Introduction

The Trustee Directors (the "Directors") of the Knight Frank Staff Pension Fund (the "Fund") have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Directors can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers. Since the Directors entered into a "Bulk Purchase Annuity Agreement (BPA) with Standard Life Assurance Limited ("Standard Life") to insure the liabilities of the Fund in full, the Directors recognise there is little scope for engagement activity or impact. A surplus cash holding following the BPA transaction remains invested in the LDI GBP Liquidity Holding Fund, however, this is a fund that primarily invests in short term deposits, with no voting powers.

This statement sets out how, and the extent to which, in the opinion of the Directors, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ended 31 December 2023. This statement, which should be considered as part of the Trustee Report and Accounts, excludes Additional Voluntary Contribution ("AVC") assets. The Trustee Directors believe that the policies, as set out in the Statement of Investment Principles, have been adhered to.

The Directors have decided not to take non-financial matters into account when considering their policy objectives.

Stewardship - monitoring and engagement

The Directors recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Directors' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights where possible.

The Directors also delegate responsibility for engaging and monitoring investee companies to the investment managers and expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Directors seek to appoint managers that have strong stewardship policies and processes and are supportive of its investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager/ Provider	UN PRI Signatory	UK Stewardship Code Signatory
Standard Life (BPA provider)	Yes	Yes
Insight	Yes	Yes

The Directors review each investment manager prior to appointment and monit or them on an ongoing basis through the regular review of the manager's policies, and behaviour. The Directors monitor the performance of the Fund on a quarterly basis and if there are any policy changes, the Directors will be informed via the Investment Consultant.

The Directors have not set out their own stewardship priorities but follow that of the investment managers.

The Directors will engage with a manager should they consider that manager's engagement policy to be inadequate or if the engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustee from time to time.

If the Directors find any manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles and insurance policies, the Directors do not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Fund's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Directors with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance, and risk, and applicable social, environmental, and corporate governance aspects.

Links to the investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on the investment manager's website.

The latest available engagement information provided by the investment managers (for mandates that contain public equities or bonds carried out throughout the year) is as follows:

Engagement			
	Insight Maturing Buy and Maintain Bond Fund 2021- 2025	Insight Maturing Buy and Maintain Bond Fund 2026- 2030	Insight Maturing Buy and Maintain Bond Fund 2031-2035
Period	01/01/2023- 31/12/2023	01/01/2023- 31/12/2023	01/01/2023-31/12/2023
Engagement definition	* ** * * * * * * * * * * * * * * * * * *		
Number of companies engaged with over the year	40	59	43
Number of engagements over the year	87	128	84

Engagement	
	JP Morgan Infrastructure Investments Fund
Period	01/01/2023-31/12/2023
Engagement definition	Their definition is in line with the suggested language above. Through our control position, IIF is actively engaged with the underlying portfolio companies and management teams with regards to ESG matters. Each portfolio company customizes a comprehensive ESG framework crafted by the IIF team with specific goals and objectives, training sessions, monitoring procedures, and practical implementation of best practices. The Fund endeavours to align management teams with ESG objectives through compensation structures.
	In addition, ESG is a Board agenda item and updates are given at each board meeting, including benchmarking results. Further, each year IIF's portfolio companies participate in the GRESB assessment which benchmarks each company's ESG practices against industry standards and provides insights into areas of strength and areas of improvement. IIF assists the portfolio companies with this process and implements feedback from the GRESB assessments into the company's ESG framework. IIF also promotes governance initiatives and sharing of best practices by hosting Summits and Forums that bring together management teams, board members and the IIF team to discuss current initiatives, share lessons learned, exchange market views and provide the opportunity for companies to network and share information learned from across the industry. IIF leads different cohorts within the Fund that meet regularly to share best practices – this includes CEO, Chairperson, Board Members and General Counsel. In addition, IIF's ESG Leadership Group consists of one Leader from each portfolio company and meets quarterly to share ESG learnings, best practices, progress, and implementation across the portfolio. The Group has increased the diversity of roles and sharing of best practices across the portfolio including sharing climate knowledge and solutions and company sustainability commitments and encouraging continued collaboration. From the IIF ESG Leadership Group, there have also been new portfolio company-led cohorts including a Technology cohort and a HR cohort that meet regulatory and report back to the ESG Leadership Group.
Number of companies engaged with over the year	N/A
Number of engagements over the year	N/A

Exercising rights and responsibilities

The Directors recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

Given the nature of the investments, the investment manager is not expected to disclose voting behaviour, the most significant votes cast or report on the use of proxy voting advisers.

Directors' assessment

The Directors have undertaken a review of each investment manager's engagement policy including their policies in relation to financially material considerations.

The Directors may also consider reports provided by other external ratings providers.

Where an investment manager has received a relatively low rating from the investment consultant or from other external rating providers, the Directors may consider whether to engage with the investment manager.

The Directors have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Directors recognise that engagement and voting policies, practices, and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

Links to the Engagement Policies for each of the investment managers can be found here:

Investment manager	Engagement Policy (or suitable alternative)	
Insight Investment	https://www.insightinvestment.com/investing-responsibly/	
Standard Life	ndard Life https://library.standardlife.com/invcp53.pdf	

The link to the Fund's Statement of Investment Principles can be found here:

Knight Frank Staff Pension Fund SIP	https://content.knightfrank.com/resources/knightfrank.co.uk/knight-	
	frank- sip-update-aug-2023-v1.0.pdf	

Please note that the Fund had a SIP as January 2023 which was later updated to a version signed in August 2023 reflecting the purchase of a Buy-In policy and the transition to a lower risk portfolio.

Information on the most significant engagement case studies for each of the managers containing public equities or bonds carried out throughout the year is shown below.

Insight Investment Management – Firm - level	Case study 1	Case study 2	Case study 3
Name of entity engaged with	Haleon plc – Q4 2023	Rolls-Royce Holdings plc – Q4 2023	Medtronic plc – Q4 2023
Topic	Strategy, Financial and Reporting – Reporting	Environment - Climate change	Social - Human capital management (e.g.,

(e.g., audit, accounting, sustainability reporting)

inclusion and diversity, employee terms, safety)

Rationale

Haleon plc is a British multinational consumer healthcare company offering personal and over the counter (OTC) healthcare products. Haleon was previously the Consumer Healthcare business within GSK plc and was spun off in July 2022. This engagement was a follow up to earlier engagements to address their relatively poor ESG scores following their spin off from their parent. This engagement is aligned to SDG 3 Good Health and Well-Being, SDG 12 Responsible Consumption and Production and SDG 13 Climate Action.

Rolls-Royce (RR) is a leading global manufacturer of aeroengines, gas turbines and reciprocating engines.

This engagement was a follow up to discuss historic bribery issues and carbon emissions progress but also to engage on new topics around labour management and policy and lobbying.

This engagement is aligned to SDG 8
Decent Work and Economic Growth, SDG 9 Industry, Innovation and Infrastructure and SDG 13 Climate Action.

Medtronic plc (MDT) is one of the global leaders in the medical device industry. participating in several high-tech segments of the market from cardiovascular, medical surgical, diabetes to neuroscience. This engagement was an ESG deep dive into product safety and quality concerns that has contributed to their Prime ESG rating falling to a 5 towards

quarter.
This engagement is aligned to SDG 3 Good Health and Well-Being and SDG 12
Responsible
Consumption and Production.

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What the investment manager has done

Haleon views itself as the first 100% consumer healthcare company and is not directly comparable to peers in the consumer product nor pharmaceuticals sectors. It sees itself as being penalised on its ESG scores by external rating agencies as it does not fit neatly into pre-existing sectoral classifications. Haleon has cited engagement with external ESG rating agencies to be difficult but has been dedicating significant resource towards documenting regulations and requirements inherited from their parent and re-documenting existing policies to be in

RR has shown progress where it relates to legacy business ethics/ bribery cases but concerns around labour management due to headcount reductions as a result of COVID and planned efficiencies in coming vears warrant this 1:1 engagement that was conducted in collaboration with Climate Action 100+. RR's activity levels have increased, and headcount is starting to grow again but new management have outlined plans to boost profitability by reducing headcount by 2-2.5k out of a total workforce of 40k, whilst avoiding compulsory redundancy by actively

Insight have had previous engagements with MDT but was approached by MDT's investor relations team and ESG analyst for a private meeting to discuss issues relating to quality and safety and supply chain management. MDT was rated an ESG 5 for weak scores relating to product safety and quality owing to product recalls that MSCI flagged as severe controversies. MDT reiterated that quality-related metrics are embedded in their employee incentive plans all way to their CEO. They prioritise quality and patient safety, with the goal of zero product recalls but given the nature of their

line with rating agencies' required formats. Haleon's proactive engagement with rating agencies is a strong case study for corporate engagement with rating agencies. Haleon agreed to focus on measurement and disclose scope 3 emissions by sources and track by core product lines: and identify any key drivers and initiatives to improve emissions relating to key emitting lines

Haleon has established ESG KPIs linked to executive remuneration via their performance share plan relating to carbon scope 1 and 2 reductions (-48% from 2020 levels by November 2025); >80% recycle-ready packaging by June 2025; >45% females in leadership roles by 2025.

engaging with unions. RR is also continuing with programmes to boost diversity across their ranks.

RR has set a long-term net zero target but acknowledges the lack of short-term targets but flag that climate metrics are baked into executive remuneration, where plans include establishing RR as a climate enabler with their fleet being compatible with sustainable aviation fuel with increased R&D spend to support this.

Concerns were also raised with regards to their trade/ lobbying group associations and their associated climate objectives.

products and devices, this is not very aspirational given the business they operate in, but they have been investing in this area by bringing in new leadership over recent years that have strengthened their enterprise quality strategy and enhanced system standardisation (product development lifecycle, complaint tracking, manufacturer quality, supply chain transformation) in their view.

Product recall profiles started to improve in 2021 but we expect that continued improvements will take time to materialise through reduction in warning letters, recalls and eventually third-party rating agencies, with whom they are maintaining engagement with but do not necessarily agree on methodology.

Outcomes and next steps

Haleon's MSCI rating has improved from BB to BBB between October 2022 and August 2023. Insight looks forward to seeing Haleon's ESG report when it is due to be published in April 2024 and expect it to cover policy, targets, progress. On carbon footprint, Haleon will look to improve disclosure (e.g., on scope 3 validation), their fleet and upstream purchases to bring down scope 3 emissions (e.g., low impact toothpaste inputs and reduction of virgin plastic).

RR conducted an extensive review of their trade / lobbying group associations, which they found to be broadly aligned with their climate objectives. Given the sensitive nature of some of the end markets, trade body activity can be opaque. Insight have encouraged greater disclosure around membership so thirdparty verification of alignment with climate objectives can be undertaken. Insight will continue to monitor and advocate for more transparency. They also evidenced controls that have since Insight will continue to monitor the structural changes MDT is implementing around their product research and development programme, as well as their supply chain. Insight do not expect material results in the short term, particularly not around any downstream reflection in external rating agencies' ESG scores, which emphasizes the importance of ongoing engagement to form a house-view on the issuer's credit and ESG profile.

The changes the MDT are implementing will take time to take hold

been put in place to guard against historic bribery issuers reoccurring that we were broadly satisfied with reducing the risk associated with this issue from a credit quality perspective at present. and translate into improvements to their ESG profile, which would be aligned to the investment time horizon of those adopting buyand-maintain strategies. The Prime ESG downgrade to 5 translated to a 'sell' recommendation for certain funds during the quarter. However, towards the end of the quarter, MDT's ESG score since recovered to a 4, which made it eligible to be included in the investable universe of most funds again. Fundamentally, MDT continues to perform well, and Insight do not have concerns about their credit quality for now.