

Implementation Statement for the FDR Limited Pension Scheme (DB Section) for the Scheme year ending 31 March 2021

1. Introduction

The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering both the Defined Contribution (“DC”) and Defined Benefit (“DB”) sections of the FDR Limited Pension Scheme (“Scheme”), regarding its policies on the exercise of voting rights and engagement.

This Implementation Statement covers the DB Section of the Scheme for the year from 1 April 2020 to 31 March 2021 (the “Scheme year”). It sets out:

- details of any review of and/or changes made to the DB Section of the Statement of Investment Principles (“SIP”) (the “DB Section’s SIP”);
- how, including the extent to which, the DB Sections SIP has been followed over the Scheme year;
- how, including the extent to which, the Trustee’s policies on exercising voting rights and engagement have been followed over the Scheme year; and
 - the voting by or on behalf of the Trustee, including the most significant votes cast and any use of a proxy.

The Implementation Statement for the DC Section of the Scheme is provided separately.

The Trustee believes that it has acted in accordance with and followed the policies set out in the DB Section’s Statement of Investment Principles over the Scheme year.

2. Summary of changes to the DB Section’s SIP during the Scheme year

The Trustee reviewed the DB Section’s SIP during the year to 31 March 2021, with an updated version coming into effect during September 2020 following a consultation with the Sponsoring Employer. The DB Section’s SIP had previously been updated in September 2019, so reviewing the SIP in 2020 fulfilled the commitment to review it at least every 3 years.

The key updates reflected as part of this review were to develop further the Trustee’s policy on corporate governance and stewardship. To help form these policies, the Trustee received training from its advisers covering responsible investment, the financial materiality of Environmental, Social and Governance (“ESG”) factors and stewardship. The policies set out in the DB Section’s SIP were formed following subsequent discussion.

The Trustee has added policies to the Scheme’s SIP to cover the following stewardship points:

- how the Trustee incentivises managers to align their investment strategy with the trustees’ own;
- how it incentivises the manager to assess investee companies’ medium to long-term financial and non-financial performance, and engage accordingly;
- how the method and time horizon for evaluating the manager’s performance, and the basis of its remuneration, are aligned with the Trustee’s other investment policies;
- how the Trustee monitors portfolio turnover costs incurred; and
- the duration of its management arrangement.

In the DB Section’s SIP, a segment on whether the Trustee takes non-financial matters into account was also added.

3. Implementation of the Trustee's policies during the Scheme year

The table below set out the actions taken by the Trustee over the year to 31 March 2021 in order to follow various policies within the DB Section's SIP.

Policies relating to the DB Section

Policy	Trustee actions over the Scheme year
Scheme governance	<p>The Trustee has governed the DB Section of the Scheme in line with the DB Section's SIP. The Trustee is responsible for the investment of the DB Section assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant adviser(s) first to ensure it is appropriately familiar with the issues concerned. The Trustee sets the investment strategy and general investment policy, but have delegated the day-to-day investment of the Scheme's assets to River and Mercantile Investments Limited ("RAMIL") ("the Fiduciary Manager") under a Fiduciary Management Agreement.</p> <p>The Trustee has met four times over the year to discuss investment matters. This has allowed the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the appointed Fiduciary Manager as appropriate. There have been no changes to the Scheme's investment governance policy over the Scheme year as a result of these meetings.</p>
DB Investment Strategy and strategy implementation	<p>The overall objective of the DB Section of the Scheme is to meet the benefit payments promised as they fall due and to do so the investment strategy is set with regard to the level of investment risk and return deemed appropriate, taking into account wider risks to the Scheme for example the employer covenant. The Trustee, with advice from various advisers, has monitored return requirements and risk over the Scheme year.</p> <p>During the Scheme year, having finalised the 31 March 2019 valuation process, the Trustee and its Investment Adviser carried out a review of the DB Section's investment strategy. This review considered the Scheme's investment strategy in the context of the updated funding position and funding target. Following this review the Trustee made the decision to increase the Scheme's allocation to cashflow matching assets, which provide known cashflows to meet projected benefit outgo. This represents further management of the Scheme's cashflow risk. The Trustee also further mitigated interest rate and inflation risk by increasing the levels of liability hedging in place.</p> <p>The Trustee sets investment guidelines for the Fiduciary Manager which covers a range of investment factors such as diversification, performance, risk and liquidity. These have been adhered to by the Fiduciary Manager throughout the year. The Trustee monitors the Fiduciary Manager against these investment guidelines on a quarterly basis through the quarterly monitoring reports and the Trustee is satisfied that such guidelines have been adhered to on the basis of such reports and, as a result, no further actions have been taken by the Trustee during the Scheme year in respect of these investment guidelines.</p>
Corporate Governance and Stewardship	<p>The DB Section's SIP sets out how the Trustee delegates responsibility around corporate governance and stewardship to the Fiduciary Manager. The Trustee believes that the specific policies set out in the SIP have been complied with during the Scheme year based on the below.</p> <p>The Fiduciary Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Investment Managers. The DB Section's investments are generally made via pooled investment funds. As such, direct control of the process of engaging with the companies that issue these securities (whether equities, bonds, etc.) is delegated to the Underlying Investment Managers. The Fiduciary Manager has been provided with a copy of the DB Section's SIP and is required to exercise its functions on behalf of the Trustee with a view to giving effect to the principles and policies contained in the DB Section's SIP.</p> <p>The Fiduciary Manager undertakes regular reviews of all Underlying Investment Managers.</p> <p>The DB Section's SIP states that the Trustee will periodically review the Fiduciary Manager for elements such as performance and value for money. The Trustee has undertaken such a review and re-appointed RAMIL as Fiduciary Manager through a competitive re-tender</p>

Policy	Trustee actions over the Scheme year
	<p>process. The Trustee has investment consultant objectives in place for RAMIL and monitors them against these objectives periodically.</p>
<p>Financially material factors specifically ESG and climate change</p>	<p>The Fiduciary Manager, which takes investment decisions on behalf of the Trustee, is expected to follow the DB Section's SIP in respect of financially material factors including ESG and climate change. The Trustee receives and reviews quarterly monitoring reports which include a range of ESG scores for the Scheme's portfolio and details of carbon emissions.</p> <p>The Fiduciary Manager considers the impact of the ESG characteristics and climate change at a total portfolio level and implications for risk and return on investments.</p> <p>When the Fiduciary Manager invests the DB Section's assets in equities it typically uses a mandate where it can directly take account of relevant factors such as ESG. For example, in its primary equity mandate with BNYM, an Underlying Investment Manager, the Fiduciary Manager seeks to invest less in companies with poor and/or worsening ESG credentials, where ESG represents a risk to the value of the investment, and seeks to invest more in those companies with good and/or improving ESG credentials, where ESG represents an opportunity for investment growth. As examples, the Fiduciary Manager excluded a US healthcare provider due to poor safety issues and excluded a European pharmaceutical firm over poor corporate governance. The Trustee is satisfied that the policies in its SIP are being adhered to.</p> <p>Where the Fiduciary Manager selects Underlying Investment Managers and it cannot directly influence ESG factors on an ongoing basis, how an Underlying Investment Manager evaluates ESG factors and mitigates ESG risks forms an important part of its evaluation at both investment due-diligence and operational due-diligence stages. This may lead to the exclusion of potential Underlying Investment Managers. The Trustee was provided with training during the Scheme year to help it understand the process the Fiduciary Manager follows and the impact on the Scheme portfolio.</p>
<p>Monitoring</p>	<p>The DB Section's SIP requires the Trustee to monitor the performance of the Fiduciary Manager and to review the SIP at least every three years. The Trustee is satisfied it has complied with this in respect of the DB Section.</p> <p>Over the year the Trustee monitored the Fiduciary Manager against objectives the Trustee has set with the Fiduciary Manager. Extreme market conditions were experienced over 2020, and, with the assistance of the Fiduciary Manager, the Trustee has monitored the DB Section's investment strategy, risk and performance throughout the Scheme year.</p> <p>For the DB Section, the Trustee monitored the overall strategy and funding level at least quarterly (through governance reporting) over the Scheme year. Over the Scheme year, the Scheme's Funding Level, including on a 'Technical Provisions' basis, has improved.</p> <p>The Trustee is required to review the SIP at least every three years. A review of the DB Section's SIPs was undertaken in September 2020 with changes made as described previously in this statement.</p>
<p>Risk management</p>	<p>The DB Section's SIP sets out how risks are monitored and managed within the DB Section of the Scheme. As a result, the Trustee covers only the most material risks here. The Trustee is satisfied that risks are monitored in line with the DB Section's SIP on the basis set out below.</p> <p>The key risk considered is funding and asset/liability mismatch risk – i.e. the risk that the Scheme's funding position will not improve steadily over time. This is mitigated primarily through setting an investment objective relative to a Liability Benchmark, which the Trustee monitors on a quarterly basis, and adopting an investment strategy which hedges interest rate and inflation risks linked to the valuation of the liabilities. Over the Scheme year, this has protected against interest rate and inflation movements ensuring the DB Section's assets kept pace with the liabilities. This has been measured quarterly against the Liability Benchmark.</p> <p>The Trustee also sets investment guidelines for the Fiduciary Manager, which cover a range of risks including diversification, liquidity and counterparties. The Trustee has monitored the Fiduciary Manager against the investment guidelines on a quarterly basis</p>

Policy	Trustee actions over the Scheme year
	through quarterly monitoring reports and is satisfied that the guidelines have been adhered to on the basis of those reports.
Non-financially material factors	The Trustee does not at present take into account non-financial matters or factors (such as members' ethical considerations, social and environmental impact matters, or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold.

4. Voting and Engagement Summary

The Trustee's investment advice for the DB Section is provided by RAMIL, a division of the River and Mercantile Group. The River and Mercantile Group is a PRI (Principles for Responsible Investment) signatory and were rated A+ by PRI for their Strategy and Governance.

Monitoring of voting and engagement activity in relation to the DB Section of the Scheme was carried out by RAMIL over the Scheme year through regular investment and operational due diligence meetings with underlying managers.

Summary

The key areas the Trustee notes from voting and engagement activity across their underlying managers over the year to 31 March 2021 is set out below. Further details on voting activity is set out in the Appendix and engagement activity over the Scheme year has been collated separately with a summary provided here:

- Most managers were able to provide evidence of high levels of engagement activity.
- The general theme over the Scheme year was on environmental issues, climate change in particular. Executive pay and board diversity were the other main themes identified.
- Within the DB Section's credit mandates, there was particular focus on climate change related risks, including discussions with companies on the carbon emissions along their supply chain.
- The other notable manager engagement in relation to environmental factors included water stress as well as engagement on improving social targets.
- Each relevant manager demonstrated high levels of voting rights being acted on.
- Challenge to management was demonstrated through some votes against management.
- Significant votes provided were typically in relation to board remuneration.

Appendix – Voting statistics

1. Voting in relation to underlying pooled funds, on behalf of the Trustee

Most of the rights and voting for the DB Section’s investments relate to underlying securities within pooled funds that are managed by Underlying Investment Managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 31 March 2021, the Fiduciary Manager voted on 206 resolutions across 52 meetings. The Fiduciary Manager voted against management on 10 resolutions (5% of total resolutions) and abstained on 8 resolutions (4% of the total resolutions).

The RAMIL Investment Research team engaged with investment managers regarding their clients’ pooled fund investment on approximately 800 occasions during the 12 month period. The engagement topics covered a range of areas including executive board composition, investment management processes, auditor tenure and fund costs.

2. Underlying Investment Managers’ voting on securities, on behalf of the Trustee

There are c. 30 Underlying Investment Managers used by the Fiduciary Manager. Set out below is the voting statistics for the most material equity holding during the period that held voting rights, namely the BNYM Global Equity Fund. Within other non-equity asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been reviewed in detail by the Fiduciary Manager on behalf of the Trustee.

Summary of voting activity – BNYM Global Equity Fund

	BNYM Global Equity Fund
Total meetings eligible to vote	1,124
Total resolutions eligible to vote	14,052
% of resolutions voted on for which eligible	98%
% of resolutions voted with management ¹	89%
% of resolutions voted against management ¹	9%
%of resolutions abstained from voting ¹	1%
% of resolutions, on which voted, voted contrary to the recommendation of the proxy adviser (if applicable)	2%

Due to rounding, figures may not sum to 100%.

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- The Fiduciary Manager views that these voting statistics are reasonable and in line with their expectations.

Examples of significant votes carried out by the Underlying Investment Managers

BNYM Global Equity Fund (representing majority of Scheme equity holdings)

WALMART, INC.

In April 2020, BNYM voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNYM's view Walmart does not lag its peers in the retail industry, but it lags its peers in the grocery sector. BNYM hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNYM believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, in August 2020 BNYM voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNYM will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

RIO TINTO LIMITED

In May 2020, BNYM voted for a proposal approving emission targets for Rio Tinto. BNYM believe this resolution will provide shareholders with increased transparency, allowing them to understand how the company is addressing climate change and mitigating these risks.

KELLOGG COMPANY

In an effort to promote accountability, BNYM voted for a shareholder proposal in April 2020 to declassify Kellogg's board of directors. BNYM believe it is beneficial for directors to be elected each year. BNYM maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

ORACLE CORPORATION

BNYM withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNYM believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on companies. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's stock.