrary view; portfolio managers vote according to JP Morgan's own Guidelines and their own research insights.

Abrdn

Abrdn has developed its own listed company stewardship guidelines that provide a framework for investment analysis, engagement and proxy voting for companies worldwide. Analysis is undertaken by a member of Abrdn's regional investment teams or their Active Ownership team and votes instructed following consideration of their policies, views of the company and investment insights. To enhance this analysis Abrdn may engage with a company prior to voting to understand additional context and explanations, particularly where there is deviation from what Abrdn believe to be best practice.

Abrdn employ ISS as voting service provider to deliver their voting decisions efficiently to companies. ISS is a reputable provider of proxy voting platform Proxy Exchange, which is used to monitor upcoming meetings, instruct vote decisions and provide reporting on their voting activities. ISS provides general meeting research, analysis and voting recommendations based on its own policies. Abrdn have also implemented their own customised regional voting policies which reflect Abrdn guidelines and expectations. When reviewing general meeting proposals, Abrdn make use of the ISS research and recommendations alongside their custom recommendations and own analysis.

When analysing UK companies, Abrdn also access the research provided by the Institutional Voting Information Service (IVIS) which uses the guidelines of the Investment Association (IA) as the basis of their research.

3.2 Summary of voting behaviour over the Plan Year

A summary of voting behaviour over the Plan Year is provided in the table below.

Fund name	Emerging Markets Fund	Diversified Growth Fund	ACS World Low Carbon Equity Tracker Fund	Aquila Life UK Equity Index Fund	Aquila Life World ex UK Equity Index Fund (GBP Hedged)
Manager name	**JP Morgan**	**Abrdn**	**BlackRock**	**BlackRock**	**BlackRock**
Total size of fund at end of the Plan Year	£2.5bn	£0.4bn	£5.5bn	£2.7bn	£0.9bn
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£21.0m / 6.2%	£49.0m / 14.5%	£51.9m / 15.3%	£3.8m / 1.1%	£22.3m / 6.6%
Number of equity holdings at end of the Plan Year	63	571	915	582	2,095
Number of meetings eligible to vote	116	605	958	1,087	2,202
Number of resolutions eligible to vote	971	8,561	13,468	14,904	27,494
% of resolutions voted	100	98	94	96	91
Of the resolutions on which voted, % voted with management	92	86	94	94	92
Of the resolutions on which voted, % voted against management	7	13	5	5	7
Of the resolutions on which voted, % abstained from voting	1	1	0	1	0
Of the meetings in which the manager voted, % with at least one vote against management	27	62	29	27	31
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	1	9	0	0	0

How to interpret these statistics:

1. *The managers voted in the vast majority of situations where they had the opportunity to vote (>90%). It would not be considered good stewardship if managers were failing to exercise a significant proportion of the votes.*
2. *The managers abstained very rarely. It is consistent with good stewardship to take a clear view on one side of an issue or another.*
3. *The managers were prepared to vote against management to varying degrees, with Abrdn the most vocal in voting against management (13% of the time) and Blackrock the least (5% of the time).*

4. *It is difficult to set a clear benchmark for expectations for the proportion of votes at which a manager opposed management, as the details of the resolution matter and these vary greatly.*
5. *Compared to last year, JP Morgan and Abrdn increased the percentage of resolutions they voted, and also the percentage of resolutions where they voted against management. BlackRock's percentage of resolutions decreased slightly.*

3.3 Most significant votes over the Plan Year

Commentary on the most significant votes over the Plan Year, from the Plan's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting a minimum of ten most significant votes from each relevant investment manager, and suggested the managers could use the PLSA's criteria for creating this shortlist.

The Trustees have then used their discretion to choose a selection of "most significant vote" resolutions from those provided by each manager, aiming to provide a broad range of example resolutions that the Plan's investment managers voted on during the Plan Year. In particular the Trustees have sought to include at least one resolution from each fund related to Climate Change, in line with our decision to set this as our key stewardship priority for the Plan. We have summarised how the investment managers voted on during the Plan Year below.

The Trustees have reported on one / two of these significant votes per fund only as the most significant votes.

BlackRock

BlackRock Investment Stewardship team periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that BlackRock consider, based on their Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain each voting decision, including the analysis underpinning it and relevant engagement history when applicable, on certain high-profile proposals at company shareholder meetings. BlackRock make this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. The vote bulletins contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

The "most significant" votes outlined below cover examples across a range of BlackRock's equity funds in which the Plan was invested over the period. Further information on BlackRock's voting can be found here.

Company	Date of vote	Summary of the resolution	For / Against	Rationale for the voting decision
Costco Wholesale Corporation	Jan 2022	1) Elect Director Hamilton E. James 2) Report on GHG Emissions Reduction Targets	1) For 2) Against	BlackRock voted for the re-election / against the shareholder resolution because it believes that Costco was responsive to shareholder feedback on setting Scope 1 and Scope 2 GHG emissions reductions targets and is making efforts to address Scope 3. BlackRock considered voting against the re-election of the Director and for the shareholder resolution on GHG emission reduction targets. However following engagement in the run-up to the shareholder meeting Costco published new quantitative targets for GHG emissions reductions and committed to further disclosures on their decarbonisation strategy in December 2022. Furthermore BlackRock felt the shareholder proposal to include reduction targets across the "full value chain" by July 2022 within such a short timeframe is beyond its current expectations for this type of disclosure at this company.
Shell Plc.	May 2022	1) Approve the Shell Energy Transition Progress Update 2) Request Shell to set and Publish Targets for GHG emissions	1) For 2) Against	BlackRock supported the first (management) proposal in recognition of the company's disclosed energy transition plan to manage climate-related risks and opportunities and the company's progress against this strategy. BlackRock considers Shell to be an industry leader on the management, oversight and disclosure of climate-related risks and opportunities. BlackRock did not support the second (shareholder) proposal because it believes that it is not additive to Shell's Energy Transition Strategy and that the company's ability to set absolute short-and medium-term scope 3 emissions reduction targets is impeded by the current uncertainty around the pace of declines in oil and gas demand as well as energy security considerations.
Monster Beverage Corporation	June 2022	Report on the Company's Plans to Reduce GHG Emissions	For	BlackRock recognises the enhancements Monster Beverage has made to their climate-related disclosures over the last two years. However, it supported the shareholder proposal (against management recommendations) 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.

Company	Date of vote	Summary of the resolution	For / Against	Rationale for the voting decision
Barclays Plc	May 2022	Approve Barclays' Climate Strategy, Targets and Progress 2022	For	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. BlackRock does, however, believe there are areas where the company could enhance its disclosure.

Abrdn

Abrdn view all votes as significant and vote all shares globally for which they have voting authority unless there are significant voting obstacles such as shareblocking. Abrdn have identified five categories they consider as most significant. In order of importance, these categories are: High Profile Votes, Shareholder and Environmental & Social Resolutions, Engagement, Corporate Transactions, and votes contrary to custom policy. Members of their Central ESG Investment Function carry out monthly reviews to identify and categorise significant votes.

Company	Date of vote	Summary of the resolution	For / Against	Rationale for the voting decision
General Mills, Inc.	Sept 2022	Report on Absolute Plastic Packaging Use Reduction	For	Abrdn believes environmental impacts of plastic are a growing societal concern, with regulators taking action in multiple jurisdictions. While the company's targets on recycled packaging are strong, information on absolute plastic packaging would help shareholders to better assess potential risks and competitive positioning.
KLA Corporation	Nov 2022	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For	Most of the Company's GHG emissions come from Scope 3 emissions, but it has yet to set a target for reducing Scope 3 emissions. Abrdn believes the Company also lags its peers by not participating in the SBTi. While the Company is in the process of developing a decarbonisation strategy for its Scope 3 emissions, there is no guarantee that this strategy would be in line with the Paris Agreement. As such, Abrdn believes the proposal will help make sure that the Company's climate transition plan is aligned with the Paris Agreement.

JP Morgan

JP Morgan define "significant" votes where they are a major shareholder in its portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for clients.

Company	Date of vote	Summary of the resolution	For / Against	Rationale for the voting decision
Tencent Holdings Limited	May 2022	1) Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights 2) Authorize Reissuance of Repurchased Shares	1) Against 2) Against	JP Morgan voted against the resolutions due to concerns over the issuance limits, and concerns over dilution.
Wuxi Biologics (Cayman) Inc.	June 2022	Elect Yanling Cao as Director	Against	JP Morgan voted against the director selection due to concerns about overall board independence.

3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Plan's asset managers which don't hold listed equities, but invest in assets that had voting opportunities during the Plan Year:

Alcentra

As lenders, Alcentra typically does not participate in voting, but where it does have a representative on the board Alcentra would exercise its influence through such roles. In the limited occasions where Alcentra has equity holdings, it will engage with the management team directly as well as via the board.

Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where Alcentra has minority equity interests in deals it frequently isn't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without its participation in any event. Alcentra's rights are also usually limited to certain minority protections. Where Alcentra owns companies it exercises control by including language in the deal documentation requiring the board to seek investor consent for matters that it wants to approve as the manager. This is usually done via the Alcentra investor representative on the board (where relevant) rather than having a formal shareholder vote. Where voting rights exist, Alcentra will utilise these to demonstrate its support for initiatives that benefit its end investors in accordance with a firm-wide commitment to furthering the development of ESG and honouring its position as signatories to bodies such as UN PRI and TCFD.

IFM

With regards to the voting and engagement activities between the Global Infrastructure Fund ("GIF") and the underlying portfolio companies, the underlying holdings of GIF are private equity investments rather than public market listed equities. IFM's influence on such investments is made directly by IFM through IFM's Board representation on the underlying portfolio companies rather than through any form of proxy voting.

IFM does however currently hold listed exposures in Atlas Arteria, Vienna Airport and Naturgy Energy. IFM has provided the following response when asked whether it is working towards providing information on most significant votes given that it holds listed assets.

"Even for the listed assets in GIF, we hold board seats. Consequently, we do not need to vote our shares to influence the board; a senior executive in IFM's Infrastructure Team is on the board. This ensures we follow an active ownership style. IFM has two board seats on the Vienna Airport Supervisory Board – Lars Bespolka (Executive Director, IFM Infrastructure Team) and Boris Schucht (IFM nominee, CEO of 50Hertz). Jaime Siles Fernandez-Palacios(Investment Director, IFM Infrastructure Team) serves on the Board of Naturgy and Ken Daley (IFM Adviser) serves on the Board of Atlas Arteria."

M&G

As the M&G Alpha Opportunities Fund is a Fixed Income fund, proxy voting is not applicable for it. M&G was, however, able to participate in "Consent for Solicitations" votes which relate to voting regarding terms of the underlying bonds itself within the period of review. M&G was also able to provide the following information on its voting process more generally.

M&G will only abstain from a resolution where information is lacking; where proposals do not meet expectations but the company has made or promised changes that it is believed will significantly improve the position; or where M&G has not had sufficient opportunity to discuss its concerns with the company.

M&G takes into account its voting policy, company specific information and the extent to which it has been able to obtain any additional information required to make an informed decision. It will vote against proposals that compromise its clients' interests. Investee company policies, arrangements and disclosures that fall short of its voting guidelines and the standards of the local market will typically be voted against. Policies, arrangements that fall short of its voting policies, but which reflect usual practice in the local market, will typically be supported.

M&G seeks to discuss any contentious resolutions with company managements before casting its votes, in order to ensure that its objectives are understood. However, M&G considers it unnecessary to inform investee companies ahead of meetings of routine capital management resolutions that we typically oppose as its position is clearly disclosed.

Any shares on loan may be recalled whenever there is a vote on any issue affecting the value of shares held, or an issue deemed to be material to client interests.

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