Carlton Clubs Limited Retirement and Death Benefits Scheme (the 'Scheme') - Investment Accounting Disclosures

Trustee Policies

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year end, relating to the following:

- Financially Material considerations
- Non-Financial Matters
- Investment Manager Arrangements

Stewardship including the exercise of voting rights and engagement activities is set out in the 'Voting and Engagement' section.

Financially Material considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. It believes that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations though the following means:

- *Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;*
- *Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and*
- *Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.*

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

Non-Financial Matters

The Trustee has not considered non-financial matters in the selection, retention and realisation of investments.

Investment manager arrangements

Incentives to align investment managers investment strategy and decisions with the trustee's policies

The Scheme invests in pooled funds and so the Trustee acknowledges the fund's investment strategy and decisions cannot be tailored to the Trustee's policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers incentive.

The Trustee uses the fund objective/benchmark as a guide on whether its investment strategy is being followed and monitors this regularly.

Incentives for the investment manager to make decisions based on assessments about medium to long-term financial and nonfinancial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustee also considers the managers voting and ESG policies and how it engages with the company as it believes that these can factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustee expects their managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the returns it achieves, but do expect those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

The Trustee believes the annual fee paid to the fund managers incentivise them to do this.

If the Trustee feel that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the trustee's policies

The Trustee reviews the performance of each fund [quarterly/semi-annually, annually] on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the funds over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of its investment consultant to ensure it is in line with the Trustee's policies.

How the trustee monitors portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee does not monitor turnover costs directly. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

The duration of the arrangement with the asset manager

The Trustee plans to hold each of its investments for the long term but will keep this under review. Changes in investment strategy or change in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee has appointed Minerva Analytics ('Minerva') to obtain voting and investment engagement information ('VEI') on the Scheme's behalf.

This statement provides a summary of the key information and summarises Minerva's findings on behalf of the Scheme over the Scheme year.

Voting and Engagement Policy and Funds

The Trustee's policy on stewardship is as set out below in the SIP dated September 2020:

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expects the fund managers to engage with investee companies on the capital structure and management of conflicts of interest.

If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment *managers' policy. If this fails, the Trustee will review the investments made with the investment manager.*

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

The table below sets out the funds the Scheme invested in over the Scheme year and states the use of a proxy voter.

Fund / Product Manager	Investment Fund/Product	Investment Made Via	Fund / Product Type	Period Start Date	-	Period End Date	'Proxy Voter' Used?
BlackRock	Dynamic Diversified Growth Fund	Platform	DB Fund	01/04/20	-	31/03/21	ISS
BMO	LDI Fund (2 Funds)	Platform	DB Fund	01/04/20	-	31/03/21	
JP Morgan	Unconstrained Bond Fund	Platform	DB Fund	01/04/20	-	31/03/21	
LGIM	Diversified Fund	Platform	DB Fund	01/04/20	-	31/03/21	ISS
	World Equity Index Fund (including GBP hedged variant)	Platform	DB Fund	01/04/20	-	31/03/21	ISS
M&G	Total Return Credit Investment Fund	Platform	DB Fund	01/04/20	-	31/03/21	ISS
Partners Group	Generations Fund	Platform	DB Fund	01/04/20	-	31/03/21	Glass Lewis
Utmost	AVC Product	Direct	DC - AVCs	01/04/20	-	31/03/21	
Canada Life	Annuity Product	Direct	Annuity	01/04/20	-	31/03/21	
Legal & General	Annuity Product	Direct	Annuity	01/04/20	-	31/03/21	

Confirmed by Manager | Not Yet Confirmed by Manager | *Not Applicable

*Indicates that the specific fund or product does not have voting information to report, and as a result there is no 'Proxy Voter' as such

ISS and Glass Lewis is a proxy voting service.

<u>Exercise of voting rights</u>

The voting activity was requested from all of the Scheme's managers, where appropriate. Minerva received a response from BMO, JP Morgan and Canada Life (Annuity product), all of these managers confirmed that there was no voting information to report. Utmost (AVC product) and Legal & General (Annuity product) did not respond to Minerva's data request in time to produce this report.

BlackRock confirmed that there was voting activity for the Dynamic Diversified Fund. Minerva was able to conclude that BlackRock's voting policies and disclosures had some minor areas of divergence from the ICGN Voting Guidelines Principles and good corporate governance practices in the areas of Audit & Reporting and Remuneration. Minerva was able to confirm the manager's voting activity has followed the Trustee's policy.

Legal & General Investment Management ('LGIM') confirmed that there was voting activity for the Diversified Fund and the World Equity Index Fund (hedged and unhedged versions). Minerva was able to conclude that LGIM's voting policies and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices. They were also able to confirm the manager's voting activity has followed the Trustee's policy.

M&G disclosed they participated in a number of votes related to corporate actions associated with the bond investments. As the investments held in the Fund are fixed interest in nature, they do not come with traditional voting rights. Instead, they occasionally have opportunities where owners can vote on corporate actions associated with their investments, which are treated on a case-by-case basis. Accordingly, there is no policy that can predict these outcomes, and so no assessment can be carried out in these circumstances.

Partners Group confirmed that there was voting activity for the Generations Fund however they did not provide a voting policy but shared their Corporate Governance Principles which had some minor areas of divergence from the ICGN Voting Guidelines Principles and good corporate governance practices As the manager has not made its voting policy available Minerva was unable to assess the extent to which the manager has followed their own voting policy, and by extension the Trustee's policy.

Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, they expect the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour of each manager where disclosed by the manager.

		No. of Meetings	No. of Resolutions				
Manager	Fund	Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
BlackRock	Dynamic Diversified Growth Fund	**977**	**12,398**	**96.6%**	**93.3%**	**5.9%**	**0.9%**
LGIM	Diversified Fund	**7,887**	**83,262**	**99.9%**	**84.1%**	**15.2%**	**0.7%**
	World Equity Index Fund (including GBP hedged variant)	**3,421**	**40,987**	**99.8%**	**81.4%**	**18.1%**	**0.6%**
M&G	Total Return Credit Investment Fund	**36**	**51**	**86.0%**	**93.0%**	**7.0%**	**0.0%**
Partners Group	Generations Fund	**68**	**928**	**97.4%**	**86.3%**	**4.6%**	**4.3%**

Significant Votes

A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

- contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK)
- is one proposed by shareholders that attracts at least 20% support from investors; and
- attracts over 10% dissenting votes from shareholders.

Where the manager has not provided the level of data to identify the 'Significant Votes' based on the criteria explained above, Minerva has applied the definition provided by the managers themselves.

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
BlackRock	Dynamic Diversified Growth Fund	**Woodside Petroleum Ltd**	**12-Apr-20**	Special Resolution to Amend the company Constitution. Ordinary Resolution on Paris Goals and Targets. Ordinary Resolution on Climate-Related Lobbying. Ordinary Resolution on Reputation Advertising Activities	BlackRock voted against all these resolutions.	The special Resolution to amend the Company constitution was Defeated. The remaining resolutions were withdrawn.	Manager identified.
		Vote Rationale					
		BlackRock is generally not supportive of constitutional amendment resolutions as the relative ease of filing risks distracting and time-consuming proposals being submitted by shareholders whose interests are not necessarily aligned with those of the broader shareholder base. We believe shareholder proposals should be a tool used after engagement has failed, which in our experience is not the case here. BlackRock believed the company is responsive to shareholder concerns regarding carbon disclosure and emissions targets draws on the fact that Woodside publicly recognizes the science of climate change, has committed to the Paris Goals, and stated its ambition of being carbon neutral by 2050.					
		L'Air Liquide	**05-May-20**	Directors elections	For/Against	Passed	Manager identified.
		Vote Rationale					
		BlackRock voted against the re-election of Brian Gilvary for the company's lack of progress on climate-related reporting in alignment with the TCFD recommendations. BlackRock supported the elections of both Anette Bronder and Kim Ann Mink as they are new to the company's board.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
LGIM	Diversified Fund World Equity Index Fund (Including GBP hedged variant)	**Lagardere**	05-May-20	Shareholder resolutions A to P. Activist Amber Capital, which owned 16% of the share capital at the time of engagement, proposed 8 new directors to the Supervisory Board (SB) of Lagardere, as well as to remove all the incumbent directors (apart from two 2019 appointments).	LGIM voted in favour of five of the Amber-proposed candidates (resolutions H,J,K,L,M) and voted off five of the incumbent Lagardere SB directors (resolutions B,C,E,F,G).	Even though shareholders did not give majority support to Amber's candidates, its proposed resolutions received approx. between 30-40% support, a clear indication that many shareholders have concerns with the board. (Source: ISS data)	LGIM noted significant media and public interest on this vote given the proposed revocation of the company's board.
		Vote Rationale:					
		Proposals by Amber were due to the opinion that the company strategy was not creating value for shareholders, that the board members were not sufficiently challenging management on strategic decisions, and for various governance failures. The company continues to have a commandite structure; a limited partnership, which means that the managing partner has a tight grip on the company, despite only having 7 % share capital and 11% voting rights. LGIM engages with companies on their strategies, any lack of challenge to these, and with governance concerns. The company strategy had not been value-enhancing and the governance structure of the company was not allowing the SB to challenge management on this. Where there is a proxy contest, LGIM engages with both the activist and the company to understand both perspectives. LGIM engaged with both Amber Capital, where we were able to speak to the proposed new SB Chair, and also Lagardere, where we spoke to the incumbent SB Chair. This allowed us to gain direct perspectives from the individual charged with ensuring their board includes the right individuals to challenge management.					

Manager	Fund(s)	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?
M&G	Total Return Credit Investment Fund	**Intu Properties PLC**	23-Nov-20	This was in relation to a waterfall correction in intu SGS documentation	N/A	Consent Granted	The August consent solicitation did not amend one of the many structural waterfalls in the debt documents – the voluntary disposal of properties waterfall – to take account of the new money required to fund operational costs for the next two quarters (ie additional liquidity facility). This meant that the additional liquidity facility would not rank super senior to the rest of the debt structure if a voluntary disposal of properties occurs.
		Vote Rationale:					
		This was in relation to a waterfall correction in intu SGS documentation. The August consent solicitation did not amend one of the many structural waterfalls in the debt documents – the voluntary disposal of properties waterfall – to take account of the new money required to fund operational costs for the next two quarters (ie additional liquidity facility). This meant that the additional liquidity facility would not rank super senior to the rest of the debt structure if a voluntary disposal of properties occurs. This gap was not intended and the amendment is purely technical in nature. Three separate votes were due to three different pari passu tranches within the intu SGS structure.					
Partners Group	Generations Fund	**Ferrovial**	16-Apr-20	Remuneration report, intending to provide shareholders information and a voice on the implementation of the remuneration policy.	Against	Passed	Size of holding in fund
		Vote Rationale:					
		Inadequate disclosure of performance targets linked to remuneration. No deferral of annual bonus to management. Sizeable equity rewards to controlling shareholder/executive chair.					

Manager Engagement Information

The Trustee believes that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The table below summarises the engagement activity of the managers that provided information.

			Summary of Company Engagement Topics Covered									Outcomes	
			Corporate Governance							Sustainability			
Manager	Fund	No. Meetings	Strategy	Audit & Report.	Board	Capital	Corp. Action	Remun	Shrhdr Rights	Envir.	Social	Resolved	Open
BlackRock	Dynamic Diversified Growth Fund	938	10%	9%	22%	0%	0%	11%	0%	30%	17%		
BMO	Firm level data	353				39%				34%	27%		
LGIM	Firm level data	891	40%	4%	17%	3%	2%	42%	9%	47%	41%		
M&G	Total Return Credit Investment Fund	10				60%				20%	20%	60%	40%
Partners Group	Generations Fund												

Not identified by Manager

Conclusion

Minerva determined that the Trustee's voting and engagement policies had been followed by BlackRock and M&G followed the Trustee's engagement policy.

Minerva confirmed that LGIM had followed Trustee's voting policy but were only able to source partial information on engagements and could not confirm if the engagement policy had been followed.

Minerva confirmed that there was no voting information to report on the BMO Fund and determined that the Trustee's engagement policies had been followed.

Partners Group has not made its voting policy publicly available therefore Minerva was unable to assess whether they followed the Trustee's policies. The manager did not provide details of engagement therefore the Trustee's is unable to confirm whether their engagement policies have been followed.

It was determined that the Scheme's holdings in JP Morgan and Canada Life (Annuity product) had no voting or engagement information to report due to nature of the underlying holdings.

Legal & General (Annuity Product) and Utmost (AVC product) did not provide any information; therefore, the Trustee is unable to confirm whether their voting and engagement policies have been followed.

Minerva will seek any outstanding information and will agree a way forward on any actions identified with the Trustee once this information is available.