

Arup UK Pension Scheme

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the year to 31 March 2024. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustees' primary objectives are as follows:

- To ensure that sufficient assets are available to pay members' benefits as and when they arise;
- To achieve full funding on the Technical Provision ("TP") basis by 2032 in line with the agreed recovery plan. The Trustees and Sponsor are in the process of considering the longer term plan for the Scheme beyond this target.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. This policy was implemented in February 2021, appended to the SIP. Both the Belief Statement and SIP were last reviewed in February 2024, to set out the Trustees' key stewardship and engagement priorities, to reflect a rebalancing step taken in October 2023, which comprised terminating the Wellington Absolute Return Bonds mandate and using the proceeds to top up the LDI fund, and to include the current LDI portfolio collateral waterfall framework that was implemented in 2023 to help efficiently manage the LDI collateral. In the view of the Trustees, the SIP has been followed during the year to 31 March 2024.

As set out in the SIP and Belief Statement, the Trustees believe that ESG factors, including climate change, may have a financially material impact on investment risk and return outcomes over the time horizon of the Scheme, and that these factors should be taken into account in the selection, retention and realisation of investments. The Trustees believe that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

In order to establish these beliefs and produce their policy, the Trustees undertook investment training provided by their investment consultant, Mercer Limited, on responsible investment ('RI') issues which covered ESG factors, stewardship, climate change and ethical investing. In

order to ensure both the policy and beliefs remain appropriate and up-to-date, the Trustees are continuously provided with training. Over the year, this included sessions covering:

- Taskforce on Climate-related Financial Disclosures ('TCFD') framework. Whilst the Scheme was not required to report in line with the TCFD framework at the time of writing (due to its size), the Trustees agreed to target full compliance as soon as practically possible. Over the year, the Trustees were provided with the following:
 - Training and proposal around the Trustees' key stewardship and engagement priorities and a summary of current managers policies and views;
 - Analysis on portfolio climate metrics and decarbonisation targets;
 - A draft version of the TCFD Statement with data and metrics;
 - Progress on the Responsible Investment Total Evaluation ('RITE') score, which covered a broad assessment of the Scheme's ESG integration throughout the investment process, and progression compared to Mercer clients.

Further details can be found in the Engagement section of this Statement.

The following section sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Engagement

The Trustees consider the following activities to be relevant in terms of how they followed their engagement policy over the reporting period.

- As part of its quarterly review of investment performance, the Trustees receive reporting from their investment consultant including ratings (both general and specific to ESG factors) for its investment managers. This reporting includes a comparison of manager ESG ratings against their peer group. In the vast majority of cases, the Scheme's investment managers had better ESG ratings (as determined by the investment consultant) than the average of their respective peer groups over the reporting period.
- The Trustees meet regularly with their investment managers via the Investment Sub-Committee. At these meetings, managers are asked to provide a number of strategy and firm updates, including the integration of ESG and climate change into the investment process and voting and engagement activities. As part of this, the Trustees will challenge decisions that appear out of line with the Scheme stated objectives and/or policies. Over the year to 31 March 2024, the Trustees met with LGIM, Nordea, and Barings, and discussed their engagement activities as part of the presentations.
- The Trustees produced a carbon footprint and intensity analysis during the reporting period based on the Scheme's asset allocation. This will assist them in engaging with investment managers where the carbon intensity is higher than expected (which is relevant as decarbonisation is a key engagement priority).
- The Trustees produced a draft TCFD Statement which outlines how the Trustees have established and maintained oversight and processes to satisfy that the climate-related risks and opportunities, which are relevant to the Scheme, are appropriately

considered by all stakeholders involved in the day-to-day management of the Scheme. Furthermore, the TCFD statement established which targets the Trustees agreed to adopt in the context of the Scheme’s portfolio and TCFD framework, including consideration of the appropriate time horizon and selection of key metrics and specific investment managers to monitor the targets against.

- The Trustees requested that the Scheme’s investment managers confirm compliance with the principles of the UK Stewardship Code, and all current investment managers have confirmed that they are currently signatories.
- The Trustees also requested details of relevant engagement and voting activity for the year from the Scheme’s investment managers.

Monitoring Engagement Activity

Updated guidance was provided by the DWP in June 2022, which required Trustees to define and report on significant votes that are linked to their key stewardship themes / priorities when drafting the Implementation Statement.

The Trustees have the following key stewardship priorities for the Scheme, based on their Responsible Investment beliefs:

- ✓ Votes relating to the topic of climate change
- ✓ Votes relating to board governance topics including diversity and inclusion

To be deemed a “most significant” vote, the vote needs to meet one of the criteria above and also relate to a material holding (i.e. there is a screen in place for size, bearing in mind the potentially significant number of total votes relating to the Trustees’ engagement priorities). The Trustees will keep this definition under consideration based on emerging themes within internal discussions, managers views and from the wider industry. The Trustees have informed their investment managers of what they consider to be the most significant voting activity that managers are undertaking on their behalf.

During the year, voting and engagement summary reports from the Scheme’s investment managers were provided to the Trustees for review, to verify that they were aligned with the Trustees’ policies. Below are examples of engagement activity undertaken by the Scheme’s investment managers and a summary of voting, with disclosure of the most significant votes cast on behalf of the Trustees by the investment managers with voting rights attached.

Investment Managers	Engagement Activities
LGIM (Equity)	LGIM can only provide information on a firm-wide basis, through their annual Active Ownership Report; as such the below might not be specific to the Scheme’s holdings but denotes the type and level of engagement performed by the manager.

Investment Managers	Engagement Activities
	<p>SK Hynix (Environment – Climate change): SK hynix has a dominant market share in the memory chip industry; as such, it is a prime candidate for engagement to drive change in the sector. Even though SK Hynix broadly supports climate action, it still supported continued use of unbated liquified natural gas and appears to have limited engagement with climate change policy in South Korea. Hence, LGIM has shared their evaluation of SK hynix’s ESG performance to aid self-assessment and improvements. SK hynix has confirmed its intention to increase the depth of analysis and disclosure in physical and supplier risks, as well as taking a leadership role in climate advocacy, starting with developing a calculation methodology for Scope 3 emissions. LGIM is expecting more detailed disclosures from the company in 2024.</p> <p>Renewable energy deal for leading UK charity: LGIM entered into a £25 million transaction with the National Trust, Europe’s biggest conservation charity, aiming to help fund new renewable energy projects on its estates. The renewable energy generated from these new projects will be used to help meet the National Trust’s own energy needs, further supporting the charity in achieving their ambitious Net Zero by 2030 goals.</p>
<p>LGIM (Buy & Maintain Credit)</p>	<p>LGIM was able to provide examples of engagement specific to the QIAIF Buy & Maintain Fund within the past year:</p> <p>Tesco (Social – Human Rights): The retail sector has an inherent propensity to use lower skilled and lower wage employees. As the cost of living ratchets up amid soaring inflation, LGIM’s work on income inequality and expectation regarding the living wage has acquired a new level of urgency. LGIM launched their own campaign on income inequality, asking the largest food retailers to pay a living wage to their own employees and supply chain workers. If their minimum requirements are not met by the time of their AGM in 2025, they will vote against the Chairman. Tesco is captured within this and, although they are paying their own employees a real living wage, there is much to do in terms of contractors and supply chain workers. As such, LGIM has conducted multiple engagements, which they believe has delivered results, following the company decision to pay all of their UK employees a real living wage, which they weren’t in 2022. LGIM has also met their supply chain procurement team in early 2024 to discuss the issues they face paying a living wage to supply chain workers and will continue to engage through the course of the year.</p>
<p>Nordea (Diversified Growth Fund)</p>	<p>Methane (Environment – Climate change): Methane is a powerful greenhouse gas, estimated to account for as much as 25% of the global warming we’re experiencing today. Nordea Asset Management is leading a collaborative engagement on methane with investors from Europe and North America with combined assets under management of approx. €3.34 trillion. At the end of 2023, 63 companies are under engagement on joining the Oil and Gas Methane Partnership (‘OGMP’) 2.0 and reducing their methane emissions to near zero. The engagement focus is on oil and gas</p>

Investment Managers	Engagement Activities
	companies and utilities and, during 2023, nine companies in the engagement joined the OGMP 2.0 – Aker BP, Coterra Energy, Chesapeake Energy, Diamondback Energy, EOG Resources, INPEX, KazMuyNay Gas, Petrobras and PPT E&P PCL.
Schroders (Property)	<p>As Schroder invests in direct real estate, engagement is integral and continuous with a range of stakeholders including occupiers, communities, service providers, environment, and investors.</p> <p>Sustainability Newsletter (Environment – Climate change): Schroders Capital Real Estate’s emissions reduction ambition relates to whole building consumption covering both landlord and tenant-controlled consumption and aims to achieve Net Zero Carbon (‘NZC’) no later than 2050. Carrying out NZC audits across the portfolio provides mutual benefit for both landlord and tenant. Engaging with tenants to enhance operational efficiency with regards to emissions improves the reputational drivers of occupiers from an environmental perspective, whilst enhancing the assets within the Fund portfolio. Further progress has been made through the first phase of NZC audits having been carried out across the Fund. Achieving NZC requires minimising energy demand, improving the energy efficiency of operations, sourcing energy from renewable sources, and lastly offsetting residual emissions through credible schemes such as reforestation. Besides the audits, Schroders has distributed their sustainability newsletter to all tenants towards the end of 2023.</p>
Barings (Multi-Asset Credit)	<p>Vale (Environment – Climate change): Barings has held several encounters with Vale representatives and has identifies three priority topics: Vale’s progress towards achieving their decarbonization targets, understanding ongoing developments regarding scope 3 emissions measurement and target setting, and a plan to contribute to a Just Transition. This has led to greater transparency and synergy between the various stakeholders. Also, progress was noted on Scope 1 and 2 target setting and decarbonization plans as well as the efforts undertaken to collaborate with customers on the topic of scope 3 emissions and target setting. Moving forward, Barings will seek increased disclosure and progress on the priority topics.</p>

Voting activity during the Scheme year

The Trustees have delegated their voting rights to the investment managers. As such, the Trustees do not make use of a proxy voting firm but expect the investment managers to report on contentious issues through its quarterly and/or annual reporting as well as provide voting reports on request.

The majority of voting activity will arise in public equity funds. However, voting opportunities may arise in other asset classes such as certain bond, property and multi-asset funds. During the period, only the LGIM equity and Nordea DGF mandates had voting rights attached.

As mentioned above, the Trustees have decided to consider the following areas of focus for the Scheme, whilst also defining the most significant votes as those relating to the top 10 holdings (with a view to focusing on financially material holdings):

- Votes relating to the topic of climate change; and
- Votes relating to board governance topics including diversity and inclusion.



LGIM - Future World Global Equity Index Fund



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 they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

Key votes undertaken over the prior year are summarised as below:

- There have been 5,134 votable meetings over the year, which LGIM have attended to on behalf of the Trustees. In these meetings, there were a total of 52,212 votable proposals, 99.9% of which LGIM participated in.
- LGIM voted with management on 80.3% of the proposals, against management on 19.5% and abstained on 0.3%.

Most significant votes:

Company / Portion of Holding (%)	Date of vote	How the manager voted	Rationale of Manager vote	Final outcome following the vote	Relevance to the Trustee
Apple Inc. / (4.5%)	28.02.2024	Voted Against – Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	A vote against was applied as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in Equal Employment Opportunity ('EEO') policies does not appear to be a standard industry practice.		This vote was deemed significant for the Trustee as it falls on the board governance theme.
NVIDIA Corporation / (2.1%)	22.06.2023	Voted Against - Elect Director Stephen C. Neal	A vote against is applied as LGIM expects a company to have at least one-third women on the board and expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Not provided	This vote was deemed significant for the Trustee as it falls on the board governance theme.
Amazon.com, Inc. / (1.3%)	24.05.2023	Voted For – Report on Median and Adjusted Gender/Racial Pay Gaps	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. They consider it an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as they believe cognitive diversity in business is a crucial step towards building a better company, economy and society.		This vote was deemed significant for the Trustees as it falls on the board governance theme.
Meta Platforms, Inc. / (1.0%)	31.05.2023	Voted Against - Elect Director Mark Zuckerberg	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. Also, LGIM supports the equitable structure of one-share-one-vote but Zuckerberg owns supervoting shares. They expect companies to move to a one-share-one-vote	Not provided	This vote was deemed significant for the Trustees as it falls on the board governance theme.

			structure or provide shareholders a regular vote on the continuation of an unequal capital structure.		
JPMorgan Chase & Co. / (0.8%)	16.05.2023	Voted For – Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	A vote in favour was applied as LGIM generally support resolutions that seek additional disclosures on how the company aims to manage their financing activities in line with their published targets. They believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.		This vote was deemed significant for the Trustees as it falls on the climate change theme.
Broadcom Inc. / (0.5%)	03.04.2023	Voted Against - Elect Director Henry Samuelli	A vote against was applied as the company is deemed to not meet minimum standards with regard to climate risk management.		This vote was deemed significant for the Trustees as it falls on the climate change theme.


Nordea - GBP Diversified Return Fund


Nordea Asset Management utilizes a proxy voting service supported by two external vendors (Institutional Shareholder Services and Nordic Investor Services – henceforth, “ISS” and “NIS”, which merged in the meantime) to facilitate the proxy voting, execution and to provide analytic input.

Key votes undertaken over the prior year are summarised as below:

- There have been 171 votable meetings over the year, which Nordea have attended to on behalf of the Trustees. In these meetings, there were 2,069 votable proposals, 99.9% of which Nordea participated in.
- Nordea voted with management on 82.9% of the proposals, against management on 12.4% and abstained on 2.5% (the remainder votes related to management stay-on-pay, i.e. a non-binding, advisory vote that enables shareholders to express their preference).

Most significant votes:

Company / Portion of Holding (%)	Date of vote	How the manager voted	Rationale of Manager vote	Final outcome following the vote	Relevance to the Trustee
Alphabet / (4.8%)	02.06.2023	Voted For – Report on Lobbying Payments and Policy, Report on Framework to Assess Company Lobbying Alignment with Climate Goals etc.	A vote for was cast at the Alphabet AGM where Nordea supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations were against on all these proposals but the		This vote was deemed significant for the Trustee as it falls on the broad governance theme.

			dominant position of Google, its impact on society and integrity of individuals is very important for Nordea as investors.		
Microsoft Corporation / (4.5%)	07.12.2023	Voted For – Report on Risks of Operating in Countries with Significant Human Rights Concerns	A vote in favour was cast since increased disclosure regarding how the company is managing human rights-related risks in high-risk countries helps investors in their assessment of the company.		This vote was deemed significant for the Trustee as it falls on the broad governance theme.