

John G Russell (Transport) 1989 Retirement Benefits Scheme

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the Investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated November 2020 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2023 to 31 March 2024.

Investment Objectives of the Scheme

Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- Operate an Investment strategy that provides appropriate security for all beneficiaries.
- Target an ongoing funding level of 100% based on the Scheme's ongoing valuation basis at 1 April 2017 and subsequent triennial valuations.
- Acquire suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from employer, the cost of current and future benefits of the Scheme.
- Limit the risk of the assets failing to meet the liabilities over the long term, in particular in relation to statutory funding requirements.
- Minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the objectives shown above.

The Trustees' specific long-term Investment objective is to achieve an Investment return of approximately 2.5% per annum above the FT Government Index-Linked All Stocks Index over a rolling three-year period.

Stewardship Policy

The Trustees' stewardship policy, as set out in the SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the Investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their Investment Managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their Investment Managers.

Review of the SIP

The Trustees reviewed the Statement of Investment Principles (SIP) in November 2020, which was updated to reflect revised target asset allocation ranges and to comply with legislative requirements for Environmental, Social and Governance (ESG) issues. This is due to be updated shortly.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out in this Statement and are detailed in the Trustees' SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not changed in the SIP in force during the year.

Investment Manager and Asset Classes in Use

The Scheme's Investment arrangements consist of discretionary portfolios held with Evelyn Partners (formerly two separate Investment Managers, Tilney and Smith & Williamson) who invest in a range of asset classes.

In normal circumstances the Trustees expect their asset allocation to fall within the following ranges:

Asset Class	Asset Ranges (%)
Liquid Assets	0 – 10
Secure Income	0 – 20
High Income	0 – 20
Core Equity	45 – 85
Alternative Investments	10 – 40

The Investment Manager ensures that the asset allocation is rebalanced within these ranges.

Investment Governance

The Trustees are responsible for making Investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' Investment Consultant.

The Investment consultant objectives for Broadstone were last reviewed in March 2024. These are not due to be reviewed again until March 2027.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

There were no changes to the Investment management agreements with the Investment Manager during the year.

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in Investment decision making can lead to better risk-adjusted Investment returns. The Trustees expect its Investment Managers, when exercising discretion in Investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of its Investment Managers.</p> <p>The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of the Scheme's Investments.</p>	No deviation from this policy over the year to 31 March 2024.
Voting Rights and Engagement	The Trustees expect their Investment Managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over the time horizon over which the benefits are paid.	No deviation from this policy over the year to 31 March 2024.

Financially and Non-Financially Material Considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an Investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the assets and funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, and in particular with regards to the selection, retention, and realisation of the underlying Investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the Investment Manager and

input from their Investment advisors on ESG matters. These views are also taken into account when appointing and reviewing Investment Managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their Investment Manager.

A summary of the Trustees' views for the asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Risk-controlled multi-asset strategies	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the portfolio and underlying funds, and the ability of the Managers to use their discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Managers to engage with investee companies on ESG issues in order to promote sustainable long term Investment returns. This is done by exercising any voting rights attached to the equity Investments and engaging directly with investee companies.

Voting Rights and Engagement Activities

The Trustees currently invest in two discretionary portfolios that hold both direct Investments and pooled funds, and they acknowledge that this limits their ability to directly influence the pooled fund Investment Managers. All voting activities have been delegated to the Investment Manager, as the Trustees do not have any administrative mechanism to cast a vote in line with their views on the underlying holdings. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the Investment Manager to influence what they believe to be the most significant votes.

The Scheme's mandates contained equity holdings from 1 April 2023 to 31 March 2024 and therefore have voting rights attached to these underlying equities. The Trustees have delegated engagement activities to the Investment Managers, who report to the Trustees on how the underlying Investment Managers voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by the Investment Manager and a selection of the key underlying Investment Managers from 1 April 2023 to 31 March 2024 on behalf of the Trustees (where the Investment includes equities) is provided in the table below.

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
Evelyn Partners	Discretionary Portfolio	1,351	97%	3%	0%
Blackrock	European Dynamic Fund	707	91%	8%	1%

Invesco	NASDAQ-100 Tracker Fund	1,349	92%	8%	0%
Findlay Park	American Fund	753	97%	3%	0%

The votes of the underlying Investment Managers are at the company level, rather than being scheme or fund specific. The Trustees will work with the Investment Managers to obtain this information in future years.

Information regarding proxy voting is detailed below:

- **Evelyn Partners** uses Glass Lewis as their proxy voting service provider. They have worked closely with Glass Lewis to develop their own voting policy.
- **Blackrock** use the proxy voting services of Institutional Shareholder Services (ISS).
- **Invesco** use the proxy voting services ISS, Glass Lewis and IVIS to supplement their own research.
- **Findlay Park** uses the proxy voting service ISS to aid their own voting decisions.

Significant Votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the relevant Investment Managers. In determining significant votes, the Investment Managers will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable events, or where the Investment Managers note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;

The Trustees believe the following represent some of the significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1- Evelyn Partners	
Company	SCHNEIDER ELECTRIC SE
Date	4 May 2023
% of portfolio invested in firm	Information not made available by Evelyn Partners.
Resolution	2022 Remuneration of Jean-Pascal Tricoire, Chair and CEO.
Why significant	Information not made available by Evelyn Partners.
How voted	Voted Against Management.

Manager Comments	<i>We have concern over the Proposal 6.00 regarding the Company's executive pay practices, especially with regard to the maintenance of LTI outstanding awards for Jean-Pascal Tricoire, even though he is leaving his executive role on May 3, 2023.</i>
Vote outcome	34.3%

SIGNIFICANT VOTE 2 – BlackRock

Company	BE Semiconductor Industries NV
Date	26 April 2023
% of portfolio invested in firm	Information not made available by Blackrock.
Resolution	Approval of Remuneration Report
Why significant	Informed by their global voting guidelines, BlackRock believes that votes against company directors due to concerns about remuneration constitutes one of their key voting rationales.
How voted	Voted Against Management.
Manager Comments	<i>Poor use of remuneration committee discretion regarding the grant of a one-off award. Remuneration arrangements are poorly structured.</i>
Vote outcome	Fail.

SIGNIFICANT VOTE 3 - Invesco

Company	Illumina, Inc.
Date	24 May 2023
% of portfolio invested in firm	>1% IVZ Ownership
Resolution	Elect Dissident Nominee Director Vincent J. Intriери
Why significant	>1% IVZ Ownership and Includes Key ESG proposal
How voted	Withhold (Against Management)
Manager Comments	<i>The outcome of the vote meets our voting intention. Therefore, we didn't take further action beyond our continuous engagement and dialogue with the company, as appropriate.</i>
Vote outcome	Fail.

SIGNIFICANT VOTE 4 – Findlay Park

Company	Texas Instruments
Date	27 April 2023
% of portfolio invested in firm	1%
Resolution	Human rights risk
Why significant	Vote for shareholder resolution
How voted	Voted against Management.
Manager Comments	<i>We voted for a resolution at Texas Instruments requesting a formal report on efforts to mitigate human rights abuses linked to their products. Reports indicate American semiconductor components are used in conflicts like the Russia-Ukraine war. While we</i>

	<i>understand the complexities and challenges in eliminating misuse, we believe industry-wide transparency and proactive measures are crucial. Addressing geopolitical risks in semiconductor use is both a human rights and financial imperative.</i>
Vote outcome	Fail.

Engagement Activity

The notable engagement activities of the Investment Manager and key underlying Investment Managers are provided below:

- **Evelyn Partners** are currently engaged in a project focused on the construction sector, acting as the lead engager for Balfour Beatty. In 2023, they wrote to the company asking for a meeting to discuss their approach to modern slavery. They specifically asked if the company had found modern slavery in its operations or supply chains in the past year and if not, if they were able to demonstrate they have rigorous processes in place to look for it. They had a call with the company to discuss various topics including internal and external audits, creating clearer policies, and targeted training. The outcome of this engagement is ongoing. In 2024 they will review the company's modern slavery statement and continue discussions around areas for improvement.
- **Blackrock** engaged with Canon on corporate governance, focusing on board composition and long-term leadership planning. At the March 2023 AGM, Canon had no female directors, making it an outlier among large Japanese companies. BlackRock has been advocating for at least two female directors on boards of TOPIX 100 companies since 2023. Due to ongoing concerns about board diversity, BlackRock did not support the election of Canon's board chair and CEO in both 2022 and 2023 AGMs. The chairman's re-election received significantly lower support compared to other directors, indicating investor concern. Following the 2023 AGM, Canon announced plans to appoint a female director by March 2024, a development welcomed by BlackRock.
- **Invesco** sent a letter to Samsung Fire & Marine Insurance in February 2024, a Korean insurance company, encouraging them to unlock further value for shareholders in line with the Korean Government's "Corporate Value-Up Programme." This initiative aims to improve shareholder returns and corporate governance, addressing the 'Korea discount' - the undervaluation of Korean companies due to governance concerns. Invesco proposed more efficient capital use, better management alignment with shareholders, and distribution of Samsung Electronics shares. The company responded positively, leading to a share price increase. Invesco continues to engage with Samsung Fire & Marine Insurance and other investors to further enhance corporate governance.
- **Findlay Park** have engaged with Martin Marietta - an aggregates-focused business - on climate change since 2021. In 2023, the engagement escalated with voting action – as a shareholder proposed a related resolution at the AGM. They had a detailed conversation with the CEO who was initially concerned with the pace of change required for SBTi commitment. While they acknowledged their challenges with rapid decarbonisation, we supported the climate resolution. Subsequently, the company committed to an SBT, which appeared on the SBTi website a few months after the AGM. The company also documented Findlay Park's engagement with them on

sustainability and governance matters – and presented this to them as a follow up to their AGM - speaking to their awareness of their engagement with them on these topics. They believe their stewardship can help drive long-term value; in this case more resilience to factors such as climate-related regulation, and potentially innovation and leadership in emerging areas.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall ‘score’ which represents how well ESG metrics are incorporated into Managers’ Investment processes. Investment Managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2023 UNPRI Assessment Reports, scores are presented as a ‘star’ rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI scores of the Investment Manager and underlying pooled fund Investment Managers are outlined in the table below.

Manager	2023 UNPRI Rating
Evelyn Partners	★★★★
Blackrock	★★★★
Invesco	★★★★
Findlay Park	★★★★
Median	★★★

The Trustees also consider the Investment Manager’s policies on stewardship and engagement when selecting and reviewing Investment Managers.

Monitoring of Investment Arrangements

In addition to any reviews of Investment Managers or approaches, and direct engagement with current Investment Manager (as detailed above), the Trustees receive performance reports to ensure the Investment objectives set out in the SIP are being met.

On behalf of the Trustees of John G Russell (Transport) 1989 Retirement Benefits Scheme