

# Implementation Statement

## The AIG Pension Plan

### Plan year ended 5 April 2023

#### Purpose of the Implementation Statement

This Implementation Statement has been prepared by the Trustees of the AIG Pension Plan ("The Plan") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 5 April 2023\*.

\* The investment managers only report voting and engagement data quarterly, therefore data is provided to 31 March 2023 as opposed to the Plan year end date of 5 April 2023.

#### Investment manager and funds in use

The investment managers and funds in which the Plan was invested as at 5 April 2023 are set out in the table below:

Manager	Fund	Asset Class
Baillie Gifford & Co Limited ("Baillie Gifford")	Baillie Gifford Diversified Growth Fund	Diversified Growth
GMO Investment Management ("GMO")	GMO Global Real Return (UCITS) Fund	Diversified Growth
	LGIM UK Treasury Bills Fund	UK Treasury Bills
	LGIM AAA-AA-A Bonds-All Stocks Index	Corporate Bonds
Legal & General Investment Management ("LGIM")	LGIM Buy and Maintain Credit Fund	Credit
	LGIM Gilts Portfolio	Gilts

#### How voting and engagement policies have been followed

The Plan invests partially in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Plan's fund managers. The Plan's only non-pooled investment is in gilts, where neither voting nor engagement are relevant considerations.

The Trustees previously undertook an initial review of the stewardship and engagement activities of the current managers and were satisfied that their policies were reasonable, and no remedial action was required at that time.

Further information about the managers' ESG and stewardship policies and engagement activities were collected and reviewed alongside the preparation of this Statement.

Annually the Trustees receive and review voting information and engagement policies from the asset managers, which they review to ensure alignment with their own policies. This exercise was undertaken in July 2023 and the Trustees are comfortable the actions of the fund managers are in alignment with the Plan's stewardship policies.

## Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 5 April 2023 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in November 2022. Following the implementation of the new strategy, the Trustees are currently in the process of updating the Plan's SIP.

The Trustees have delegated the exercise of rights attached to the investments, including voting rights, and in undertaking engagement activities to the Plan's investment managers. At this time, the Trustee has not set stewardship priorities / themes for the Plan but will have an opportunity to consider these to the extent that they wish in due course. The SIP will then be updated to reflect any agreed objectives pertaining to stewardship.

## Voting Data

The table below contains the information gathered for the voting behaviour over the year for the Plan's growth assets which convey voting rights.

Manager	Baillie Gifford	GMO
<b>Fund name</b>	Diversified Growth Fund	Global Real Return (UCITS) Fund
<b>Structure</b>	Pooled	
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
<b>Number of company meetings the manager was eligible to vote at over the year</b>	97	1577
<b>Number of resolutions the manager was eligible to vote on over the year</b>	1,061	17,676
<b>Percentage of resolutions the manager voted on</b>	97.93%	95.70%
<b>Percentage of resolutions the manager abstained from</b>	0.96%	0.20%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	95.77%	88.02%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	3.27%	11.78%
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor</b>	n/a	0.51%

## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. Given at this time the Trustees have not set stewardship priorities / themes for the Plan, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

### Baillie Gifford Diversified Growth Fund

Baillie Gifford provided data on several votes. Votes relating to three different companies are shown below as an indicative sample. Further information is available in their website (<https://www.bailliegifford.com/en/uk/institutional-investor/esg>) or on request:

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Duke Realty Corporation	CBRE Group Inc.	Booking Holdings Inc.
<b>Date of vote</b>	28/09/2022	18/05/2022	09/06/2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	14.95%	6.22%	5.81%
<b>Summary of the resolution</b>	Remuneration	Governance	Remuneration
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	No	No
<b>Rationale for the voting decision</b>	Baillie Gifford opposed the advisory proposal to approve executive compensation to be paid in connection with the company merger due to concerns regarding single trigger provisions and the introduction of excise tax gross-ups in connection with severance payments.	Baillie Gifford opposed a shareholder resolution to lower the threshold for shareholders to call a special meeting as they consider that the existing threshold is appropriate.	Baillie Gifford opposed executive compensation due to concerns with adjustments made to the plan and the granting of retention awards.
<b>Outcome of the vote</b>	Fail	Fail	Fail
<b>Implications of the outcome</b>	While Baillie Gifford were supportive of the proposed merger with Prologis, they were uncomfortable with the compensation arrangements planned for Duke Realty NEOs	Baillie Gifford opposed the shareholder resolution as they were comfortable with the current 25% threshold in place and do not believe that lowering it would be	Baillie Gifford engaged with the company in advance of the AGM, specifically discussing executive compensation. They outlined their concerns that the adjustments to executive pay

	Vote 1	Vote 2	Vote 3
	<p>in connection with the merger and therefore opposed this resolution, which ultimately received 91.64% dissent from shareholders. Baillie Gifford unsuccessfully attempted to engage the company on its approach to compensation at this year's AGM and will continue their efforts to do so going forward.</p>	<p>reasonable. Ahead of voting, they had an engagement call with the company to discuss the proposed agenda. They were satisfied to learn about the company's efforts to engage with their holders, including the proponent, who according to the company, did not have any particular concerns over CBRE but backs a lower threshold out of principle. They intend to follow up with the company later in a year to speak about governance developments.</p>	<p>and the special payments do not align with shareholders' experience or provide appropriate incentives for management. Following that engagement, Baillie Gifford decided to oppose the executive compensation resolution and communicated their decision to the company. Baillie Gifford intend to re-engage with the company to learn how it intends to respond to the vote outcome and shareholders' concerns.</p>
<b>Criteria on which the vote is considered "significant"</b>	The resolution is significant because it received greater than 20% opposition.	The resolution is significant because it received greater than 20% opposition.	The resolution is significant because it received greater than 20% opposition.

### GMO Global Real Return (UCITS) Fund

GMO has not provided specific examples of significant votes. The fund takes investment exposures from a number of underlying GMO investment teams. As such GMO believes it is difficult to meaningfully determine "significant" votes at the portfolio level. As the Trustees' investment consultant, Barnett Waddingham will continue to consider the data that GMO can provide with a view to improve their disclosures where possible in future.

## Fund level engagement

The Trustees believe that good stewardship helps create and preserve value for companies and markets as a whole. The table below sets out some high-level information on the managers' respective engagement approaches. Engagement activities are limited for the Plan's gilt and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Baillie Gifford*	GMO	LGIM	
<b>Fund name</b>	Diversified Growth Fund	Global Real Return (UCITS) Fund	AAA-AA-A Bonds-All Stocks Index	Buy & Maintain Credit Fund
<b>Does the manager perform engagement on behalf of the holdings of the fund</b>	Yes	Yes	Yes	Yes
<b>Has the manager engaged with companies to influence them in relation to ESG factors in the year?</b>	Yes	Yes	Yes	Yes
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	30	1232	54	86
<b>Number of engagements undertaken at a firm level in the year</b>	1255	Data not provided		1088

\*Baillie Gifford only able to provide engagement data for the year to 31 December 2022.

## Examples of engagement activity undertaken over the year to 31 March 2023

Manager and Fund	Example of engagements undertaken
<b>Baillie Gifford</b> Diversified Growth Fund	<p>Baillie Gifford met with Iberdrola, an electricity generation and transmission company in Spain which operates in the renewable energy sector, as well as wholesale electricity and gas markets. Iberdrola was set as an engagement priority due to being a top five contributor to portfolio carbon emissions. The purpose of this meeting was to gain insight into how the company monitors and manages sustainability risk and advise the company of Baillie Gifford's expectations regarding the management of such risks.</p> <p>The critical aspects of Iberdrola's sustainability report were discussed as well as the group's risk management approach. Baillie Gifford's controversy monitoring made them aware of several contentious issues in Mexico relating to the environmental impact of operations. This conversation helped Baillie Gifford to understand the challenges faced by the company in this environment with them highlighting that the concerns raised were driven by political challenges in the country. This engagement enabled them to update their proprietary ESG materiality assessment of the company and identify a number of ESG milestones to monitor, which included the timely publication of a credible sustainability report. Baillie Gifford were encouraged by Iberdrola's commitment to disclosure and transparency.</p>
<b>LGIM</b> All funds	<p>LGIM considers BP, as one of the world's largest oil and gas companies, has a significant role to play in the energy transition. LGIM have been engaging with BP for many years on this topic, co-leading on the CA100+ initiative, and in their 2022 AGM they were able to support management's 'Net Zero – from ambition to action' report. Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope to 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. LGIM has some areas of concern and remains committed to continuing their constructive engagements with BP on its strategy and the implementation thereof, with a focus on both its 'downstream' targets and approach to exploration and responsible divestment.</p>

No examples of engagement were provided by GMO.

## Strategy Review

Over the year the trustees agreed to a change in investment strategy. This included the transfer of all of the Plan's segregated gilt holdings with AIG to LGIM's single-stock gilt pooled funds, and an investment into the LGIM Buy and Maintain Credit Fund.

## Plan Governance

The Trustees are responsible for making investment decisions, and seeks advice as appropriate from Barnett Waddingham LLP, as the Trustees' investment consultant.

## Statement of Investment Principles

The Statement of Investment Principles was last updated in November 2022. The Trustees are currently in the process of updating the Statement of Investment Principles to account for the new strategy.

## Non-financially material considerations

The Trustees' policy is to not take account of non-financially material considerations in setting the Plan's investment strategy. Therefore, this has not been considered over the year. The Trustees intend to review this policy over time.

**Prepared by the Trustees of the AIG Pension Plan**

**August 2023**