

Engagement Policy Implementation Statement

The Fisher Scientific UK Limited Pension Scheme (the “Scheme”)

The Engagement Policy Implementation Statement (“EPIS”) has been prepared by the Trustee and covers the Scheme year 1 April 2021 to 31 March 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustee produces an annual statement which outlines the following:

- Explain how and the extent to which the Trustee has followed its engagement policy which is set out in the Statement of Investment Principles (“SIP”).
- Describe the voting behaviour by or on behalf of the Trustee (including the most significant votes cast) during the Scheme year and state any use of third party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustee and its asset managers, the Trustee believes that the stewardship policy has been implemented effectively. The Trustee notes that its fiduciary manager and its most material asset managers were able to disclose strong evidence of engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered engagement.

The Trustee recognises that it has a responsibility as an institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in. The Trustee will therefore continue to use its influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Scheme, and with other third parties that the Trustee relies on such as its investment advisers. The Trustee will monitor, assess and ultimately hold them to account to make sure that the assets of the Scheme are appropriately invested.

Scheme stewardship policy

The below bullet points summarise the Scheme’s stewardship policy in force over the Scheme year to 31 March 2022.

The full SIP can be found here:

https://corporate.thermofisher.com/content/dam/tfcorpsite/documents/corporate-social-responsibility/Fisher_Scientific_UK_Limited_Statement_of_Investment_Principles.pdf

- The Trustee considers investment risk to include Environmental, Social and Governance (“ESG”) factors and climate change which it considers financial material considerations.
- The Trustee recognises the importance of its role as a steward of capital and the need to promote the highest standards of governance and corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.
- The Trustee has delegated all day-to-day decisions about investments to Aon Investments Limited (“AIL”).
- In turn, AIL monitors the Scheme’s investments to consider the extent to which the decisions of the underlying managers are aligned with the investment objectives of the Scheme.

- As part of AIL’s management of the Scheme’s assets, the Trustee expects AIL to:
 - Where relevant, assess the integration of ESG factors in the investment process of underlying managers
 - Use its influence to engage with underlying managers to ensure the Scheme’s assets are not exposed to undue risk
 - Report to the Trustee on its ESG activities as required

Scheme stewardship activity over the year

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a quarterly investment report being provided to the Trustee by AIL. The Trustee also receives regular investment updates from its investment adviser, Aon Solutions UK Limited (“Aon”), at Trustee meetings. These updates include ESG ratings for the underlying asset managers, where applicable.

The ESG rating system is for buy rated investment strategies and is designed to assess whether asset managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon’s researchers also conduct a review of the managers’ responsible investment related policies and procedures, including a review of their responsible investment policy (if they have one), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund’s level of ESG integration or broader responsible investment developments.

Engagement activity – Fiduciary manager

The Trustee has delegated the management of the Scheme’s assets to its fiduciary manager, AIL. AIL manages the Scheme’s assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL selects the underlying asset managers on behalf of the Trustee.

The Trustee has reviewed AIL’s latest Annual Stewardship Report and believe it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests.

AIL has carried out a considerable amount of engagement activity over the year. AIL held a number of ESG focussed meetings with the underlying managers across its strategies. At these meetings, AIL discussed ESG integration, and voting and engagement activities undertaken by the asset managers. This allowed AIL to form an opinion on each manager’s strengths and areas for improvement. AIL provided feedback to the managers following these meetings with the goal of improving the standard of ESG integration across its portfolios. AIL continues to execute its ESG integration approach and engage with managers.

Aon also actively engages with asset managers and this is used to support AIL in its fiduciary services. Aon’s Engagement Programme is a cross-asset class initiative that brings together Aon’s manager research team and Responsible Investment specialists to promote manager engagement with the needs of Aon’s clients in mind.

In Q3 2021, Aon and AIL were confirmed as signatories to the UK Stewardship Code. With one-third of applicants failing to reach signatory status, this achievement confirms the strength and relevance of stewardship activity undertaken by Aon and AIL on behalf of its clients. For further details, please see the submission report:

<https://www.frc.org.uk/getattachment/b9002ca0-3beb-40e6-8b09-375661ccd193/Aon-UK-Stewardship-Code-2020-Report.pdf>.

Engagement example:

In September 2021, Aon engaged with an underlying manager to understand why the manager's submission for the UK Stewardship Code ("the Code") 2020 was not accepted. The Code is a set of high stewardship standards for asset owners and asset managers. The Code is maintained and assessed by the Financial Reporting Council ("FRC"). The underlying manager was previously a signatory to the 2012 UK Stewardship Code.

At a meeting, Aon and the manager discussed the feedback from the FRC on why the manager was not accepted as a signatory to the Code. The rejection was thought to be due to the format rather than the substance of the submission. The manager resubmitted in October 2021 and was accepted.

Engagement Activity – Underlying Asset managers

Over the period, the Scheme was invested in a fixed income fund through its investment with ALL.

The Trustee recognises that stewardship may be less applicable or have a less tangible financial benefit for fixed income compared to other asset classes such as equities. Nonetheless, the Trustee expects its non-equity managers, such as fixed income managers, to engage with external parties if they identify concerns that may be financially material.

Fixed income managers, in particular, have significant capacity for engagement with issuers of debt. Debt financing is continuous, and so it is in debt issuers' interests to make sure that investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

This section provides an overview of the engagement activities of some of the most material underlying managers. Some of the information shown has been provided directly by the underlying asset managers and subsequently reviewed on behalf of the Trustee by Aon. Where this is the case, this has been highlighted in the sections below.

Schroders plc ("Schroders") – International Selection Fund ("ISF") Securitised Credit Fund

Engagement Policy Summary *(based on information provided by Schroders)*

Schroders engages on a broad range of topics including climate risk. Schroders believes that engagement provides it with an opportunity to influence company interactions with their stakeholders; ensuring that the companies it invests in are treating their employees, customers and communities in a responsible way.

In Schroders's ISF Securitised Credit Fund, cashflows from various loans, such as mortgages, car loans and credit card payments, are grouped together into bonds known as Asset-Backed Securities ("ABS"). In its engagements, Schroders engages with the managers of the underlying loan products. Schroders has developed questionnaires specifically for collateralised loan obligation managers and commercial mortgage-backed securities managers, which it issues as part of its engagements. The information received is incorporated into its manager due diligence.

At the time of writing, Schroders has not provided fund-level engagement examples. The Trustee's fiduciary manager, ALL, will raise this issue with Schroders at its next meeting. The example provided below is at a firm level, i.e. it is not necessarily specific to the fund the Scheme is invested in.

Engagement example (firm level) *(based on information provided by Schroders)*

In 2021, Schroders engaged with a number of FTSE 100 companies to inform them that, from 2022 onwards, it will be using its shareholder votes to apply pressure on firms that have failed to meet board diversity targets.

Schroders's believes that diversity is important for a company's long-term strategy and success. Further, this will allow for more constructive debate of different views as well as a better representation of wider stakeholders.

Schroders engaged by sending out letters to companies. Since sending out these letters, 25 companies acknowledged receipt, 15 provided a substantial response and one has since appointed a non-white director to its board. Schroders will monitor the progress of companies on this issue.

Barings LLC ("Barings") – Active Short Duration

Engagement Policy Summary *(based on information provided by Barings)*

Barings's engagements involve interactions with current or potential investees on ESG issues. Engagements are undertaken to influence ESG practices and improve ESG disclosure. Through its engagement, Barings aims to enhance the performance of its investments for the benefit of its clients. Barings believes that value is derived from transparent communication with the entities in which it invests, coupled with the expertise and discretion of its experienced investment professionals.

Engagement example *(based on information provided by Barings)*

In 2021, Barings engaged with an issuer about gender diversity of the company's board. The issuer said it was looking to include a female director among the future members. The issuer also stated that the Board of Directors was undergoing a review by the management. Barings encouraged the issuer to provide updates on this issue. Barings will continue to monitor developments.

Aegon Asset Management ("Aegon") European ABS Fund

Engagement Policy Summary *(based on information provided by Aegon)*

Aegon believes that actively engaging with companies to improve their ESG performance and corporate behaviour is generally more effective than excluding companies from investment. Engagements are conducted by its investment managers, research analysts and its Responsible Investment team.

When engaging with portfolio companies, Aegon considers the UK and Dutch Stewardship Codes and the Principles for Responsible Investment ("PRI"). Aegon also participates in collaborative engagement initiatives such as the UK Investor Forum and the Institutional Investors Group on Climate Change.

Aegon engages with ABS issuers regularly through ESG questionnaires that are specific for consumer loan ABS. It has meetings to discuss the questionnaire answers, the companies' ESG goals and any areas for improvement.

Engagement example *(based on information provided by Aegon)*

In 2021 Aegon engaged with Brignole, an ABS issuer. Aegon wanted to better understand the consumer loans issued by the company, so it could assess if the loans had any environmental impact. Further, Aegon suggested that the company increase borrowing for an environmental purpose by offering borrowers a discount.

To start the engagement, Aegon sent Brignole its ESG questionnaire. After receiving the answers, Aegon discussed the answers with Brignole's management. It also discussed the company's ESG goals and areas for improvement. From the engagement, Aegon gained a better understanding of the loans. This helped Aegon make a thorough ESG analysis of the issuer. Further, Brignole agreed to implement Aegon's suggestion to offer loans with environmental purposes at a discount. Aegon stated it will pursue similar engagements with other consumer loan issuers.