



Scottish Friendly Assurance Society Limited
Investment Engagement Policy



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1 Purpose and application

- 1.1. This Engagement Policy outlines our approach to stewardship and shareholder engagement in compliance with the Financial Conduct Authority's (FCA) Policy Statement PS19/13. Our commitment is to promote long-term value creation and sustainable growth through active engagement with the companies in which we invest, even when investment management is outsourced.
- 1.2. At Scottish Friendly, we predominately outsource our investment management, with extensive use of collective investment schemes, where we invest in the collective, rather than directly in the underlying assets. Where the assets are held directly, these are managed on a day-to-day basis through investment managers.
- 1.3. The principal focus of this policy to ensure that there is adequate oversight of the investment managers, with a strong understanding of their approach to stewardship and engagement.
- 1.4. This policy is applicable to Scottish Friendly Assurance Society Limited and its subsidiaries, particularly Scottish Friendly Asset Managers Limited.

2 Objectives

- 2.1. Promote Long-Term Value: We aim to enhance long-term value for our clients and beneficiaries by ensuring our external investment managers engage with investee companies on key issues such as strategy, performance, risk, capital structure, and corporate governance.
- 2.2. Sustainable Growth: We ensure our external investment managers focus on promoting sustainable business practices that contribute to the long-term success of investee companies and the broader economy.
- 2.3. Transparency and Accountability: We strive to improve transparency and accountability in our engagement activities and report on our stewardship efforts.

3 Policy review

3. This policy is reviewed annually to ensure its effectiveness and alignment with regulatory requirements, best practices and our overall strategy. Any changes to the policy are approved by our Investment Committee.

4 Engagement Approach

- 4.1. This policy covers our engagement with companies in which we invest on behalf of our clients and beneficiaries, including those managed by external investment managers.
- 4.2. Monitoring: We ensure that our external investment managers continuously monitor the performance and governance of investee companies. This includes reviewing financial and non-financial information, attending shareholder meetings, and appropriately engaging with company management.

- 4.3. Dialogue: We require our external investment managers to engage in regular dialogue with investee companies to discuss issues related to strategy, performance, risk management, and corporate governance. Their engagement is constructive and aims to foster positive change.
- 4.4. Voting: We mandate that our external investment managers exercise voting rights at shareholder meetings in a manner that supports our policies and strategy. We monitor and review their voting record and will discuss any areas of concern.
- 4.5. Collaboration: We encourage our external investment managers to collaborate with other investors and stakeholders to amplify their influence and promote best practices in corporate governance and sustainability.
- 4.6. Escalation: If engagement efforts by our external investment managers do not lead to satisfactory outcomes, they may escalate their actions. This can include expressing concerns through formal channels, filing shareholder resolutions, or, as a last resort, divesting from the company. Our general preference is for engagement, rather than divestment.

5 Governance

Stewardship Expectations

- 4.1 Assessment of Managers: As part of our (re-)assessment of managers, we ensure that fund managers have a good track record on stewardship and take their responsibilities as owners seriously and in the interests of the ultimate asset owners and society as a whole.
- 4.2 UK Stewardship Code: All UK managers are expected to be signatories to the UK Stewardship Code. Where this is not the case, we will engage with the manager to understand the rationale for this position and any improvements planned.
- 4.3 Mandate Requirements: Significant new mandates will not be awarded to any fund manager who is not a current signatory of both the UN PRI and, where applicable, the UK Stewardship Code. Where legacy managers are not signatories we will work with them to understand why and their intentions to become signatories, where this is not achievable we would look to disinvest from those managers.

Voting Rights and Policy

- 4.4 Exercise of Voting Rights: We expect to exercise our voting rights on our assets. Given the limited direct holdings, this is undertaken by the investment managers on our behalf. We engage with significant investment managers to understand their voting policy and their voting record. We are provided with quarterly reports from the investment managers on voting records.
- 4.5 Voting Policy Support: We expect a voting policy to support initiatives that:
 - Are likely to enhance long-term value

- Promote transparency (e.g., appropriate accounting disclosures, clear communication)
- Avoid excessive remuneration or variable remuneration with no links to long-term performance
- Promote appropriate levels of Board independence and high standards of corporate governance
- Support appropriate action on social and environmental issues.

4.6 Policy Alignment: Where the manager's policy is not aligned with or is otherwise silent on these principles, we will document this exception and work with the manager to understand the implications.

Disclosure and Reporting

4.7 Policy Disclosure: We publicly disclose this Engagement Policy on our website and provide updates as necessary.

4.8 Engagement Reporting: We report annually on our engagement activities, including the outcomes and impact of our efforts. This report is made available to our clients, beneficiaries, and other stakeholders on request.

4.9 ESG Policy Disclosure: We will make appropriate disclosures on our Investments ESG Policy within the Annual Report and Accounts. External queries on the policy will be dealt with through normal communication channels.

6 Conclusion

5.1 Our commitment to stewardship and active engagement is integral to our investment approach. By promoting long-term value creation and sustainable growth, we aim to deliver positive outcomes for our clients, beneficiaries, and society as a whole