

AMNESTY INTERNATIONAL SUPERANNUATION SCHEME: DB SECTION

Annual Engagement Policy Implementation Statement

1 October 2019 to 30 September 2020

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles (“SIP”) produced by the Trustees of the Amnesty International Superannuation Scheme (“Scheme”) has been followed during the year to 30 September 2020. 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. The table later in the document sets out the how, and the extent to which, the policies in the DB Section’s SIP have been followed.

Investment Objectives of the Scheme

The Trustees’ primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Review of the SIP

During the year to 30 September 2020, the Trustees reviewed the Scheme’s SIP. A new SIP was formally adopted on 24 September 2020 to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees’ policies in SIP.
- How that arrangement incentivizes the asset manager to make decisions based on assessments about medium to long-term financial and non-financial 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.
- How the method (and time horizon) of the evaluation of asset manager’s performance and the remuneration for asset management services are in line with the Trustees’ policies mentioned in the SIP.

- How the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset manager.

Assessment of how the policies in the SIP have been followed for the year to 30 September 2020

The information provided in this section highlights the work undertaken by the Trustees during the year, and longer term where relevant, and sets out how this work followed the Trustees' policies in the SIP, relating to the DB section of the Scheme. In the opinion of the Trustees, the SIP has been followed during the year.

	Requirement	Policy	In the year to 30 September 2020
1	Securing compliance with the legal requirements about choosing investments	<i>The Trustees obtain advice from their investment adviser, who can provide expert advice enabling the Trustees to choose investment vehicles that can fulfil the Scheme's investment objectives. In the Trustees' opinion this is consistent with the requirements of Section 35 of the Pensions Act 1995.</i>	The Trustees confirm that advice was received from its investment advisor where required. There were no changes in the investment strategy during the year.
2	Kinds of investments to be held and balance between different kinds of risks	<p><i>The Trustees agreed to an investment strategy comprised of growth and stabilising assets.</i></p> <p><i>The growth portfolio is comprised of diversified growth funds, equities and property. The matching portfolio is composed by corporate bonds and index-linked gilts.</i></p> <p><i>The strategic asset allocation is set to achieve the expected return required within an acceptable level of risk.</i></p>	<p>The Trustees aim to review the Scheme's investment strategy following any significant changes in investment policy.</p> <p>The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as global equities, property and diversified growth funds ("DGFs"), and a "matching" portfolio, comprising assets such as corporate bonds and index-linked gilts. The Trustees have determined the investment strategy after considering the Scheme's liability profile and the requirements of the Statutory Funding Objective, their own appetite for risk, and the strength of the Sponsoring Employer's covenant.</p>

3	Risks, including the ways in which risks are to be measured and managed	<p><i>The Trustees recognise risk (both investment and operational) from a number of perspectives in relation to the DB section of the Scheme.</i></p> <p><i>Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered, in particular whether the current risk profile remains appropriate.</i></p>	<p>As detailed in Section 5 of the SIP, the Trustee considers both quantitative and qualitative measures for these risks when deciding investment policies, strategic asset allocation, the choice of fund managers / funds / asset classes.</p> <p>On a quarterly basis, the Trustees review the Scheme's asset allocation compared with target and may make rebalancing decisions to ensure that the overall level of risk and return is maintained.</p>
4	Expected return on investments	<p><i>The Scheme's assets are expected to provide an investment return commensurate with the level of risk being taken.</i></p>	<p>The investment performance report is reviewed by the Trustee on a quarterly basis. The investment performance report includes how each investment manager is delivering against their specific mandates. The manager appointment will be reviewed if there is a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.</p> <p>Over the 1 year to 30 September 2020, the Scheme has returned -1.8% p.a. relative to a benchmark of -1.2% p.a.</p>
5	Realisation of investments	<p><i>The Trustees' administrators will realise assets following member requests on retirement or earlier where required.</i></p>	<p>The Scheme's assets are pooled investment vehicles, with the exception of PSigma's mandate which is segregated.</p>

		<i>The Trustees consider the liquidity of the investment in the context of the likely needs of members.</i>	The disinvestment policy for meeting benefit payments consisted of disinvesting on a structured approach to rebalance the actual allocation with the strategic allocation as far as possible.
6	Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p><i>The Trustees consider financially material considerations in the selection, retention and realisation of investments. Within the funds consideration of such factors, including environmental, social and governance factors, is delegated to the investment manager.</i></p> <p><i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i></p>	<p>The investment performance report is reviewed by the Trustees on a quarterly basis.</p> <p>Section 4 of the Scheme's SIP includes the Trustees' policy on 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. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.</p> <p>The Trustees acknowledge that managers in fixed income do not have a high ESG rating assigned by the investment consultant due to the nature of the asset class where it is harder to engage with the issuer of debt.</p> <p>Where managers may not be highly rated from an ESG perspective the Trustees continue to monitor. When implementing a new manager they would consider the ESG rating of the manager and balance against the prospects of the fund achieving its objective.</p> <p>The investment performance report includes how each investment manager is delivering against their specific mandates.</p>
7	The extent (if at all) to which non-financial matters are taken into account in the selection,	<i>Member views and non-financially material issues are not currently explicitly taken into account in the selection,</i>	Whilst members' views and non-financial issues are not currently explicitly factored in, the Trustees will continue to review their position on this policy.

	retention and realisation of investments	<i>retention and realisation of investments.</i>	
8	The exercise of the rights (including voting rights) attaching to the investments	<i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i>	<p>The Trustees have delegated their voting rights to the investment managers, with the exception of PSigma which will only vote when asked by the Trustees.</p> <p>Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The reports are reviewed by the Trustees to ensure that they align with the Trustees' policy.</p> <p>The Trustees do not use the direct services of a proxy voter.</p> <p>Over the year, the key voting activity on behalf of the Trustees is as follows:</p> <ul style="list-style-type: none"> • Invesco – Perpetual Global Targeted Returns Pension Fund <p>The voting policy of the manager has been considered by the Trustees and the Trustees deem it to be consistent with their investment beliefs.</p> <p>Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL") and use the Investment Association IVIS in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. ISS and GL both provide research reports, including vote recommendations, to Invesco and its asset managers. Invesco also retains ISS to assist with receipt of proxy ballots and vote execution for use through Invesco's proprietary voting platform as well as ISS vote disclosure services in Canada, the UK and Europe.</p> <p>Invesco voted on 4904 proposals in the year to 30 September 2020, of which 285 votes (5.8%) were against management and 0 abstentions.</p>

			<p>Invesco's investor-led proxy voting approach ensures that each meeting is voted in the firm's clients' best interests and each proposal, both management and shareholder, is considered in light of the risk and materiality to the portfolios. As part of the firm's Shareholder Rights Directive II implementation, the following criteria are used when determining whether a voting item is significant; (i) materiality of the position, (ii) the content of the resolution and (iii) inclusion on Invesco's ESG watchlist.</p> <ul style="list-style-type: none">• Baillie Gifford – Bond mandates <p>Due to the debt characteristics of the underlying securities, there are no voting rights associated with this investment. The Trustees are comfortable with not closely monitoring voting activity within this mandate as it considers this to be of low materiality.</p> <ul style="list-style-type: none">• Schroders - Life Diversified Growth Fund <p>Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into voting decisions. In addition to relying on internal policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.</p> <p>Schroders had the right to vote on 134 proposals in the year to 30 September 2020, of which 4 votes were against management and 15 abstentions.</p> <p>Schroders will oppose management if they believe that doing so is in the best interests of shareholders and clients. For example, if a proposal</p>
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			<p>diminishes shareholder rights or if remuneration incentives are not aligned with the company's long term performance and creation of shareholder value. Such votes against will typically follow an engagement and Schroders will inform the company of their intention to vote against before the meeting, along with rationale. Where there have been ongoing and significant areas of concerns with a company's performance, they may chose to vote against individuals on the board.</p> <p>However, as active fund managers, Schroders usually look to support the management of the companies where they invest in. When voting against management, this is classified as a significant vote and the reason behind this will be disclosed to the company and the public.</p> <ul style="list-style-type: none">• Psigma – UK Equity Index Fund <p>PSigma policy under this mandate is not to vote unless they are instructed to by the client. In addition, PSigma do not keep track of their voting activity.</p> <ul style="list-style-type: none">• LGIM – equity, property and bonds mandates <p>The voting policy of the manager has been considered by the Trustees and the Trustees deem it to be consistent with their investment beliefs.</p> <p>LGIM uses ISS (Institutional Shareholder Services) as a proxy advisor but have implemented their own custom policies.</p> <p>Over the year covered by this statement, LGIM carried out the following voting for the following funds used by the Scheme:</p> <p>North America Equity Index fund</p> <ul style="list-style-type: none">- Attended 793 meetings
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			<ul style="list-style-type: none"> - Vote on 99.6% of the 9,562 eligible resolutions - Of the resolutions on which LGIM voted, 27.5% were against management and 0.1% were abstentions <p>Europe (ex UK) Equity Index fund</p> <ul style="list-style-type: none"> - Attended 514 meetings - Vote on 99.1% of the 8,971 eligible resolutions - Of the resolutions on which LGIM voted, 15.9% were against management and 0.4% were abstentions <p>Asia Pacific ex Japan Developed Equity Index fund</p> <ul style="list-style-type: none"> - Attended 472 meetings - Vote on 99.5% of the 3,345 eligible resolutions - Of the resolutions on which LGIM voted, 25.3% were against management. <p>Japan Equity Index fund</p> <ul style="list-style-type: none"> - Attended 519 meetings - Vote on 99.6% of the 6277 eligible resolutions - Of the resolutions on which LGIM voted, 13.3% were against management. <p>LGIM does not provide records of voting activity within the Managed Property Fund. The priority of the voting policies is to cover key issues which are essential for the protection of companies, shareholders and stakeholders; these include board structure and composition, remuneration and protection of shareholder rights.</p> <p>Over the prior 12 months, the Trustees have not actively challenged the managers on its voting activity. Going forwards, the Trustees will be more</p>
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			active in reviewing and challenging voting activity, particularly in respect of its beliefs on climate change.
9	Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, Trustees would monitor and engage with relevant persons about relevant matters)	<p><i>Investment managers are expected to evaluate these factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with their own corporate governance policies and current best practice.</i></p> <p><i>Outside of those exercised by investment managers on behalf of the Trustees, no other engagement activities are undertaken.</i></p>	<p>As the Scheme invests mostly in pooled funds, the Trustees require their investment managers to engage with the investee companies on their behalf.</p> <p>At present, the investment advisers ESG ratings help the Trustees to understand which managers are engaging and integrating ESG issues into their investment decision making and these are reviewed on at least quarterly basis.</p> <p>The following reflects the work undertaken by managers during the year relating to the Trustees' policy on ESG factors, stewardship and climate change:</p> <ul style="list-style-type: none"> • Psigma <p>Manager did not provide information at time of writing.</p> <ul style="list-style-type: none"> • Invesco <p>Invesco is an active member and supporter of several external organisations largely via the different investment centres, including:</p> <ul style="list-style-type: none"> - Investor member of the Institutional Investors Group on Climate Change (IIGCC) - PRI Investor Signatory since 2013 - we became a signatory of the UN-backed Principles for Responsible Investment in 2013 and have since achieved an A+ in Governance and Strategy for four consecutive years. - Task Force for Climate Related Disclosure (TCFD) supporter and discloser

			<ul style="list-style-type: none">- Carbon Disclosure Project (CDP) discloser since 2016- UK Stewardship Code (Tier 1)- Climate Bonds Initiative – partner since May 2020- UK Sustainable Investment and Finance Association (UKSIF) <ul style="list-style-type: none">• Baillie Gifford <p>BG recognizes the benefits of working alongside other likeminded stakeholders on both policy and company specific matters, which can increase the influence that they can bring to bear on clients' behalf and may be necessary in helping to achieve their own engagement objectives. This includes collective engagement with investee companies and regulators to recognize, assess and manage ESG risks and to contribute to the development of industry best practice. For example, BG was a member of a working group, coordinated by the UNPRI (United Nations Principles of Responsible Investing), which aimed to develop guidance for integrating the United Nations Sustainable Development Goals (SDGs) into active ownership. In 2019, Baillie Gifford hosted the Scotland-based Global Ethical Finance Initiative which featured a range of key-notes, panels, presentations, interviews and fireside chats involving over 200 world-leading banking and investment experts who came together to discuss practical steps towards driving finance for positive change. This was the second year Baillie Gifford participated through sponsorship of the event and participating in panel discussions. BG also engages with other investor groups on a case-by-case basis where this is of benefit to clients. When appropriate, they will work with The Investor Forum, a collective engagement initiative which came out of the work of the Kay Review 2012, and to which they were one of the founding members. Three recent examples are: the takeover</p>
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			<p>offer made for ARM by Softbank; shareholder rights associated with the Ryanair ADR shares; and Unilever's proposal to dissolve its dual listing, de-listing from London and relocation to the Netherlands.</p> <ul style="list-style-type: none">• Schroders <p>Schroders fully supports the UK Stewardship Code and complies with all its principles. Although the Code is focused on the UK, it sets a standard for stewardship and engagement for non-UK equity investments and they seek to apply the same principles globally, taking into account local practice and law. Further information on Environmental, Social and Governance Policy can be found at Schroders website.</p> <ul style="list-style-type: none">• LGIM <p>LGIM confirmed that they are signatories of the current UK Stewardship Code and plan to be a signatory for the 2020 code once applicable.</p> <p>Over 2019, LGIM engaged with 493 companies, participated in about 30 engagements with regulators and policy makers to improve market standards around the world and took sanctions against 11 companies names as laggards under their Climate Impact Pledge.</p> <p>LGIM tackles inter-connected ESG issues that materially impact the value of clients' assets. Regular monitoring of companies assists them in identifying change. In the case of unsuccessful engagements the team will assess where problems arose and what new approach can be employed.</p> <p>In 2019, CIO Sonja Laud, established the Global Research and Engagement Platform. This brings together representatives from across the investment and stewardship teams, to unify their engagement</p>
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			efforts and determine the exposure of sectors and companies to ESG risks and opportunities.
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