# Urenco UK Pension Scheme

## Annual Implementation Statement – 5 April 2022

This Statement has been prepared by the Trustee of the Urenco UK Pension Scheme ("the Scheme"), and sets out how, and the extent to which, the Statement of Investment Principles ("SIP") has been followed during the year to 5 April 2022 ("the Scheme year"). This Statement also includes a summary of the voting activity that was carried out on behalf of the Trustee over the Scheme year by the Scheme's investment managers.

**In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year.**

In Section 1 we outline the changes to the SIP over the Scheme year. The remainder of the Statement is then divided into two sections: the Defined Benefit Section ("DB Section") and the Defined Contribution Section ("DC Section").

## 1. Statement of Investment Principles

During the year, the Trustee reviewed and amended the Scheme's SIP on three occasions, taking formal advice from the investment consultant ("Mercer") on each occasion.

The main changes to the SIP[1] during the Scheme year reflect:

- The decision in May 2021 to invest 5% of the DB Section's assets in corporate bonds and to reduce the allocation to equities by 5% as part of a de-risking exercise (revised SIP dated May 2021).
- The decision in June 2021 to invest a further 10% of the DB Section's assets in corporate bonds and to reduce the allocation to equities by 10% as part of a second de-risking exercise (revised SIP dated June 2021).
- An update to the Trustee's investment objective, which is to target full funding by 2025 (previously 2028) on a low risk basis, gilts + 0.5% p.a. (revised SIP dated March 2022).

[1] Available at https://www.urenco.com/careers/urenco-uk-careers

## 2. DB Section

### 2.1. Investment Objectives

The objectives of the DB Section are as follows:

- *Invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest between them and the Principal Company, in the sole interest of the members and beneficiaries. In doing so the Trustee pays due regard to the Principal Company's position with respect to the size and incidence of employers' contribution payments.*
- *The Trustee has an investment objective that targets full funding by 2025 on a low risk basis (gilts + 0.5% p.a.). The purpose of this objective is to reduce the reliance on the covenant of the Principal Company.*

### 2.2. Assessment of how the policies in the SIP have been followed for the Scheme year

The information provided in the following sections highlights the work undertaken by the Trustee during the Scheme year for the DB Section and sets out how this work followed the Trustee's policies in the SIP. In summary, it is the Trustee's view that the policies in the SIP for the DB Section have been followed during the Scheme year.

#### Strategic Asset Allocation

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 1 | Kind of investments to be held and the balance between different kinds of investments<br>(Section 2.3 of SIP) | • The Trustee continued to review its journey plan throughout the Scheme year. Changes made to the Scheme's investments over the period included:<br>• The termination of BlackRock's equity mandates in May 2021. The proceeds were invested in the Royal London Asset Management ("RLAM") buy & maintain credit (corporate bonds) mandate as part of the Scheme's de-risking framework.<br>• Further de-risking took place in June 2021, whereby the Cantillon equity mandate was terminated, with the redemption proceeds invested in the RLAM buy & maintain credit mandate. |

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 2 | Risks, including the ways in which risks are to be measured and managed<br>(Section 2.4 of SIP) | • As part of their regular quarterly risk dashboard and investment performance monitoring, the Trustee monitored changes in the Scheme's exposure to various risks, including active management and manager-related risks.<br>• The Trustee also discussed and reviewed the Scheme's plan for targeting full funding on a low-risk basis. This included a shift in target timeframe from 2028 to 2025, and the introduction of downside triggers in the event that funding level progression falls behind expectations.<br>• The Trustee manages interest rate and inflation risk by investing in Liability Driven Investment ("LDI") assets. In Q4 2021, the Trustee rebalanced the LDI benchmark to reflect changes to the Scheme's liability profile and agreed to increase the interest rate hedge ratio to 80% of liabilities (as measured on a gilts+0.5% basis). The Trustee also kept collateral risk under review as part of quarterly monitoring.<br>• The Trustee also reviewed their risk register to ensure investment risks were accurately captured. |
| 3 | Expected return on investments<br>(Section 2.3 of SIP) | • The Trustee reviewed the expected return on investments following the change in the investment strategy in Q2 2021 (specifically May and June 2021, as referred to in section 1), when 15% of Scheme assets was reallocated from equities to buy & maintain credit, and to allow for changes in market conditions. The resulting expected return from the assets was sufficient to meet the Trustee's objectives.<br>• As part of the quarterly investment performance reports, the Trustee monitored actual performance for each investment manager, and at a total Scheme level, relative to their respective benchmarks, and monitored each manager's ability to meet their return targets via Mercer's manager ratings. There were no changes to the investment manager ratings over the Scheme year. |

## Investment Mandates

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 4 | Securing compliance with the legal requirements about choosing investments<br>(Section 1 of SIP) | • The Scheme's investment advisors provided updates on Scheme performance and, where required, ongoing appropriateness of the funds used, as well as advice on asset allocation and investment risks, during the Trustee and Investment Sub Committee meetings and via the quarterly investment reports.<br>• Day-to-day management of assets is delegated to investment managers who are authorised and regulated by the relevant financial regulators. |

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 5 | Realisation of investments<br>(Section 2.6 of SIP) | • The Scheme received its annual deficit contribution from the Company in April 2021. A proportion of this contribution was held in the Trustee Bank Account to fund expected short term cashflow requirements. The remaining funds were invested in line with the Scheme's cashflow policy.<br>• The Trustee agreed to receive income from the Nordea diversified growth fund with the switch to income paying units completed post year-end. Receipt of income will reduce the number of disinvestments required from the Scheme's invested assets going forwards.<br>• Any disinvestments made over the year to meet cashflow requirements were implemented in line with the Trustee's cashflow policy. All cashflow requirements arising from the LDI portfolio were met from the other investments managed by Insight, in line with the Trustee's policy.<br>• As part of the review of the investment arrangements, the Trustee is aware that the M&G Secured Property Income Fund is only realisable on a quarterly basis. In addition, the RLAM credit fund trades on a monthly basis and depending on the size of investment or disinvestment, a transition fund may be used to build up/reduce exposure over time. All other assets are daily-dealt. |
| 6 | Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments<br>(Section 2.4 and Section 4 of SIP) | • The investment performance reports were reviewed by the Trustee on a quarterly basis, which include Mercer's investment and ESG research ratings for each fund. The Trustee remained comfortable with the ratings applied to the managers, and continues to closely monitor these ratings and any significant developments for the managers.<br>• During the Scheme year, the Trustee reviewed how each manager's ESG rating compared with other managers in the same asset class.<br>• Over the year, the Trustee terminated the BlackRock and Cantillon equity mandates as part of the Scheme's de-risking framework following a significant improvement in the funding position. The redemption proceeds were directed to RLAM's buy & maintain credit fund which resulted in a material reduction in risk.<br>• Non-financial matters have not explicitly been taken into account with regards to in the selection, retention and realisation of investments. |

## Monitoring the Investment Managers

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 7 | Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies<br>(Section 5.1 of SIP) | • The Trustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year.<br>• Over the year, the Trustee terminated the appointment of BlackRock and Cantillon as part of the Scheme's de-risking framework, as outlined in item 1 above. |

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 8 | How the arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term<br>(Section 5.1 of SIP) | • Over the year, the Trustee monitored how each investment manager chooses assets for investment and embeds ESG into their investment process, via changes in the investment and ESG ratings assigned by Mercer. Over the Scheme year, the Mercer ESG ratings weres upgraded for the following mandates: Ruffer diversified growth, Nordea diversified growth, Wellington multi-asset credit, Insight liquidity fund, Insight high grade ABS, and M&G HLV property.<br>• The Trustee has also received and considered key voting and engagement information from the managers, which is summarised in the Voting and Engagement section that follows.<br>• Based on the information provided to them over the year from the managers and their investment adviser, the Trustee remains satisfied that managers are choosing investments based on their medium to long-term financial and non-financial performance and are engaging appropriately with issuers of debt and / or equity on factors that will affect the issuer's long-term performance, such as ESG considerations. |
| 9 | Evaluation of the investment manager's performance and the remuneration for asset management services<br>(Section 5.2 of SIP) | • The Trustee received, and considered, performance reports produced on a quarterly basis, which presented performance information and commented on the funds they invest in over various time periods. The Trustee reviewed absolute performance and relative performance against a suitable index used as a benchmark and / or against the managers' stated target performance on a net of fees basis.<br>• No changes were made to managers' remuneration arrangements over the Scheme year. |
| 10 | Monitoring portfolio turnover costs<br>(Section 5.3 of SIP) | • The Trustee received, where applicable, MiFID II reporting from the investment managers, but does not currently analyse the information. The Trustee assessed investment performance net of the impact of costs and fees.<br>• The Trustee continues to monitor industry improvements concerning the reporting of portfolio turnover costs. |
| 11 | The duration of the arrangement with the investment manager<br>(Section 5.4 of SIP) | • Over the Scheme year, the Trustee terminated the appointment of BlackRock and Cantillon as outlined above in Section 1. |

## ESG, Stewardship and Climate Change

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 12 | Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters)<br>(Section 4 of SIP) | • The Trustee delegated engagement activities with companies to the investment managers.<br>• All of the Scheme's investment managers (where relevant), excluding Nordea, have confirmed they are signatories of the 2020 UK Stewardship Code. However, in 2022 Nordea made a submission to become a signatory of the UK Stewardship Code.<br>• As outlined above, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer. |

## Voting Disclosures

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 13 | The exercise of the rights (including voting rights) attaching to the investments<br>(Section 4 of SIP) | • The Trustee delegated voting activities to the investment managers.<br>• The Trustee has requested key voting activities from their managers over the Scheme year. The information received is summarised in Sections 2.4 and 2.5 of this Statement. |

## 2.3. Engagement Activity – DB Section

### BlackRock Global and Emerging Market Equity

- BlackRock is a **signatory of the UK Stewardship Code** and is actively engaged in corporate governance.
- In May 2021, **BlackRock was terminated**.

### Cantillon Global Equity

- Cantillon is a **signatory of the UK Stewardship Code** and is actively engaged in corporate governance.
- In June 2021, **Cantillon was terminated.**
- During the period 6 April 2021 to 4 June 2021 (the date of the Scheme's full redemption from Cantillon Global Equity Fund) there were 14 meetings with management of investee companies. A wide range of issues were discussed, including for example board composition, executive compensation, and M&A activity.
- In May 2021, Cantillon held a call with the Deputy General Counsel and Corporate Secretary at FIS (a US based fintech company) to discuss governance matters, including shareholder engagement and ESG disclosure. Cantillon asked FIS if they had considered adding a "Governance Team" to connect large shareholders with the Board outside of the typical Chief Executive Officer/Chief Financial Officer /Investor Relations channel. Cantillon noted that they had seen other U.S. companies doing this and considered it a step in the right direction. They also asked if FIS would consider reaching out to longer-term shareholders ahead of proxy voting season. FIS indicated that they were planning an off-season shareholder outreach campaign. Cantillon asked what progress FIS had made in ESG disclosure and engagement. FIS noted that the previous year they had disclosed and published their first sustainability report. FIS's governance committee also revised their charter to include ESG metrics. FIS had put in place a dedicated team responsible for driving ESG initiatives; and FIS indicated they were on track to publish their second annual sustainability report by the end of the quarter. FIS noted that earlier that year, they had published reports about their climate change initiatives and their goal to become carbon neutral by 2025. FIS acknowledged that demand for measurable ESG metrics was increasing; and indicated that CEO Gary Norcross had made it one of his priorities.

## Engagement by other Investment Managers

### RLAM Just Transition engagement

RLAM have continued their engagement on the Just Transition Project in partnership with Friends Provident Foundation (FPF).

This project focuses on investors supporting and working with energy and utility companies to monitor and address the social impact of their climate goals and decarbonisation plans.

Of the seven utility companies RLAM engaged with (SSE, E.ON, Centrica, EDF, Scottish Power, National Grid and RWE) all but one, the German company RWE, have published a Just Transition plan or statement, as RLAM requested.

This is a significant engagement success in RLAM's view, as the Just Transition is an issue that will have significant social as well as environmental consequences.

(See the '[Just Transition engagement report 2021]' for more information)

### Insight engage with Pepper Money

Pepper Money are the largest Australian non-bank lender offering home, car, commercial and equipment loans. Their issues are held within the High Grade ABS fund.

Insight's overall ESG assessment of Pepper is positive; from governance perspective Insight believe this is a well-managed business with a diverse board. They also score highly from a social perspective.

However, their environmental risk management was identified as an area of weakness. Data disclosures were also assessed by Insight as poor.

Insight engaged with the issuer to improve the quality of data provided, as well as details as to how environmental risks are assessed and overseen at Board level.

Engagement was positive, with Pepper confirming that they are in the process of improving how they gather and track environmental metrics for use in future disclosures.

### Wellington DEI transparency engagement

Wellington targeted diversity, equity, and inclusion (DEI) in 2021 as a key stewardship priority for companies to disclose the racial and ethnic composition of their board.

Wellington wrote to all S&P 500 companies, communicating their expectations and explaining how this issue would align with Wellington's voting guidelines.

During 2021, a US-based oil and gas exploration and production company responded positively through further engagement, detailing its plan to expand these disclosures.

The company has promised to include the racial and ethnic composition of its board, starting with its proxy statement at the 2022 annual general meeting.

## Engagement by other Investment Managers

### Ruffer engage with Shell and Hensoldt

Ruffer engaged with Shell on their energy transition plans.

Ruffer held an introductory call with the Chief Financial Officer to establish a direct relationship with the Shell management team, with the intention of collaborating on the company's energy transition plans.

Ruffer also engaged with Shell as a part of Climate Action 100+ and discussed the current challenges in European energy markets and progress made so far on the energy transition.

Ruffer also held discussions with Hensoldt covering sustainability targets, board composition and remuneration.

Ruffer's objective was to better understand the company's corporate governance framework and sustainability strategy as a basis for future engagement.

### Nordea engage with Check Point on D&I topics

Since 2020, Nordea has engaged with companies on diversity and inclusion (D&I) issues, and especially focused on companies that have only a small minority or no females on their board.

For diverse companies, the likelihood of outperforming industry peers on profitability has increased over time, while the penalties are getting steeper for those lagging behind.

Nordea's engagement with Check Point Software focused on D&I topics, and Nordea's goal was to encourage them to increase the female ratio of their Board members.

Nordea sent a letter encouraging the company to review its approach to D&I. During Nordea's engagement with the company, the Board gender ratio improved from 10% up to 20% in 2021.

Nordea will continue engagement dialogue until the company meets their expectation of minimum 40% female representation on the Board.

### M&G engage with property tenants

M&G continually engage with tenants that occupy the Fund's real estate holdings, through ESG meetings typically occurring every quarterly or semi-annually.

Through meetings with David Lloyd, M&G identified and shared mutual ESG aspirations, including a Net Zero Commitment of 2030.

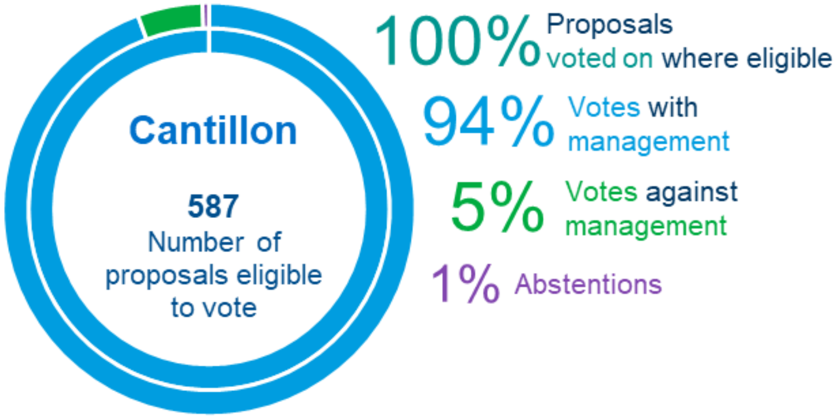
David Lloyd is keen to decarbonise heat usage through the use of renewable energy technologies, reduce total waste volumes & increase recycling rates.

M&G hold regular meetings with the ESG Director regarding their net carbon target of 2030. Ongoing discussions have included boreholes, ground source heat pumps, PV panels and advertising frames.

Following M&G's engagement, David Lloyd have shared energy data for 2019 and 2020, and have considered boreholes installation on some sites, reducing mains water usage.

## 2.4. Voting Activity during the Scheme Year

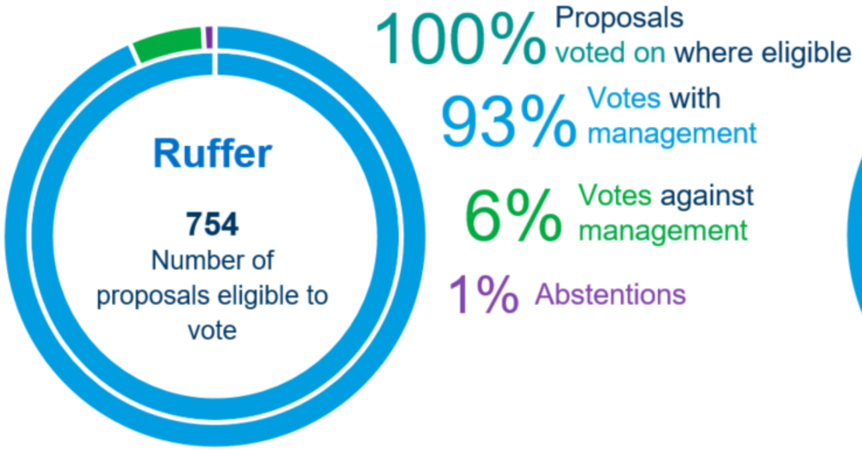
A summary of the voting activity for the Scheme's equity and DGF managers is set out below. BlackRock has been excluded as data was not available for the portion of the Scheme year prior to the mandates being terminated. Over the prior 12 months, the Trustee has not actively challenged the investment managers on their voting activity. The Trustee does not use the direct services of a proxy voter, however some of the Scheme's investment managers use research and proxy-related services to assist with the mechanics of voting.

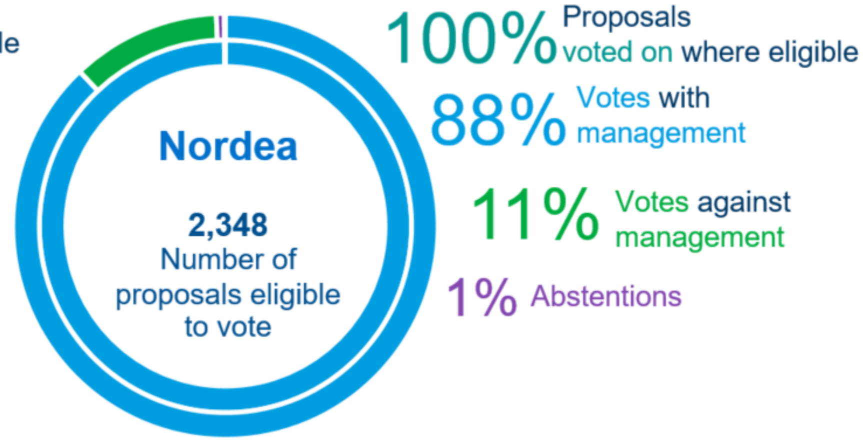



**Votes "for / against management"** assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.

**Some proposals were abstained** – reasons include selling the stock during the period between the record date and AGM date, and conflicts of interest.

*Source: Investment managers. Figures may not sum to total due to rounding. Figures for Cantillon shown from 1 April 2021 to termination on 4 June 2021.*



## 2.5. Voting Activity during the Scheme Year

There is no official definition of what consistitutes a signficant vote; managers have adopted a variety of interpretations such as:

- The proxy-voting service (ISS) has scored the company vote very poorly (<10) and ISS has recommended voting against a proposal
- The vote is severely against the manager's principles and the manager believes they need to enact change
- The vote is expected to have a material financial outcome and therefore impact the manager's clients
- The size of the holding in the fund / mandate is significant

A sample of significant votes for the Scheme's equity and DGF managers is set out below. The 'Vote by Company Management' and the 'Vote by Manager' highlights whether the company management team and manager voted for (✓) or against (×) the sample proposals shown below. Where the manager voted differently to company management, a rationale for their decision is provided.

| Manager | Issuer | Date | Vote Category | Proposal | Vote by Manager | Vote by Company Management | Rationale and outcome |
|---|---|---|---|---|---|---|---|
| Cantillon | Alphabet | 02/06/2021 | Governance | Management Proposal to Approve Omnibus Stock Plan | ☒ | ☑ | ISS recommended voting against the approval of the omnibus stock plan and against certain directors for "poor stewardship of the company's pay programs as evidenced by recurring and significant executive compensation concerns." Cantillon agreed with ISS and voted against the proposal.<br><br>The proposal was approved. |
| Cantillon | Facebook (now Meta Platforms) | 26/05/2021 | Governance | Management Proposal to Approve Non-Employee Director Compensation Policy | ☒ | ☑ | ISS recommended voting against the amendment of non-employee director (NED) compensation policy as it would provide services such as personal security to the NEDs without imposing any limits and the proposal contained no estimate of the potential costs. ISS noted that the company has "historically provided sizable security related perquisites to the CEO and Named-Executive Officers (NEOs), at a magnitude which is considered extraordinary, including for the year in review." Cantillon agreed with ISS and voted against the proposal.<br><br>The proposal was approved. Both Meta Platforms and Alphabet have dual-class share structures, giving outsized voting power to founders |

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| | | | | | | | and making it difficult for votes against management proposals to succeed. |
| BlackRock | Moody’s | 20/04/2021 | Environment | Approve 2020 Decarbonisation Plan | ☑ | ☑ | At the 2021 annual general meeting (AGM), management proposed an advisory shareholder vote on the company’s decarbonisation plan, i.e., a “say on climate.” According to Moody’s 2021 Proxy Statement, following its discussions with TCI Fund Management Limited (on behalf of the stockholder The Children’s Investment Master Fund), the board decided to hold this advisory, non-binding “say on climate” vote to approve the company’s decarbonisation plan at the 2021 and 2022 AGMs.<br><br>BlackRock considers Moody’s to be an industry leader on climate disclosure. In addition to aligning its Corporate Social Responsibility reporting to the sector-specific standards of the Sustainability Accounting Standards Board (SASB), Moody’s produces a detailed report aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that provides a scenario planning analysis as well as near, medium and long-term risks. In line with management, BIS voted FOR this proposal because it meets BlackRock’s expectations for companies to have clear policies and action plans to manage climate risk, and provides a roadmap towards the company’s stated climate ambitions and targets.<br><br>The proposal was approved. |
| Ruffer | American Express | 04/05/2021 | Social | Vote on shareholder resolution requesting annual D&I report | ☑ | ☒ | Ruffer supported a shareholder resolution that requires the company to annually publish a report assessing Diversity, Equity, and Inclusion Efforts. Whilst American Express is taking meaningful steps to increase its workforce diversity and promote inclusion, reporting of its diversity statistics has room for improvement. Diversity feeds into social considerations when investing, under the guise of human capital and social opportunities and consequently, improvement in disclosure would benefit shareholders in assessing the company's long-term value and reputational and legal risks. |

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| | | | | | | | The resolution was passed. Ruffer will continue to vote on shareholder resolutions that improve transparency over Diversity, Equity, and Inclusion Efforts. |
| Nordea | Johnson & Johnson | 22/04/2021 | Governance | Report on government financial support and access to COVID-19 vaccines and therapeutics (Shareholder Resolution) | ☑ | ☒ | Nordea believe reporting on the impact of public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks. As such Nordea voted for this proposal.<br><br>The proposal was rejected. Nordea will continue to support shareholder proposals on this issue as long as it is needed. |

# 3. DC Section

## 3.1. Investment Objectives

The objectives of the DC Section are as follows:

- *Ensure there are appropriate investment options to allow members to plan for retirement.*
- *Arranging for the provision of general guidance to members (as appropriate) as to the purpose for each investment option.*
- *Encourage members to seek independent financial advice from an appropriate person in determining the profile of their own investments.*

## 3.2. Assessment of how the policies in the SIP have been followed for the Scheme year

The information provided in the following section highlights the work undertaken by the Trustee during the Scheme year for the DC Section and sets out how this work followed the Trustee's policies in the SIP.

In summary, it is the Trustee's view that the policies in the SIP for the DC Section have been followed during the Scheme year.

## Strategic Asset Allocation

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 1 | Kind of investments to be held and the balance between different kinds of investments<br>(Section 3.1 & 3.3 of SIP) | • Over the Scheme year, there were no changes to the DC investment arrangements.<br>• The Trustee continued to review via the quarterly performance dashboard the mix of investments available to members. |
| 2 | Risks, including the ways in which risks are to be measured and managed<br>(Section 3.4 of SIP) | • As part of their regular quarterly investment performance monitoring, the Trustee monitored changes in the Scheme's exposure to various risks, including active management and manager-related risks.<br>• The Trustee maintains a detailed risk register of the key risks the DC Section is exposed to, including the investment risks. The Trustee reviewed the DC risk register at the May 2021 meeting and agreed a number of updates.<br>• The Trustee undertook a review of Value for Members Assessment that assesses performance and charges relative to various benchmarks.<br>• The Trustees also received administration reports which are reviewed to ensure that core financial transactions were processed within Service Level Agreements and regulatory timelines. At certain points during the year, service levels were below what the Trustee expected, at which point the Pensions Secretary undertook discussions with representative of the platform provider. |
| 3 | Expected return on investments<br>(Section 3.3 of SIP) | • Over the year, the Trustee received investment performance reports on a quarterly basis monitoring the investment performance of the funds within the Default investment lifestyle, the self-select funds and the alternative lifestyle arrangements, looking at the funds' performances against their benchmarks over both short and longer-term periods.<br>• In addition to the quarterly investment performance reports, the Trustee received 'dashboards' from their investment advisor showing performance against other comparable funds, Mercer's manager ratings and key metrics about the Scheme. The Value for Members Assessment analysis also provided comparisons of performance and charges.<br>• The Trustee also received over the year a comparison of the growth phase of the default lifestyle against other provider's default growth phase.<br>• Members that have selected their own investments determine the balance between different types of investments they hold, which will determine the expected return on investments. |

## Investment Mandates

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 4 | Securing compliance with the legal requirements about choosing investments<br>(Section 1 of SIP) | • No new investments were implemented over the year to 31 March 2022<br>• The Scheme's investment advisors provided updates on the ongoing appropriateness of the funds used, during the Trustee and Investment Sub Committee meetings and via the quarterly investment reports. |
| 5 | Realisation of investments<br>(Section 3.6 of SIP) | • All funds, including those in the default strategy, are daily-dealt pooled investment arrangements. Therefore, assets should be realisable at short notice, based on member and Trustee demands.<br>• During the majority of 2021, transactions in the Aegon Property Fund (available as a self-select option) were suspended as a consequence of exceptional market conditions leading to material price uncertainty in the property market. Whilst suspended members' contributions to the Fund were redirected to the Cash Fund. In Q1 2022, the suspension on dealing in the Fund was lifted and trading resumed. |
| 6 | Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments<br>(Section 3.4 and Section 4 of SIP) | • The investment performance reports were reviewed by the Trustee on a quarterly basis, which include Mercer's investment and ESG research ratings for each fund. The Trustee remained comfortable with the ratings applied to the managers, and continues to closely monitor these ratings and any significant developments for the managers.<br>• During the Scheme year, the Trustee reviewed how each manager's ESG rating compared with other managers in the same asset class.<br>• Member views have not explicitly been taken into account with regards to non-financial matters in the selection, retention and realisation of investments. |

## Monitoring the Investment Managers

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 7 | Incentivising investment managers to align their investment strategies and decisions with the Trustees' policies<br>(Section 5.1 of SIP) | • The Trustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year. TheTrustee used the information set out in the quarterly investment reports, including manager performance and Mercer's investment ratings, to review their manager appointments over the Scheme year.<br>• The Trustee held over the year regular meetings with its investment advisor to satisfy itself that to carry out their work competently and have the appropriate knowledge and experience to manage the investments of the DC Section. |
| 8 | How the arrangement incentivises the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term<br>(Section 5.1 of SIP) | Over the year, the Trustee monitored, with support from their investment advisor, how each investment manager chooses assets for investment and embeds ESG into their investment process, via changes in the investment and ESG ratings assigned by Mercer.<br>• The Trustee has also received and considered key voting and engagement information from the managers, which is summarised in the Voting and Engagement section that follows.<br>• Based on the information provided to them over the year from the provider and their investment advisor, the Trustee was satisfied that underlying managers are choosing investments based on their medium to long-term financial and non-financial performance and are engaging appropriately with issuers of debt and / or equity on factors that will affect the issuer's long-term performance, such as ESG considerations. |
| 9 | Evaluation of the investment manager's performance and the remuneration for asset management services<br>(Section 5.2 of SIP) | The Trustee reviewed the remuneration for the investment managers as part of the annual Value for Member Assessment.<br>• The Trustee received, and considered, performance reports produced on a quarterly basis, which presented performance information and commented on the funds they invest in over various time periods. The Trustee reviewed absolute performance and relative performance against a suitable index used as a benchmark and / or against the managers' stated target performance on a net of fees basis. |
| 10 | Monitoring portfolio turnover costs<br>(Section 5.3 of SIP) | • Transaction costs, using the 'slippage cost methodology' (as defined in COBS 19.8 of the FCA Handbook), were disclosed in the annual Chair's Statement).<br>• The Trustee is required to assess these costs for value on an annual basis. However, at present, the Trustee notes a number of challenges in assessing these costs: |

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| | | ○ No industry-wide benchmarks for transaction costs exist<br>○ The methodology leads to some curious results, most notably “negative” transaction costs |
| 11 | The duration of the arrangement with the investment manager<br>(Section 5.4 of SIP) | • There were no changes to the Scheme’s investment arrangements, nor were the appointments of any of the Scheme’s investment managers placed under review by the Trustee, over the year to 31 March 2022.<br>• |

## ESG, Stewardship and Climate Change

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 12 | Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters)<br>(Section 4 of SIP) | • As the funds are multi-client funds, the Trustee has delegated engagement activities with companies to the investment managers.<br>• All of the Scheme’s investment managers have confirmed they are signatories of the UK Stewardship Code.<br>• As outlined above, the Trustee monitored the investment and ESG ratings assigned to each manager by Mercer, and these ratings were considered as part of the decision making process in the review of investment arrangements, or their ongoing appointment. |

## Voting Disclosures

| | Policy | How the policy has been met over the Scheme year |
|---|---|---|
| 13 | The exercise of the rights (including voting rights) attaching to the investments<br>(Section 4 of SIP) | • As the funds are multi-client funds, the Trustee has delegated voting activities to the investment managers.<br>• The Trustee received key voting activities from their managers over the Scheme year. The information received is summarised in Sections 3.4 and 3.5 of this Statement. |

## 3.3. Engagement Activity From A Number of the Underlying Managers

### BlackRock Global and Passive and Active Equity Funds

- BlackRock engagement activity is cover under Section 2.3

### MFS

- **Corporate Culture and Diversity** MFS' investment team spends considerable time evaluating the impact of corporate culture on individual companies. As investors, they believe enhanced transparency and disclosure on employee management practices is critical and can have a material impact on investment decisions. We feel strongly that we should be willing to disclose the same data we expect our portfolio companies to disclose. MFS' investment team has been engaging with companies to improve disclosure and using data available to enhance due diligence on employee management practices at a number of companies.

- **Plastics** Building on work undertaken in 2020, during 2021, MFS' consumer staples team analysed the earnings impact of the increased use of recycled feedstock and substrate substitution on brands with very high exposure to plastic packaging. The team's research involved meetings with company managements, building internal data sets of corporate targets and commitments measured against the progress that companies had made toward achieving those targets, and engaging with different non-profit research platforms.

### Insight (manager of the fund underlying the Urenco Diversified Growth Fund)

- **Insight engaged with The Renewable Infrastructure Group Plc during the 12 months to 31 March 2021** regarding succession planning and capability transitions. Over 2022, a number of The Renewable Infrastructure Group's independent Board members are expected to retire, having served 9 years in their roles. Moreover the company's dividend target has remained unchanged from 2020 whilst Insight have continued to express a preference for fully covered, progressive increases. During Q4 2021, Insight held meetings with the Board and asset manager of this renewable infrastructure holding, with a particular focus on effective succession planning and capability transitions. Insight have agreed to follow up on the Board's personnel changes to ensure successful capability transition and continue to express their preference for fully covered dividend growth.

## 3.4. Voting Activity during the Scheme Year

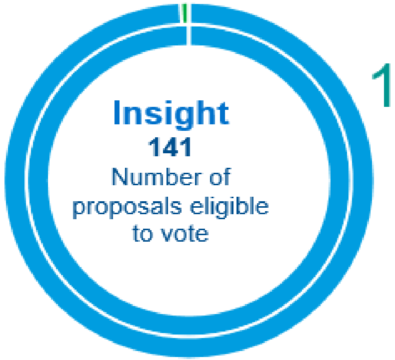
A summary of the voting activity for the Scheme's equity and DGF managers is set out below. Over the prior 12 months, the Trustee has not actively challenged the investment managers on their voting activity. The Trustee does not use the direct services of a proxy voter, however some of the Scheme's investment managers use research and proxy-related services to assist with the mechanics of voting.


100% Proposals voted on where eligible

92% Votes with management

6% Votes against management

2% Abstentions




100% Proposals voted on where eligible

99% Votes with management

<1% Votes against management

0% Abstentions


100% Proposals voted on where eligible

98% Votes with management

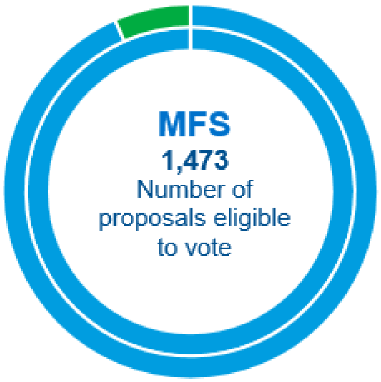
1% Votes against management

<1% Abstentions

**Votes "for / against management"** assess how active managers are in voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur.

**Some proposals were abstained** – reasons for this could include selling the stock during the period between the record date and AGM date, and conflicts of interest.

Aegon data relates to the Aegon AM UK Ethical Equity Fund.




100% Proposals voted on where eligible

93% Votes with management

7% Votes against management

0% Abstentions

### 3.5. Sample of significant votes

There is no official definition of what consistitutes a signficant vote; managers have adopted a variety of interpretations such as:

- The proxy-voting service (ISS) has scored the company vote very poorly (<10) and ISS has recommended voting against a proposal The vote is severely against the manager's principles and the manager believes they need to enact change
- The vote is expected to have a material financial outcome and therefore impact the manager's clients
- The size of the holding in the fund / mandate is significant

A sample of significant votes for the Scheme's equity managers is set out overleaf. The 'Vote by Management' and the 'Vote by Manager' highlights whether the company management team and manager voted for (✓) or against (✗) the sample proposals shown below. Where the manager voted differently to company management, a rationale for their decision is provided.

| Manager | Issuer | Date | Vote Category | Proposal | Vote by Manager | Vote by management | Rationale |
|---|---|---|---|---|---|---|---|
| Aegon AM | Informa | 03/06/2021 | Governance | Approve the Remuneration Report & Re-election of the Chair of the Remuneration Committee | ☒ | ☑ | Aegon voted against the approval of this remuneration report and re-election of the Chair of the Remuneration Committee.<br><br>The company struggled through Covid with capital raisings, cancellation of dividends and yet changed the performance criteria attached to both the bonus and Long Term Plan to ensure they were achieved, despite this not reflecting alignment with shareholder experience. The Chair of the Remuneration Committee was aware of Aegon AM's reservations over the remuneration of this company and yet failed to prevent this from happening.<br>62% of shareholders voted against the remuneration report and 47% against the Chair of the Remuneration Committee. |
| BlackRock | Barclays PLC | 05/05/2021 | Environment | Approve Market Forces Requisitioned Services | ☐ | ☒ | BlackRock abstained from voting in this resolution. They were supportive of the broad ask of the resolution, however, the imprecise and ambiguous wording meant that BlackRock was unable to support it, particularly as the resolution is legally binding.<br><br>Specifically, it asks Barclays to "phase out its provision of financial services (particularly its financing activities, including project finance, corporate finance and underwriting) to fossil fuel projects and companies in timeframes consistent with…the Paris Agreement". The term "financial services" is broad and includes many activities beyond those highlighted in the resolution's wording. So while this should be a precise and legally binding ask of the company, it is instead vague and left open to interpretation. In addition, the resolution is insufficiently specific on embedded timelines and evidence of progress.<br><br>This resolution was subsequently rejected. |
| BlackRock | BP PLC | 12/05/2021 | Environment | Approve Shareholder Resolution on Climate Change Targets | ☑ | ☒ | BlackRock voted for this shareholder resolution. While recognizing the company's efforts to date and direction of travel, supporting the resolution signals BlackRock's desire to see the company accelerate its efforts on climate risk management.<br><br>The shareholder resolution requested that the company "set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the |

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| | | | | | | | short, medium, and long-term greenhouse gas (GHG) emissions of the company’s operations and the use of its energy products (Scope 1, 2 and 3). Shareholders request that the company report on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis, at reasonable cost and omitting proprietary information.” BlackRock believes that BP is substantially already aligned with the ask of the resolution and should continue to progressively refine its GHG emissions reduction targets.<br><br>This Shareholder resolution was rejected. |
| MFS | Walt Disney Company | 9/3/2022 | Report on Gender/Racial Pay Gap | Approve Shareholder Resolution on Report on Gender/Racial Pay Gap | ☑ | ☒ | MFS voted in favour of the proposal as they believe that additional disclosures relating to the company's adjusted pay gap and more information on how the company is ensuring pay equity would allow shareholders the ability to compare and measure the progress of the company's ongoing diversity and inclusion initiatives.<br><br>The Shareholder resolution was approved. |