

## Aliaxis UK DB Pension Scheme

### Annual Implementation Statement – Plan year ending 31 March 2021

#### Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Aliaxis UK DB Pension Scheme (“the Scheme”) covering the scheme year to 31 March 2021.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustees, the engagement policy under the Scheme’s Statement of Investment Principles (“SIP”) has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustees over the year

A copy of this implementation statement has been made available on the following website (<https://www.aliaxis.co.uk/en/metanavigation/Pension%20statement>) and included in the Trustees’ annual report and accounts for the year to 31 March 2021.

#### Review of and changes to the SIP

The SIP was reviewed and updated during the year to reflect new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020 which required trustees to set out their policy in relation to their arrangements with asset managers including:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments;
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments;
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

The revised SIP was dated September 2020 and formally adopted by the Trustees after consultation with the Company.

#### Adherence to the SIP

<b>Scheme objectives</b>	<p>The Trustees’ primary responsibility is to manage the Scheme so that members receive their benefits as and when they fall due, by maintaining an adequate level of funding for members’ benefits. The assets of the Scheme are held by the Trustees for this purpose.</p> <p>The Trustees’ fundamental investment objective is to adopt an appropriate level of risk relative to the Scheme’s liabilities. The Trustees recognise the need to take some risk in order to generate a sufficient investment return over the long term to make the Scheme affordable, as measured by the contributions payable. However, the Trustees do not wish to take so much risk that the volatility of the investment returns relative to the liabilities becomes unacceptable.</p> <p>This objective remained unchanged over the Scheme year and will be reviewed as part of the next triennial valuation.</p>
<b>Investment strategy</b>	<p>The most recent formal review of the investment strategy was undertaken in September 2019. The conclusion was to maintain the existing strategy of 15% in return-seeking assets (all held in the Towers Watson Core Diversified Fund (‘CDF’)), 45% in a liability driven investment (LDI) portfolio with LGIM, and 40% in bulk annuity policies with Just Retirement.</p> <p>An interim review was undertaken in September 2020 where the Trustees again concluded to retain the existing strategy.</p>

<b>Assessment of performance of investment managers</b>	<p>The Trustees monitor the Scheme's investment arrangements on a quarterly basis, which includes monitoring the performance of investment managers.</p> <p>Assets have broadly performed in line with benchmarks/return targets, noting that the fund in which the return-seeking assets are held does not have an explicit return target.</p>
<b>Engagement with investment managers</b>	<p>During the Scheme year, the Trustees met with Towers Watson Investment Management (TWIM) on 23 April 2020 who provided an update on the performance and strategy of the CDF, as well as their forward-looking market views. TWIM also provided information on their approach to engaging on Environmental, Social and Governance (ESG) matters.</p> <p>Since the end of the Scheme year, the Trustees met TWIM again on 21 April 2021, with a particular focus on how the CDF had performed following the global pandemic.</p>
<b>Exercising of voting rights</b>	<p>The Trustees' policy is to delegate responsibility of the exercising of ownership rights (including voting rights) attached to investments to the investment managers. A summary of votes cast is set out below.</p>
<b>Sustainable Investments</b>	<p>The Trustees' policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant. The Trustees explore these issues with their managers to understand how they exercise these duties in practice and receive reports on how these issues are addressed.</p> <p>When considering the appointment of new managers, and reviewing existing managers, the Trustees, together with their investment consultant, look to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.</p>
<b>Portfolio turnover</b>	<p>During the year, the Trustees' investment consultant reviewed and reported to the Trustees on the total fees and costs incurred by the Scheme through its investments.</p> <p>Turnover for the CDF over the year to 31 March 2021 was 42%, compared to a long-term average of 25%, and typical upper and lower levels of 15-40%. This higher than typical level of turnover over the period was due to recent portfolio evolution within the Diversifying Strategies layer and the increasing equity beta within the portfolio.</p>
<b>Managing risk</b>	<p>The Trustees manage risk at an aggregate level through a risk register.</p> <p>In relation to the investment related risks of the DB section, the Statement of Investment Principles sets out more information on how each risk is monitored and mitigated.</p>

### Summary of voting over the year to 31 March 2021

A summary of the votes made by TWIM on behalf of the Trustees over the year to 31 March 2021 is provided in the table below:

Fund	Number of meetings at which the manager was eligible to vote	Number of resolutions on which manager was eligible to vote	% of resolutions voted	% of votes with management	% of votes against management	% abstained
Core Diversified Fund	1,519	16,874	100%	74.7%	24.7%	0.6%

Voting information on the Scheme's LDI portfolio is not provided since the vast majority of loan and debt securities do not come with voting rights.

## Significant votes

The table below demonstrates some of the most significant votes cast on behalf of the Trustees over the year to 31 March 2021. As the CDF is a fund of funds, the commentary below reflects the comments of the underlying investment manager, rather than TWIM.

Company name	<b>Great Wall Motor</b>
Date of vote	25/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.12%
Summary of the resolution	Amendments to Articles of Association
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
Rationale for the voting decision	Shortened notice period as shareholders should be given enough time to consider items before general meetings
Outcome of the vote	For
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	1) we tend to be more stringent in our recommendations vs outcome of the votes when it comes to governance matters. Small matters count - we feel there is always scope for our Chinese portfolio companies to become even better over time; 2) we also hope to communicate with them in future meetings on areas for improvement. It is also an area for us to be even more proactive in the future, i.e., communicating proactively with portfolio companies on our vote-against decisions afterwards.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	Against management

Company name	<b>Goodman Group</b>
Date of vote	19/11/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.12%
Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	We do not publicly communicate our vote in advance.
Rationale for the voting decision	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.
Outcome of the vote	86% for, 14% against
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Where appropriate we will contact the company to explain our voting rationale and conduct further engagement.

On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?

Vote against management

Company name	<b>Barclays</b>
Date of vote	07/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
Summary of the resolution	Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution
How you voted	LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.
Outcome of the vote	Resolution 29 - supported by 99.9% of shareholders Resolution 30 - supported by 23.9% of shareholders (source: Company website)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The hard work is just beginning. Our focus will now be to help Barclays on the detail of their plans and targets, more detail of which is to be published this year. We plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.

Company name	<b>Amazon</b>
Date of vote	27/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
Summary of the resolution	Shareholder resolutions 5 to 16
How you voted	Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Rationale for the voting decision	<p>In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture. The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics:</p> <ul style="list-style-type: none"> <li>• Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings</li> <li>• Environment: Details about the data transparency committed to in their 'Climate Pledge'</li> <li>• Social: Establishment of workplace culture, employee health and safety The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of \$2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.</li> </ul>
Outcome of the vote	Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7 and 15.3% support. Resolution 11 received 6.1% support. Resolution 12 received 1.5 % support. Resolution 13 received 12.2% support. (Source: ISS data)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. Our engagement with the company continues as we push it to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, its human capital.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	<p>The market attention was significant leading up to the AGM, with:</p> <ul style="list-style-type: none"> <li>• 12 shareholder proposals on the table – the largest number of any major US company this proxy season</li> <li>• Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers</li> <li>• Substantial press coverage – with largely negative sentiment related to the company's governance profile and its initial management of COVID-19</li> <li>• Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled 'Workplace &amp; Investor Risks in Amazon.com, Inc.'s COVID-19 Response'</li> </ul> <p>Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.</p>

Company name	<b>ExxonMobil</b>
Date of vote	27/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Not provided
Summary of the resolution	Resolution 1.10 Elect Director Darren W. Woods
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Rationale for the voting decision	In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
Outcome of the vote	93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying. (Source: ISS data)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We believe this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Our voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

## Conclusion

Based on the information set out above, the Trustees consider that all SIP policies and principles were adhered to during the year.

The Trustees of the Aliaxis UK DB Pension Scheme

July 2021