FDR Limited Pension Scheme

31 March 2022 DB Implementation Statement

September 2022

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering both the Defined Contribution ("DC") and the Defined Benefit ("DB") sections of the FDR Limited Pension Scheme (the "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 2021 to 31 March 2022 (the "Scheme Year"). It sets out:

- how, and the extent to which, in the opinion of the Trustee, the DB Section of the Statement of Investment Principles (the "DB Section's SIP") has been followed over the Scheme Year;
- details of any review of and/or changes made to the DB Section's SIP over the Scheme Year as a result of such a review, explaining the reasons for those changes;
- how 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 during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website:
https://www.fdrlimitedpensionscheme.com/home/db/important-documents

A copy of the current DB Section's SIP, which came into effect in March 2022, can also be found using the link above.

DB Section:

The Trustee is responsible for the investment of the Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first, and it believes that this ensures that it is appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy, but has delegated the day-to-day investment of the Scheme's DB assets, within pre-defined constraints, to a professional Fiduciary Manager. The Trustee, with advice from its advisers, appoints and monitors the Scheme's Underlying Investment Managers.

2. Implementation of the Trustee's DB SIP policies during the Scheme Year

In this section, we summarise the most significant activities undertaken in relation to the DB Section's SIP by the Trustee, as amended through the Scheme Year, and in turn describe the actions and decisions taken by the Trustee over the Scheme Year and the extent to which these align with the beliefs and policies stated within the DB Section's SIP.

Policies relating to the Scheme which the Trustee considered the most material in the Scheme Year

Policy	Trustee actions over the Scheme Year
Scheme governance	The Trustee has governed the DB Section of the Scheme in line with the DB Section's SIP over the Scheme Year. The Trustee has delegated day-to-day investment decisions to the Fiduciary Manager. The Trustee held five meetings during the Scheme Year at which investments were discussed. The Trustee considers that these meetings provides it with an appropriate opportunity to engage in the investment process with the Fiduciary Manager and to consult with the Sponsoring Employer. The Trustee is satisfied that these meetings allow it to sufficiently engage in investment decision-making. The Trustee undertook a review of the DB Section's SIP in July 2021, and again in March 2022, and an updated SIP was adopted in both instances. The changes to the DB Section's SIP were primarily for changes in the investment strategy. The Trustee is satisfied with the current governance structure and made no changes to the scheme governance approach laid out in the SIP during the Scheme Year.
DB Investment Strategy and strategy implementation	This section explains how the DB investment strategy contained in the DB Section's SIP has been implemented over the Scheme Year. This has also been explained in the other sections of this Implementation Statement referencing other parts of the SIP. The Trustee is satisfied that the DB investment strategy had been implemented in line with the DB Section's SIP during the Scheme Year for the reasons set out below and elsewhere in the Implementation Statement. **Overall objective** The overall objective of the DB Section is to meet the benefit payments promised by the Scheme as they fall due. To do so the Trustee has set the DB investment strategy, having obtained appropriate advice from the Fiduciary Manager and other Advisers, and having regard to the level of investment risk and return deemed appropriate to achieve the Scheme's overall objective, taking into account wider risks, for example, the Sponsoring Employer's covenant. The Trustee, with advice from its Advisers, has monitored the DB investment strategy over the Scheme Year against the DB Section's overall objective in the quarterly monitoring report and the Trustee is satisfied that the investment strategy contributes to the Scheme achieving its overall objective, for the reasons set out below. As a result of that monitoring, the Trustee was able to identify an opportunity

	to de-risk the investment strategy during the Scheme Year, which was reflected in the SIP. **Investment strategy** The Trustee sets the overall investment strategy for the DB Section of the Scheme with the purpose of achieving its investment objectives. The Fiduciary Manager manages assets of the DB Section directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Investment Managers in line with the investment strategy. The Trustee regularly monitors the performance of assets against the overall investment strategy and noted that as the market conditions improved in 2021, in comparison to the previous year, the Fiduciary Manager has been able to capitalise the positive market conditions through dynamically managing the DB Section's portfolio. The Trustee is satisfied that the Fiduciary Manager delivered a strong return against the Trustee's investment objectives over the Scheme Year on the basis that the DB Section's funding level has improved over the Scheme Year. The Trustee was subsequently able to de-risk the investment strategy over the Scheme Year, in July 2021. **Investment guidelines** The Trustee also sets investment guidelines for the Fiduciary Manager which covers a range of investment factors such as diversification, performance, liquidity. 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. Although the investment guidelines were not altered during the Scheme Year, in July 2021 the Trustee began to sell down "illiquid" assets from the portfolio, meaning any assets that would take broadly longer than 6 months to fully realise.
Corporate Governance and Stewardship	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 DB Section's SIP have been complied with during the Scheme Year based on the below (and see also section 4 on Engagement). The Fiduciary Manager manages assets of the DB Section 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 Trustee continues to believe it is appropriate to delegate voting and engagements decisions to its Underlying Investment Managers in order to achieve an integrated and joined up approach to Environmental, Social and Governance ("ESG") factors, voting and engagement together. In this way, as the Underlying Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee, the Trustee is satisfied that they can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). In addition, the Trustee also reviewed the voting and engagement records of its Fiduciary Manager. The review provided the Trustee an opportunity to consider if the

	Fiduciary Manager and Underlying Investment Managers have approached ESG and stewardship on behalf of the Trustee in line with expectation; and if not, what action the Trustee might wish to take. As part of the review, the Trustee concluded that it continues to be satisfied with its Fiduciary Manager and Underlying Investment Managers' voting and engagement behaviour and has therefore not sought to influence voting behaviours at this time. Although the Trustee does not intend to change its position at this time, it will continue to monitor the voting and engagement records on an ongoing basis. 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 SIP. The Fiduciary Manager undertakes regular reviews of all Underlying Investment Managers. The DB Section's SIP sets out that the Trustee will periodically review the Fiduciary Manager for elements such as performance. The Trustee reviews the performance of the Fiduciary Manager against its investment consultant objectives on an annual basis, including details of voting, engagement and voting on the underlying fund resolutions, to determine whether it is satisfied with the performance of the Fiduciary Manager. The Trustee also regularly reviews the appropriateness of the investment consultant objectives. Details of the voting and engagement for the majority of the Scheme's DB investment mandates where voting and engagement is relevant, are included in the sections 4 and 5 of this Implementation Statement. No changes were made to the Trustee's corporate governance and stewardship approach set out in the SIP during the Scheme Year.
Financially material investment considerations	The SIP was changed in 2019 and 2020 to reflect new regulatory requirements relating to financially material factors (including ESG and climate change). This section explains the actions taken and decisions made in connection with those changes. The Trustee considers ESG factors (and stewardship) when considering changes to the investment strategy and in appointing and reviewing investment managers. The Trustee's expectations for any current or future investment manager depends on the asset class involved, the degree of discretion given to the Fiduciary Manager, and the time horizon over which the Trustee expects to hold the investment. The Fiduciary Manager who takes investment decisions on behalf of the Trustee is expected to follow the Trustee's SIP in respect of financially material factors specifically ESG and climate change. The Trustee receives and reviews quarterly monitoring reports which include a matrix of ESG scores of the Scheme's portfolio including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio. The Fiduciary Manager considers the impact on the ESG characteristics and climate change at a total portfolio level and implications for risk and return on investments. When the Fiduciary Manager invests the DB Section's assets in equities, it typically uses a mandate where it can directly invest to 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 avoid investing in companies with poor or worsening ESG credentials, where ESG represents a risk to the value of the investment and seeks to invest in those companies with good or improving ESG credentials, where ESG represents an opportunity for investment growth. As

	examples, the Fiduciary Manager excluded a United States Healthcare provider due to poor safety issues and excluded a European pharmaceutical firm over poor corporate governance. Another ESG focused credit fund was introduced into the Scheme's portfolio over the Scheme Year. Where the Fiduciary Manager selects Underlying Investment Managers where it cannot directly allow for, or control, ESG factors, then how an Underlying Investment Manager evaluates ESG factors and mitigates ESG risks forms an important part of its evaluation at both investment and operational due-diligence stages. This may lead to the exclusion of potential Underlying Investment Managers (as explained above). The Trustee was satisfied with the approach taken by the Fiduciary Manager and Underlying Investment Managers over the Scheme Year. The Trustee is satisfied with the Fiduciary Manager's approach to financially material investment considerations within the DB Section's SIP. The Trustee is satisfied it has complied with this policy through the Scheme Year. No changes were made to the policy on financially material investment considerations in the Scheme Year.
Monitoring	The SIP requires the Trustee to monitor the performance of the Fiduciary Manager. The Trustee must also monitor the advice given by the Advisers on a regular basis. The Trustee reviews the performance of the Fiduciary Manager against its performance objectives on a quarterly basis, and against the investment consultant objectives on an annual basis. The Trustee is satisfied that the Fiduciary Manager has performed in line with the objectives set by the Trustee over the Scheme Year. The Trustee has also monitored the Underlying Investment Managers against their performances on a quarterly basis with the assistance of the Fiduciary Manager. The Trustee has not made any active decisions on the Scheme's Underlying Investment Managers over the Scheme Year. The Trustee is required to review the DB Section's SIP at least every three years, and the last review was undertaken in March 2022 with changes made as described elsewhere in this document. The Trustee made no changes to the monitoring approach during the Scheme Year. The Trustee is satisfied it has complied with its approach to monitoring, as set out in the SIP, through the Scheme Year.
Risk management	This part of the Implementation Statement sets out how risks identified in the DB Section's SIP have been monitored and managed within the DB Section in the Scheme Year. Many of these aspects are also covered in various other parts of the DB Section's SIP and the Implementation Statement and so there may be some repetition with other parts of the Implementation Statement. As a result, the Trustee covers only the most material risks here. The Trustee is, however, satisfied that risks are monitored in line with the policy contained in the DB Section's SIP on the basis set out below. The Trustee did not make any changes to its approach to risk management set out in the SIP during the Scheme Year. **Funding and asset/liability mismatch risk**

	The Trustee considers that the key risk for the DB Section is funding and asset/liability mismatch risk – i.e. the risk that the DB Section's funding position will not improve over time as expected due to a mismatch between the Scheme's assets and liabilities. 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. The Trustee is satisfied that during the Scheme Year, the mitigations it has adopted continue to protect the DB Section against interest rate and inflation movements ensuring the Scheme's assets kept pace with the liabilities. This has been measured quarterly against the Liability Benchmark and reported to the Trustee in quarterly reports prepared by the Fiduciary Manager. The Trustee made the decision to continue the current liability hedging approach for the next Scheme Year. The Trustee undertook a review of the DB Section's liability hedge arrangement during the Scheme Year and, having obtained advice from its Fiduciary Manager, is satisfied that the current liability hedge arrangement is sufficient to mitigate the asset/liability mismatch risk. However, having received advice from the Fiduciary Manager, the Trustee decided to amend the Fiduciary Manager's Investment Management Agreement over the Scheme Year to increase the level of hedging to further remove both interest rate and inflation risks. **Sponsor risk** The Trustee takes account of the risk of the Sponsoring Employer ceasing to exist when setting the asset allocation strategy (the "Sponsoring Employer's covenant"). The Trustee took no explicit action during the Scheme Year to adjust the investment strategy due to the Sponsoring Employer's covenant, as the Trustee considered the Sponsoring Employer's covenant satisfactory. **Other risks** The Trustee sets investment guidelines for the Fiduciary Manager which are intended to manage a range of risks identified by the Trustee (including Underperformance risk, Country risk and Concentration risk), which the Trustee intends are mitigated by minimum or maximum amounts of diversification, liquidity and counterparties. As outlined above, the Trustee is satisfied that the Fiduciary Manager has operated within these restrictions throughout the Scheme Year.
Non-financial factors	In line with the DB Section's SIP, the Trustee continued not to take into account non-financial matters (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. The Trustee did not change its policy on non-financial matters, as set out in the SIP, during the Scheme Year.

3. Details of any review and/or changes made to the SIP over the Scheme Year

The DB Section's SIP was amended twice during the Scheme Year, with the most recent version coming into effect during March 2022 following a consultation with the Company. The changes made were predominantly for changes to the investment strategy, following a material de-risk of the strategy in July 2021.

The next review of the SIP must be undertaken within three years.

4. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The DB Section of the Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustee's policies on exercising voting rights and engagement are set out in the DB Section's SIP. The Trustee made no changes to the voting and engagement policies contained in the DB Section's SIP during the year. It will keep these policies under review.

For the DB Section of the Scheme, the Trustee retained the Fiduciary Management[1] service of **Schroders IS Limited**, formerly known as **River and Mercantile Investments Limited**, as its Investment Manager and Adviser (it is referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "**Underlying Investment Managers**"). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then. It is a signatory to the UK Stewardship code. Its external recognition includes an A+ rating for UN Principles for Responsible Investment, A- rating for Carbon Disclosure Project, Advanced ESG recognition from Morningstar and Best Investor Engagement recognition from IR Society Best Practice Award for 2021.

Investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With a pooled investment fund, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager.

A copy of the DB Section's SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's policies on corporate governance and other financially material considerations when providing Fiduciary Management services. In particular, the Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and ESG factors including climate change, when choosing new or monitoring existing Underlying Investment Managers.

The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. Similarly, the Trustee has not sought to set its own voting policy, a position it does not intend to change at this time.

The Trustee has aligned its stewardship priorities with its Fiduciary Manager's engagement themes over the Scheme Year. The Trustee believes the Fiduciary Manager's engagement themes/priorities are issues which are material to the long-term value of the investments. The Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders including employees, customers, communities, suppliers and regulators. By strengthening relationships with this range of stakeholders, business models become more sustainable.

[1] The Fiduciary Manager was acquired by Schroders Group on 1 February 2022, so two sets of engagement priorities/themes were applicable to the Scheme during the Scheme Year. Details of both sets of engagement themes can be found in the next section. Going forward, the Fiduciary Manager's engagement priorities will be aligned with the priorities of the broader Schroders Group.

The Trustee believes the current approach to stewardship is in members' and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is expected to improve ESG related risk management and climate risk, and ultimately this is expected improve the financial outcome for the Scheme's members.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year.

The Trustee reviewed the Fiduciary Manager's Annual ESG report and ensured it was satisfied with the actions taken on its behalf in relation to ESG integration within the investments and stewardship activity.

The Trustee has identified areas in which it can enhance its stewardship activities in the following Scheme year by:

- Identifying ESG beliefs and areas of priority to aid in stewardship and focus engagement.
- Reviewing the Fiduciary Manager's (Schroders Solutions) latest ESG-related policies.
- Continuing to review the Fiduciary Manager on its ESG integration and its own stewardship activities over the year.

5. Voting and Engagement Summary – DB Section

The process for exercising voting rights and engaging with the managers of assets held on behalf of the DB Section is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund, or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon ("BNYM"), uses a proxy voting company called Institutional Shareholder Services ("ISS") to exercise these rights on its behalf and monitors ISS's activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on its behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit portfolio and the liability hedging portfolio, and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustee considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustee, voted and engaged with the investee companies. Those engagement priorities and themes were set out below:
    - For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward given the acquisition of the business):
        - E Climate change: carbon emissions and footprint of our funds
        - S Human capital: employee engagement and satisfaction
        - G Corporate governance: board composition, executive pay / compensation
    - For Schroder Solutions' engagement themes (from February 2022 onwards):
        - Climate: Climate risk and over sight, Climate alignment including decarbonising and minimising emissions, climate adaption and carbon capture and removal
        - Natural Capital and Biodiversity: Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation

- Human Rights: Overarching approach to human rights, works and communities, customers and consumers
- Human Capital Management: Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
- Diversity and Inclusion: Board diversity and inclusion, executive & Workforce diversity and inclusion
- Corporate Governance: Board and management, executive remuneration, relationship with shareholders

- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular, corporate governance including board composition. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager's engagement priorities/themes set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
- On behalf of the Trustee, the Scheme's Fiduciary Manager has also identified five Underlying Investment Managers who will receive targeted engagement over the next Scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the boards' independence and diversity.
- As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investment policy and by the end of March 2021, Schroders Solutions had begun removing any Russian exposures from the portfolio and engaging with underlying managers who continue to hold exposures. This will be a priority engagement theme for the next Scheme year. The Trustee receives updates from the Fiduciary Manager on the success of its engagements in this area.

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

- Within the Scheme's portfolio, **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an American multinational shipping & receiving supply chain management company. BNYM voted for a shareholder proposal requesting that the company report on its plans to reduce its total contribution to climate change and align its operations consistent with the Paris Agreement Goals. BNYM consider some of the company's peers to have set ambitious targets and they believe by supporting this proposal, it will provide shareholders with more transparency into the company's policy and goal-setting process, especially at a time when this company is looking to expand its airline and vehicle fleets.
- For the largest mandate within the return-seeking credit assets, engagement on improving public disclosure and operational risk management was noted as a significant example. The manager engaged with a leading financial services company that has approximately $1.9 trillion in assets and who is subject to several consent orders and other regulatory actions, requiring the company to undertake certain changes to its business, operations, products, services and risk management practices. The manager's engagement objectives were to improve compliance and operational risk management and enhance public disclosures regarding risk control improvements. The engagement process focused on prioritising the governance with new leadership from outside the organisation, enhanced audits, procedures and controls to mitigate the chance of improper lending practices. The outcomes of the engagement were largely positive such that a new CEO was hired externally. Additionally, the company's Operating Committee (a senior group responsible for running the company), has seen nine of its 18 members hired externally.

- For the Cashflow Matching Credit mandate, an example of Insight's engagement with a Norwegian Oil and Gas operator ("DNO") was noted. Insight questioned gas flaring with DNO several years ago. DNO has now become the first company in Kurdistan to reinject gas into reservoirs and continues to invest in gas reinjection despite initial Kurdish Government objections due to cost. Insight's active engagement meant that DNO has set an ambitious target to cap its Scope 1 and Scope 2 carbon intensity at one half of the Oil and Gas Climate Initiative ("OGCI")'s figure on a five-year moving average basis through 2030.
- In relation to the liability hedging mandate, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustee's policies contained in the DB Section's SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting relating to the DB Section's investments relate to underlying securities investment in through pooled funds 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 2022, the Fiduciary Manager voted on 111 resolutions across 27 meetings. The Fiduciary Manager voted against management on 6 resolutions which was 5.7% of total resolutions and abstained on 6 resolutions (5.7% of the total resolutions).

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

The following provides an ongoing engagement example where the Fiduciary Manager engaged Neuberger Berman ("NB", an underlying credit manager) on the tenure of E&Y as fund auditor. In January 2021, they noted that following the 2019 accounts EY have now been in-place for 20 years as fund auditor. The Fiduciary Manager believe there is some additional protection to investors from rotation of auditors (assuming the quality of the appointed party is maintained). They informed NB that in the absence of any plan to change auditor it is subsequently their intention to vote against E&Y's appointment at the 2021 AGM. In February 2021 NB informed Schroders that it was their intention to put the NBIF audit out to tender later in 2021, with EY being allowed to participate.

The tender process was be completed before the 2022 AGM and that depending on the outcome of the tender process, one of the resolutions was to approve a new auditor. Schroders Solutions had a routine operational due-diligence meeting with NB in their new offices in Victoria. They again raised the issue of auditor tenure. As a direct result of their engagement with them in 2021 the board issued a tender for the audit of the fund. E&Y, KPMG & GT were short listed. A score card was used to assess each firm. E&Y was reselected on the basis of the highest score. A new audit team was assigned to the engagement. Whilst Schroders's engagement did not result in a change of auditor it did result in a full tender process and a change in audit team.

Over the Scheme Year, the Fiduciary Manager also:

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided; and
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plans to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

	Top engagement themes
Manager A – Equity	▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes
Manager B – Alternatives	▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy
Manager C – Alternatives	▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager D – Alternatives	▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager E – Alternatives	▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c. 20 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other 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 discussed with the Trustee as described in section 3 above.

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	882	5,268
Total resolutions eligible to vote	11,989	54,483
% of resolutions did you vote on for which you were eligible?	97%	99%
% did vote with management?	88%	94%
% vote against management?	8%	5%
% abstained	1%	2%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%

Note:

- BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withhold in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withhold and votes abstained. BNYM also did not vote on 3% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

3. Examples of most significant votes carried out by the Underlying Managers

Engagement priorities	Examples
Climate change	Origin Energy Limited, Electronic Arts Inc, Costco
Human capital	Microsoft, Goldman Sachs
Corporate governance	FedEx, EXXON

BNYM Global Equity Fund

Microsoft

In November 2021, BNYM supported a shareholder proposal that requested a report on effectiveness of workplace sexual harassment policies. Given Microsoft faces a litany of potential controversies in recent years, BNYM believe a transparent report allows shareholders to more adequately assess if the company is addressing these risks effectively. The proposal passed with majority support, forcing Microsoft to report on the effectiveness of workplace sexual harassment policies.

Goldman Sachs

In April 2021, BNYM voted for a shareholder proposal requesting Goldman Sachs report on the impact of the use of mandatory arbitration on employees and workplace culture. As Goldman Sachs requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, Goldman Sachs chose to act and produce a response in light of the high level of support which is a good outcome despite the result of the proposal.

Electronic Arts Inc

BNYM inquired as to whether or not Electronic Arts will be including Scope 3 emissions in their reporting and also will they be setting TCFD disclosure targets. Electronic Arts responded that they recently hired new talent to comply with the environmental disclosures and will be explaining the disclosures over the coming months.

EXXON MOBIL CORPORATION

In 2021, BNYM held multiple engagements with Exxon Mobil Corporation and the dissident in the proxy contest, Engine No.1. At the May 2021 meeting, BNYM submitted a cross-slate vote, voting for all dissident candidates and the replacement of one management nominee with an alternative whom BNYM believed had a more appropriate skillset required for Exxon’s business strategy. BNYM believe that this support will enhance Exxon’s preparedness for an energy transition in the future and the dissident nominees will bring necessary independent industry expertise to the board.

Vanguard FTSE All-World ETF Fund

ORIGIN ENERGY LIMITED

Origin is the second-largest utility provider in Australia. Over the last several years, activist groups have targeted Origin as one of the largest carbon emitters in Australia. Vanguard has engaged with Origin’s board and company leaders over many years and the recent discussions have been focused on the company’s climate risk mitigation and energy transition plans.

At the annual meeting on 20 October 2021, Vanguard considered, but did not support, several shareholder proposals requesting that company to publish a report on water quality and groundwater management at its sites, temporarily halt operations in area with cultural heritage sites, publicly disclose all materials and agreements used in consent negotiations with Indigenous communities, suspend membership in industry groups whose goals don't align with the Paris Agreement and commit to align all material future capital expenditures with a 1.5 degrees global warming limit.

Vanguard evaluates the materiality and oversight of these various risks on a case-by-case basis. Should there be gaps in the company's current disclosures or disconnects with long-term strategy, Vanguard may vote in favour of shareholder proposals that seek enhanced reporting of the company's approach to risk oversight and strategy alignment. Based on the analysis carried out, Vanguard expressed their support for the revision of the climate targets and their expectation that Origin would update its disclosure, however they did not support the capital allocation proposal by shareholder as they believed that the proposal was aimed at directing the company's strategy away from gas operations, which was overly prescriptive. In addition, Vanguard found the company's governance and oversight processes on climate risks were sufficient, and related disclosures were appropriate and Origin should retain flexibility to manage its relations with industry associations. As a result, Vanguard decided to not support the proposal on climate -related lobbying resolution at this time but encouraged the board to continue to prioritise its review and oversight of the risks highlighted by the proposal, particularly related to organisations that are not fully aligned to the Paris Agreement. Finally, for the water, cultural heritage and consent resolution, Vanguard concluded that Origin had taken appropriate and sufficient action to manage related risks and impacts and was providing adequate reporting to the public. The resolution was deemed overly prescriptive because they sought to dictate the company's operations.

The votes were considered because they were related to climate risk. Although Vanguard did not support the shareholder's proposals, Vanguard has called on companies and their boards to enhance disclosure on oversight and management of a company's material risks. Market norms, regulations, and investor expectations are moving toward greater disclosure on governance matters. The Trustee can expect Vanguard, through their engagements, proxy voting and public advocacy, to continue to seek relevant, decision-useful information on material risks including climate change.

FEDEX

FedEx is a US based package logistics company. At the annual meeting for FedEx on 27 September 2021, Vanguard supported a nonbinding management proposal seeking approval for the compensation of named executive officers and a shareholder proposal requesting that the board report on the company's lobbying-related oversight, policies and expenditures. However, Vanguard did not support a shareholders proposal that requested reports on how the company's policies may reinforce racism within its corporate culture.

For the proposal to ratify named executive officers' compensation, Vanguard's review revealed strong pay for performance alignment on a relative basis and determined that the plan appropriately represented the shareholders' interests and incentivised executives to think about the company's long-term success. Therefore, Vanguard supported this year's executive compensation plan.

For the proposal to report on racism in FedEx's corporate culture, Vanguard are encouraged to see the company's strong commitment to continually improving its diversity-related disclosures through its annual ESG report. Company leaders were receptive to feedback that investors would benefit from additional disclosure on the board's assessment of the effectiveness of its diversity-related efforts. Vanguard did not support the proposal because Vanguard believe the company has provided extensive disclosure of its diversity, equity and inclusion efforts and the board remains committed to improving this reporting.

COSTCO

Costco is an American Multinational corporation which operates a chain of membership-only warehouse clubs. At the annual meeting for Costco on the 20 January 2022, Vanguard supported a shareholder proposal

requesting that the board adopt short-, medium-, and long-term science-based greenhouse gas emissions reduction targets, inclusive of its full value chain, to achieve net zero emissions by 2050 and to effectuate appropriate reductions prior to 2030. The proposal passed with 70% support.

Vanguard expects companies and their boards to exhibit three key elements of sound climate risk governance:

- Oversight: A climate-competent board that demonstrates awareness of climate risks and fosters healthy debate on climate topics, challenges management assumptions, and makes thoughtful and informed decisions regarding these risks.
- Mitigation: Robust risk oversight and mitigation measures, including setting targets aligned with the goals of the Paris Agreement and an expected net zero transition and integrating climate risk considerations into strategic business planning and capital allocation decisions.
- Disclosure: Effective and comprehensive disclosures, both qualitative and quantitative, to show progress over time, preferably written in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD).

Where climate change is a material risk to a company's business strategy, Vanguard expect the board to be climate-competent and reflect the necessary skills to independently oversee its company's risks and strategy related to the expected energy transition. Vanguard encourage companies to disclose material risks, including climate-related risks, and their mitigation strategies. As Vanguard have previously communicated, robust climate risk mitigation measures include setting targets aligned with the goals of the Paris Agreement or applicable subsequent agreements and disclosing how the company will deliver shareholder value considering climate risk.

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement polices for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html
Vanguard	**Disclosure of rationale of voting** can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	**CBRE Global ESG policy:** https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf
Insight	https://www.insightinvestment.com/investing-responsibly/