Implementation Statement

Thermo Fisher Scientific DB Pension Scheme (the “Scheme”)

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 called an Implementation Statement (“IS”) which outlines the following:

- A description of any review and changes made to the Statement of Investment Principles ("SIP") over the Scheme year;
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP over the Scheme year;
- 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.

The IS has been prepared by the Trustee and covers the DB and DC Sections of the Scheme covering the Scheme year from 1 April 2021 to 31 March 2022.

Executive summary

Based on the activity carried out by the Trustee and its asset managers over the year, the Trustee is of the opinion that its policies have been implemented effectively in practice. The Trustee notes that all of its asset managers were able to disclose adequate evidence of voting and 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 voting and 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.

1. Review and changes made to the SIP over the year

The Trustee has a policy to review the SIP formally at least every three years, or after any significant change in investment policy or member demographics.

The SIP was last reviewed and updated in July 2021 to reflect changes made to the investment strategy for the defined contribution section, following a detailed investment strategy review. The SIP was also reviewed and updated in March 2021 to reflect changes to the investment strategy for the defined benefit section, following a detailed investment strategy review.

The Trustee sought input on these changes from their investment adviser, Aon Solutions UK Limited (“Aon”), and the Sponsoring Employer. The latest version of the SIP is available for members to view online here: https://corporate.thermofisher.com/content/dam/tfcorpsite/documents/corporate-social-responsibility/thermo_fisher_scientific_pension_scheme_statement_investment_principles.pdf

2. Meeting the objectives and policies outlined in the SIP

The Trustee outlines in the SIP several key objectives and policies. These objectives and policies are referred to throughout, together with an explanation of how these objectives and policies have been implemented and adhered to over the Scheme year to 31 March 2022.

<u>Defined Benefit (“DB”) Section</u>

The Trustee has delegated certain decision-making powers to its fiduciary manager, Aon Investments Limited (“AIL”). References to ‘underlying asset managers’ refers to those asset managers which AIL in turn appoints to manage investment on behalf of the Trustee or any other direct investments that the Trustee may make from time to time.

Policies and objectives related to the Scheme’s DB investment strategy, including ensuring appropriate risk management

The Trustee has set an investment strategy which it believes to be appropriate for the DB Section. Changes to the DB Section’s investment strategy were implemented from April 2021. At the Scheme year end, 31 March 2022, there remains a small number of residual investments from its previous strategy in hedge fund and insurance linked securities assets, which are in the process of being redeemed.

The DB Section’s investment strategy targets a return in excess of Gilts and the Trustee has a policy to review the target return periodically. With the help of Aon, the Trustee completed a review of the risk and return characteristics of the DB Section’s investment strategy in March 2022. This review concluded that the DB Section’s investment strategy is on track to deliver the return required.

Investment monitoring takes place regularly, with quarterly investment reports 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. The Trustee uses these reports and updates to monitor the performance, strategic asset allocation and risk management of the DB Section’s assets. The reports provided by AIL and Aon over the Scheme year included:

- Absolute performance and performance relative to the benchmark over the quarter, one year, three year, five year and since inception periods
- Details of the contribution to relative return
- Asset allocation relative to the previous quarter
- Detailed commentary on performance and any relevant management or portfolio developments
- An overview of the interest rate and inflation hedging levels
- An economic market review and outlook

The Trustee is notified separately by Aon should any significant issues arise which may impact the ability of AIL to meet the performance targets set by the Trustee.

Policies and objectives related to asset managers, including environmental, social and governance (“ESG”) considerations

The Trustee has delegated the management of the DB Section’s assets, including ongoing monitoring and engagement activities, to its fiduciary manager, AIL.

The Trustee received the 2020 AIL Annual Stewardship Report in October 2021. This report included details of voting and engagement activities taken by the underlying asset managers and engagements from AIL itself. The Trustee has reviewed AIL’s latest Annual Stewardship Report and believes it shows that AIL is using its resources to effectively influence positive outcomes in the funds in which it invests. The Trustee will continue to receive and review this report on an annual basis.

More details regarding AIL’s engagement activities over the Scheme year can be found in the section titled "Engagement activity – Fiduciary manager".

Policies relating to costs and charges associated with the DB Section

The Trustee received a cost disclosure statement covering the 2020 calendar year in November 2021. The statement provided a consolidated summary of all the investment costs incurred by having assets invested with AIL over 2020. A breakdown of the costs into their various component parts was also provided, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers. This disclosure was produced in line with the requirements of the Competition and Markets Authority on fiduciary management cost disclosures. The Trustee will continue to receive and review this report on an annual basis.

The Trustee acknowledges that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and managers. AIL monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the DB Section's asset managers appointed on behalf of the Trustee.

Defined Contribution ("DC") Section

Ongoing Monitoring

The vast majority of the DC and AVC assets are invested with BlackRock, via a Trustee appointed platform provider – Aegon. The platform provider has been appointed on an investment-only mandate, which offers flexibility and gives the Trustee and members access to a wide range of funds and investment strategies.

Over the year, the Trustee received quarterly reports from Aegon, which provided information on the short and long-term performance of the funds that are open to new contributions from members (including those underlying the default lifestyle strategy).

The Trustee has carried out reviews of the fund information provided by Aegon over the course of the year and were satisfied with BlackRock's ability to meet the performance targets set by the Trustee or the adequacy of BlackRock's investment strategies to meet the Trustee's objectives stated in the SIP.

There is also a small proportion of AVC assets invested with Utmost Life and Pensions ("Utmost Life"), Phoenix Life and Standard Life. These arrangements are closed to new contributions, hence they are referred to as closed AVC arrangements. These arrangements are reviewed at least every three years or as circumstances or changes may require. The last review of the closed AVC Section was undertaken over the course of the year to March 2021, from which it was concluded that the arrangements remained appropriate and that no changes should be made at that time.

Full details of all available cost and charges information, including transaction costs, for the funds offered to members over the period are contained in the Chairman's Statement. The Chairman's Statement for the year ending 31 March 2021 was published by the Trustee in publicly accessible online location here: https://corporate.thermofisher.com/content/tfcorpsite/us/en/index/corporate-social-responsibility/operations/governance-and-ethics.html, ahead of the regulatory deadline.

Whilst the Trustee has not set specific ranges for acceptable costs and charges, the Trustee is satisfied that cost and charges for the period were reasonable.

At the time of writing, the Chairman's Statement for the year ending 31 March 2022 is being produced and will also include information on member-borne costs and charges.

Investment objective

The Trustee has continued to provide members with a broad range of investment choices over the year for the DC Section. Members can choose between two broad approaches to invest their pension savings:

- The Lifestyle Strategy – The default investment option, this targets full flexibility at retirement and is likely to be appropriate for members who are planning to take income drawdown at retirement (although to do this they must transfer to an external arrangement). This lifestyle option automatically adjusts its investment strategy as it progresses towards a member's retirement date. The strategy provides members with the potential for high levels of growth during the accumulation phase of their retirement savings. This is provided through exposure to equity funds initially and then gradual diversification of investments in the years approaching retirement, to reduce volatility. At retirement, members' retirement funds are invested in a broad mix of asset classes, with the aim of providing a real income during the post-retirement phase, whilst also taking some steps toward protecting the value of the investments. The Lifestyle Strategy also makes use of asset classes which are expected to deliver growth superior to inflation over the long term.

- Self-select funds – The Trustee also makes available a range of investment options covering the main asset classes for members to invest in.
  - With this range of funds, members have the ability to invest in funds with an explicit exposure to inflation.
  - Several equity and multi-asset funds are also made available to members which are expected to produce returns in excess of inflation ("real returns") over the long term.
  - An ESG-focussed equity fund is also made available to members

The closed AVC arrangements provide members with access to a range of equity, multi-asset, with-profits, bond and cash funds. The Trustee last conducted an AVC review in September 2021.

Both the closed AVC arrangements and the main DC arrangement with Aegon offer a range of funds which the Trustee believes continues to cater for member requirements.

Strategy

On 28 May 2021, the DC Section's strategy changes that were agreed by the Trustee in the previous scheme year, were implemented. In particular, the Trustee agreed to replace the previous default lifestyle strategy and expand the self-select fund range, to include an ESG-focussed fund, more flexible equity options and more bond options. The next investment strategy review is due to start in 2023.

Members can view the full and complete list of the available funds in the appendix of the SIP, which can be found here. Members can then access fund information directly through the Aegon website.

Risk

Please refer to the "Ongoing Monitoring" and "Strategy" sections above for further details on how risks within the DC Section were monitored and reported over the year.

ESG considerations

With the help of Aon, the Trustee has gathered and analysed engagement and voting data information for each of its material funds, where available. This is presented later in this Statement. The Trustee can see that BlackRock is exercising its respective voting and engagement abilities in a largely responsible manner and that the Trustee's stewardship policy is being appropriately implemented on its behalf. The Trustee will continue to consider and discuss best practice in these areas with Aon and amend policies and action plans when needed.

Over the course of the year, changes to the DC Section's investment strategy were implemented by Aon. These changes were made to the default lifestyle strategy to improve retirement outcomes of members. As part of the strategy review in the previous year, the ESG credentials and characteristics of BlackRock were considered.

The self-select fund range was also expanded to include several new funds: a new ESG fund was introduced with an investment process which seeks to improve the ESG profile of the fund and provide a reduction in carbon intensity.

Arrangement with asset managers

Aon considers the suitability of the DC section's underlying asset managers on an ongoing basis, on behalf of the Trustee.

Aon’s Investment Manager Research (“IMR”) Team are responsible for researching, rating and monitoring investment managers across all asset classes. This includes some aspects on the manager’s alignment with Trustee policies generally, for example, whether the manager is expected to achieve the performance objective and a review of their approach to ESG issues.

The IMR Team meets the underlying managers on a regular basis to assess any changes in the investment personnel, investment process, risk management and other manager evaluation factors to determine whether the overall rating assigned to the fund remains appropriate and the manager remains suitable to manage the assets.

The awareness regarding potential ESG risks in the investment strategy is also considered as part of monitoring and assigning the overall rating to the fund.

Cost Transparency

Cost and charges data has been collated by Aon, on behalf of the Trustee, for the year and will be published in the Annual Chair's Statement.

The Trustee considers the cost and charges data on an annual basis.

The charges data includes the annual management charge, which is the annual fee charged by the manager for investing in the fund; additional expenses such as trading, custody or legal fees are also summarised to reflect the total cost of investing in a fund. In addition to this, transaction costs that are incurred within the day-to-day management of the assets by the manager are also collated and published in the statement.

Aon has reviewed the member borne costs and, whilst the Trustee has not set specific ranges for acceptable costs and charges, they are satisfied that cost and charges for the period were reasonable.

DC and DB Section

Implementation

The Trustee is aware of the requirement to take professional advice when setting and reviewing the investment strategy. The Trustee has appointed Aon to provide such advice for the DB and DC Sections of the Scheme.

The Trustee has appointed AIL as its fiduciary manager to manage the assets for the DB Section. Over the course of the year, the division of responsibilities between the Trustee, its investment advisers and its fiduciary manager remained unchanged.

In relation to the DC Section, over the course of the year, the division of responsibilities between the Trustee, Aon and the investment managers used by this section also remained unchanged.

Governance

The Trustee has been proactive to ensure the Scheme appropriately updated its Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's asset managers and other considerations relating to voting and methods to achieve their Stewardship policy.

In addition to the above, the SIP was updated in March and July 2021 following changes to the DB investment strategy and the completion of the DC investment strategy review, respectively.

Over the year, the Trustee received updates from Aon on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making. This included updates from AIL on the actions it was taking to ensure that the underlying asset managers were integrating ESG considerations into their decision-making processes.

The updated SIP has been made available online where it can be accessed by the public.

3. Voting and engagement activity undertaken over the year

The DB and DC sections of the Scheme invest in pooled funds across a range of asset classes, and the Trustee has delegated responsibility for the selection, retention and realisation of investments to the Scheme's asset managers in whose funds it invests.

As part of the production of this statement, the Trustee – supported by its investment adviser, Aon – has reviewed the voting and engagement activities carried out on its behalf by the Scheme's asset managers. Where the stewardship of managers is found to be falling short of the standards set out by the Trustee (exercising votes and engaging in order to create long-term financial value) may take further action – for example by meeting with the manager in question or requesting that Aon engage on its behalf.

All of the Scheme's asset managers have provided commentary on their approach to voting, including the use of any proxy voting services provided (relevant for equity managers only) as well as their approach to engaging with underlying security issuers. The Trustee acknowledges that the concept of stewardship may be less applicable with respect to its fixed income and property investments, particularly for short-term money market instruments, liability driven investment ("LDI"), synthetic credit and gilt investments. As such, these investments have not been covered in this statement.

The majority of the Scheme's asset managers have also provided examples of significant votes. There are a number of different criteria under which asset managers can determine whether a vote is significant. Each manager has its own criteria, with examples including:

- a vote where a significant proportion of the votes (e.g., more than 20%) went against the management's proposal
- a vote where the asset manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to a wider engagement initiative with the company involved
- a vote that demonstrates clear and considered rationale;

<u>DB Section</u>

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.

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 AIL.

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 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, AIL, 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.

DC Section

Voting and Engagement activity – Equity and multi-asset funds

Over the year, the material equity and multi-asset investments held by the Scheme were:

BlackRock	Consensus Index Fund
	Diversified Growth Fund
	Emerging Markets Equity Index Fund
	Global Developed Fundamental Weighted Index Fund
	Global Minimum Volatility Index Fund
	MSCI World Index Fund

All use the services of proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution. Please see the appendix for more information on the manager's use of proxy voting organisations.

BlackRock

Voting policy summary (*based on information provided by BlackRock)*

BlackRock's proxy voting process is led by its Investment Stewardship team ("BIS"). Voting decisions are made by the Investment Stewardship team with input from investment colleagues. BlackRock's voting decisions are informed by its voting guidelines, its engagements with companies, and research on each underlying company. BlackRock reviews its voting guidelines annually and updates them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the year.

BlackRock subscribes to research from the proxy voting advisers Institutional Shareholder Services ("ISS") and Glass Lewis. BlackRock uses this research and its own analysis to identify companies where additional engagement would be beneficial. BlackRock does not routinely follow the voting recommendations of its proxy voting advisers.

BlackRock has provided significant voting examples for each fund invested in by the Scheme. The example provided below is an indicative example.

Voting example (BlackRock Diversified Growth Fund) (*based on information provided by BlackRock)*

In May 2021, BlackRock voted in favour of a shareholder resolution at oil and gas company, BP, which called for a more stringent greenhouse gas emissions reduction target to align itself closer to the Paris Agreement, the international treaty on climate change. BlackRock noted that BP is already significantly aligned with the request of the resolution, but ultimately voted in support of the resolution to reiterate its expectation that BP should continue to refine its greenhouse gas emissions reduction targets.

Whilst the vote did not pass, there was a sizeable proportion of shareholders voting for the resolution of 20.7%. BP stated its intention to engage with shareholders and subsequently released a statement in December 2021 addressing the resolution.

Engagement policy summary (*based on information provided by BlackRock)*

BlackRock considers engagement to be at the core of its stewardship efforts. It enables BlackRock to provide feedback to companies and build a mutual understanding about corporate governance and sustainable business practices. Each year, BlackRock sets engagement priorities to focus on, such as governance and sustainability issues that it considers to be most important for companies and its clients.

BlackRock's priorities reflect an emphasis on board effectiveness and the impact of sustainability-related factors on a company's ability to generate long-term financial returns. BlackRock's stated key engagement priorities include board quality, climate and natural capital, strategy purpose and financial resilience, incentives aligned with value creation, company impacts on people.

Further detail on these bulletins can be found here:
https://www.blackrock.com/corporate/literature/publication/blk-stewardship-priorities-final.pdf

BlackRock has provided strategy level engagement examples for each fund invested in by the Scheme in the form of engagement through voting bulletins only. The example provided below is at a firm-level i.e. it is not necessarily specific to the funds invested in by the Trustee.

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

BlackRock has engaged with Vale S.A. ("Vale"), a Brazilian mining company, since 2019. In January 2019, a tailings dam at one of Vale's iron ore mines collapsed and killed 270 people. Tailings dams are used to store by-products from the mining process. The collapse also caused significant environmental damage.

Over the course of 2020 and 2021, BlackRock held frequent engagements with Vale. Vale provided updates on the dam collapse, including the status of the investigation and the final settlement. Vale provided additional context on the frequent public announcements about:

1. the steps taken to strengthen risk management and governance policies to ensure the safety of people and operations; and
2. the remediation measures regarding the environmental damage and socio-economic impact on the local community.

BlackRock's engagements with Vale also focused on board effectiveness and sustainability. It shared its expectations of board quality including composition, diversity, and independence. BlackRock also discussed the company's sustainability disclosures and carbon emissions reduction targets. BlackRock did not disclose if or how it plans to continue this engagement.

Engagement activity – Fixed Income

The Trustee recognises that the ability of fixed income and alternatives fund managers to engage with and influence investee companies may be less compared to equity managers. However, it is encouraging to see that the managers are exhibiting active stewardship on behalf of the Trustee from the information they provided for this IS.

The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed-income and alternative managers over the year.

BlackRock Corporate Bond All Stocks Index Fund

Engagement policy summary (Fixed income) (*based on information provided by BlackRock)*

BlackRock's credit analysts work with its Investment Stewardship team for joint engagement meetings with companies. BlackRock's Global Fixed Income ESG team works with the Investment Stewardship team to communicate ESG related topics to fixed income investors and attend or host engagement meetings. BlackRock also explores how factors such as climate change, the fair treatment of workers, and racial and gender equality, among others, are increasingly relevant to a company's business operations.

At the time of writing, BlackRock does not provide a fund-level engagement example for fixed income funds. The Trustees' investment adviser, Aon, has raised this issue with BlackRock. Please refer to the engagement example provided above, which is at a firm level, i.e., it is not necessarily specific to the fund the Scheme is invested in.

AVC Arrangements

Voting and Engagement activity – Equity and multi-asset funds

Over the year, the Scheme invested its AVC assets in a range of Equity and Multi-Asset funds. The main funds are being managed by Utmost Life & Pension, Standard Life (now known as ABRDN) and Phoenix Life.

Abrdn

Voting policy (*based on information provided by Abrdn)*

Abrdn uses the services of ISS for all its voting requirements. Abrdn views all votes as significant and vote all shares globally for which it has voting authority, unless there are significant voting obstacles such as shareblocking. In line with the Pensions and Lifetime Savings Associaton ("PLSA") requirements, Abrdn identify and record what it deems to be the most significant votes across all its holdings. Abrdn has identified five categories of votes it considers as significant and have ordered these based on its view of their importance. This enables Abrdn to provide a specified number of votes across a client's portfolio upon request. Members of Central ESG Investment Function carry out a monthly review to identify and categorise significant votes. These categories and details of the underlying votes captured are as follows:

Significant Vote Category 1 ('SV1'): High Profile Votes:
• Focus on votes which received public and press interest with a focus on its large, active holdings
• Focus on votes which reflect significant governance concerns regarding the company
• Resolutions proposed by Abrdn

Significant Vote Category 2 ('SV2'): Shareholder and Environmental & Social (E&S) Resolutions
• Votes on shareholder E&S proposals where it has engaged with the proponent or company on the resolution
• Votes on management-presented E&S proposals
• Focus on shareholder proposals where it has voted contrary to management recommendations

Significant Vote Category 3 ('SV3'): Engagement
• Focus on resolutions where it has engaged with the company on a resolution
• Focus on resolutions where post-engagement Abrdn voted contrary to its custom policy

Significant Vote Category 4 ('SV4'): Corporate Transactions
• Focus on selected votes which have a financial impact on the investment with a focus on acquisitions

Significant Vote Category 5 ('SV5'): Votes contrary to custom policy
• Focus on large active holdings where it has voted contrary to custom policy following analysis

Abrdn's voting policy can also be found on its website:
https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf

Voting example: Goldman Sachs (*based on information provided by Abrdn)*

On 29th April 2022, Abrdn voted in favour of a resolution to approve an audit report on racial equity for The Goldman Sachs Group, Inc. Abrdn has engaged with the company to discuss its current approach to diversity and inclusion and were impressed by the steps it is taking and plans it has in place to address areas that are challenging. Abrdn believe that support of this resolution will help to bolster these efforts and demonstrate to shareholders the positive steps that the company is taking. Abrdn believes it is appropriate for the company to measure the success of these strategies and a racial audit will support that assessment, however it recognises that it is difficult for companies to measure diversity and inclusion in the services that they provide and that there are multiple factors driving these provisions which could be misconstrued as being racially motivated. Abrdn did not share the outcome of the vote.

Engagement policy (*based on information provided by Abrdn)*

Abrdn aims to maintain close contact with the companies and assets in which it invests. Abrdn holds regular engagement meetings to discuss various relevant ESG issues. These discussions include areas like strategy and performance, risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery and corruption.

There are four categories for Abrdn's engagements, which are review, respond, enhance and thematic. 'Review' engagements are part of its ongoing due diligence and frequent interactions led by the analyst responsible for oversight of the investment and will usually be attended by other members of relevant investment teams. 'Respond' is a type of engagement that allows Abrdn to react to an event that may impact a single investment or a selection of similar investments. 'Enhance' is an engagement designed to seek change that, in Abrdn's view, would enhance the value of its investment. Lastly, 'thematic' engagements result from its focus on a particular ESG theme such as climate change, diversity and inclusion or modern slavery.

Abrdn records concerns and issues raised with its investments and sets timeframes within which it expects these concerns to be addressed. To do this, Abrdn has defined lifecycle steps for its concerns:

1. Identify
2. Acknowledge
3. Plan
4. Execute
5. Close

More information can be found on Abrdn's voting and engagement policies here:
https://www.abrdn.com/docs?editionId=50636955-103f-47cb-86e2-036aec4d30d4&_ga=2.3007792.1084981515.1625754520-1358126225.1625589512

Engagement example (firm level): Natwest (*based on information provided by Abrdn)*

Abrdn engaged with the management of NatWest in Q4 2021, with a specific focus on the company's sustainable finance target and financial emissions. Abrdn encouraged NatWest to increase the frequency of climate as a topic of discussion at board level from every six months to a standing agenda item. NatWest also touched on social initiatives during the engagement, and Abrdn were impressed by the bank's targets to support minority business owners with gender, ethnicity and social targets.

Utmost Life and Pensions ("Utmost Life")

Voting policy (*based on information provided by Utmost Life)*

Utmost Life is the platform provider for some of the Scheme's AVC arrangements. Utmost Life are responsible for choosing the funds on their platform but are not directly involved in the day-to-day management of assets – currently Utmost Life partners with JPMorgan Asset Management ("JPMAM") and appointed them to be the asset manager that manages the unit-linked funds on the Utmost platform. JPMAM retains the services of the ISS voting agency to implement their voting policy and uses research from ISS and Glass Lewis as an input in evaluating how a proxy should be voted. JPMAM 'tag' certain votes in the ISS system, to allow them to be subject to extra scrutiny, for example if engagement is ongoing, or if the company has been flagged as an 'ESG outlier', or if an analyst or portfolio manager has requested it be reviewed in more detail.

JPMAM votes at approximately 8,000 shareholder meetings per year, in over 80 markets worldwide. For key issues or core shareholdings, or where there is ongoing engagement, they endeavour to inform companies when opposing their recommendations.

Engagement policy (*based on information provided by Utmost Life)*

JPMAM's stewardship involves active participation between the investment and stewardship groups, with shared meetings and collaboration on issues. JPMAM states that it integrates financially material ESG factors into its active investment frameworks across asset classes and believes its approach provides for broad flexibility as data, regulations and outlooks change, while focusing on the best prospects for sustainable financial returns.

Instead of single conversations, JPMAM states that it finds it important to engage with companies through long-running discussions covering months or years. In JPMAM's engagement with its investee companies, JPM has five main investment stewardship priorities that it believes are most applicable:

1. Governance;
2. Strategy alignment with the long-term;
3. Human capital management;
4. Stakeholder engagement; and
5. Climate risk.

Please see here for more information on Investment Stewardship at JPMAM:
https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/investment-stewardship/annual-investment-stewardship-report.pdf

Phoenix Life

Voting and engagement policy (*based on information provided by Phoenix Life)*

Stewardship is a core part of responsible investing and it's critical to how Phoenix Life manage investment risks. It's also how Phoenix Life aims to deliver sustainable value as well as drive positive change in society.

Phoenix Life believe that it is their responsibility to engage with the companies it invests in to drive better behaviour and influence positive change. Shareholder voting rights and engagement are the two main tools of stewardship.

There are three main routes Phoenix Life takes to carrying out engagement with companies, and these will often overlap.

- Engagement through its asset managers - its asset management partners will conduct stewardship activities on behalf of Phoenix Life.
- Engagement by Phoenix Life's in house team - the Phoenix Group stewardship team carries out stewardship based on Phoenix Life's ESG research.
- Engagement in collaboration with other investors - the Phoenix Group Stewardship team joins forces with other peer shareholders to raise concerns and increase its power of influence with companies.

When asset managers carry out stewardship on Phoenix Life's behalf, it expects these asset managers to use stewardship to influence the performance, governance and sustainability of the companies they invest in on Phoenix Life's behalf. Phoenix Life expect managers to use internal and external ESG research to monitor and assess companies, place votes on its behalf, applying a proxy voting policy that takes its views into consideration, set engagement objectives and escalate if progress isn't made and update Phoenix Life regularly on all engagement and voting activities.

Phoenix Life's full stewardship policy is available online here: https://www.phoenixlife.co.uk/legal-and-policies/approach-to-stewardship-and-engagement#:~:text=Voting%20rights,-Where%20voting%20rights&text=As%20a%20customer%20and%20investor,in%20line%20with%20this%20policy

Appendix

Voting Statistics for the year ending 31 March 2022

	Number of resolutions eligible to vote on over the period	% of resolutions voted on for which the fund was eligible	Of the resolutions on which the fund voted, % that were voted against management	Of the resolutions on which the fund voted, % that were abstained from
BlackRock Consensus Index Fund	5,576	99.0%	8.0%	1.0%
BlackRock Diversified Growth Fund	11,809	100.0%	6.0%	1.0%
BlackRock Emerging Markets Equity Index Fund	28,828	100.0%	9.0%	4.0%
BlackRock Global Developed Fundamental Weighted Index Fund	10,315	90.7%	6.0%	0.7%
BlackRock Global Minimum Volatility Index Fund	5,704	96.4%	3.8%	0.5%
BlackRock MSCI World Index Fund	15,759	90.7%	7.3%	0.7%

Source: BlackRock