The Family Action Pension Scheme – year to 31 December 2023

Implementation Statement

The Trustee of The Family Action Pension Scheme (the "Trustee" and the "Scheme" respectively) has prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Its purpose is to describe the actions taken over the past year and to demonstrate how the Trustee has followed the policies on voting, stewardship and engagement, as set out in the Scheme's Statement of Investment Principles (the "SIP") dated August 2021 and February 2024. These statements cover the year to 31 December 2023.

Whilst the Scheme has separate sections in the SIP for the Defined Contribution and the Defined Benefit sections, we have set out a unified implementation statement, as both sections have the same policies on voting and engagement.

Overview

The Scheme's Defined Benefit assets are held in pooled investment funds (via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of the pooled investment funds (the "Fund Managers").

The Fund Managers of the pooled investment funds over the period were Legal & General Investment Management ("LGIM"), Insight Investment ("Insight"), Columbia Threadneedle Investments ("CT"), BNY Mellon Investment Management Limited ("BNYM") and TwentyFour Asset Management ("TwentyFour").

As Trustee of the Scheme's assets, we are responsible for the selection and retention of the funds. Reviewing the voting and engagement activities, for which we include details below, is an important exercise to help us ensure they remain appropriate and are consistent with the Fund Managers' stated policies in this regard.

We are satisfied with the voting and engagement activities of the Fund Managers, and in particular, that they are using their position as stakeholder to engage constructively with investee companies; however, we will engage with the Fund Managers should we have any concerns about the voting and/or engagement activities carried out on our behalf.

The Trustee had no cause to challenge the Fund Managers' voting and/or engagement activities during the year to 31 December 2023.

Changes to investment strategy

During the year, there were no changes to the investment strategy of the Scheme. After the Scheme year end, the Trustee made some changes to the investment strategy which were implemented during February 2024. These changes will be covered in more detail in next year's statement.

Reporting and oversight

The Trustee has regularly reviewed the performance of the funds over the year and performance information is set out elsewhere in this report. The Trustee is satisfied with the performance of the default life-style fund and the self-select fund range in the Defined Contribution section given their objectives. At the time of producing this statement, the DC Section comprises only two deferred members. The Trustee, in conjunction with the sponsoring employer, continues to review the operational efficiency and ongoing management of the DC Section, including potential alternatives to the current structure. This includes whether or not the interest of members may be better served and if members are likely to experience better value through the transfer of existing funds to an alternative arrangement. The Trustee is engaging with their advisors in this regard.

Changes to investment governance

In October 2023, the Trustee reviewed the objectives for the current investment consultant. The purpose of this review is to help ensure they are getting good value for money. The Trustee will continue to assess performance, relative to these objectives on an annual basis.

Compliance with the Statement of Investment Principles

The Trustee has reviewed the extent to which, in its opinion the Statements of Investment Principles have been followed in the year and the Trustee remains satisfied that it continues to follow all the principles, policies and processes as detailed in the Statement of Investment Principles.

Voting and engagement overview

The Trustee's policy, as set out in the SIP, is to consider only factors that are expected to have a financial impact on the Scheme's investments. Details on significant voting and engagement activities provided by the Fund Managers are set out below.

In order to produce this statement we have asked the Fund Managers a series of questions on their policies and actions and to provide examples relating to their voting and engagement activities during the year and in conjunction with our advisers, have identified significant voting and engagement activities (i.e. those most relevant to the Trustee's policy). We have then reviewed these and selected the most relevant comments for the purpose of this statement.

LGIM have provided information relating to the Multi-Asset (formerly Consensus) Fund as this fund holds equities for which they have voting rights.

BNYM have provided information relating to the Real Return Fund as this fund holds equities for which they have voting rights. The BNYM Global Dynamic Bond Fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, BNYM does undertake engagement activities in respect of its bond holdings and we have included an example below.

Insight have provided information relating to the Broad Opportunities Fund as this fund holds equities for which they have voting rights.

The CT LDI funds do not hold equities and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds. The primary underlying counterparty for the

LDI fund assets is the UK government; however the derivatives used means the funds will also have exposure to clearing houses and investment banks. Engagement with these types of organisations can be more difficult than engaging with companies issuing shares and debt, although it is an area that continues to evolve.

LGIM – voting and engagement activities

The following commentary is based on the information that LGIM have provided in response to our questions and illustrates how they co-ordinate their voting and engagement activities with companies.

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA)."

Evidence that LGIM do not always vote 'For' management proposals, or in line with external recommendations (e.g. from ISS) is encouraging because it indicates that they are actively engaging with the companies they invest in, on behalf of the Scheme.

LGIM Multi-Asset (formerly Consensus) Fund (charges included)

LGIM voted on 95,582 resolutions. Votes: For 76%, Against 23%, Abstained <1%. There were 960 engagements over the year in relation to this fund. The majority of engagements were made regarding financials.

The Trustee has reviewed LGIM's voting activity and in conjunction with their adviser, Cartwright, on the Trustee's behalf, have identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP:

1. **SHELL PLC**

   Date: 23/05/2023

   Resolution: Approve the Shell Energy Transition Progress

   Vote: Against (Against management recommendation)

   "LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

   A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory."

2. **TOYOTA MOTOR CORP.**

   Date: 14/06/2023

   Resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement

   Vote: For (Against management recommendation)

   "LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability

and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.

LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris aligned regulatory environment.

We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified.

Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multipathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this."

3. PUBLIC STORAGE

Date: 02/05/2023

Resolution: Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal

Vote: For (Against management recommendation)

"A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal."

<u>Insight – voting and engagement activities</u>

The following commentary is based on the information that Insight have provided in response to our questions and illustrates how they co-ordinate their voting and engagement activities with companies.

"Insight retains the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva Analytics provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction.

The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities.

A key element of stewardship is proactive engagement with companies to ensure accurate analysis and to influence them to improve their practices. This engagement with issuers is a key part of our credit analysis and monitoring, and complements our approach to responsible investment. Given the size and depth of our credit analyst resource, one of the key inputs into our ESG analysis is the direct information which we receive from companies via engagements that take place with them

As a matter of policy, all our credit analysts regularly meet with issuers to discuss ESG-related and non-ESG related issues. Each analyst identifies the engagement issues relevant for each specific issuer. Insight will use ESG ratings and our proprietary carbon model to engage so-called 'laggard' companies. Meetings with company management provides the most effective and timely opportunity to raise these issues. If Insight does not already have regular meetings with a company's management, our investment teams are encouraged, in the first instance, to request a meeting with them. Where this is not possible, or additional action is deemed appropriate in order to further the interests of our clients, we may consider raising the issues with the company's broker or, if appropriate, the chairman. Further to this if we do not receive a response from the issuer regarding engagement then we will lead on a wider collaborative initiative, via the PRI or by engaging with other investors, to achieve greater influence over the issuer.

Additionally, as a global asset manager, we have an important role in financial markets. We believe that we must take a proactive role in ensuring the long-term sustainability of the markets – this is in our clients' long-term interests, as well as that of wider society. Long-term initiatives include:

- *Active engagement with other industry members to ensure our clients' rights and considerations are fully represented, including:*
    - *Joining the Working Group on Sterling Risk-Free Rates.*
    - *Participation in climate change related collaborative engagements as an active member of the Climate Action 100+ initiative.*
    - *Collaborating with peers on a range of issues, such as credit risk and ratings with the PRI initiative.*
    - *Encouraging issuers to submit their carbon emissions to CDP initiative.*
- *Development of new sources of repo liquidity – a key issue for pension funds seeking to manage risk efficiently and effectively.*
- *Challenging the pressure on derivatives users, including pension funds, to post only cash as variation margin on their derivatives transactions – a key issue for pension funds seeking to manage risk effectively over the long term.*
- *Supporting the transition to a low carbon economy by investing in 43 green bonds, and encouraging banks to consider green bond issuance, and through our Advisory Council role with the Green and Social Bond Principles.*

These engagements inform the overall credit analyst views of the companies and provide a platform not only for both increased transparency around ESG issues, but also ongoing engagement to change company behaviour, where appropriate."

Insight Broad Opportunities Fund

The strategy invests in 11 listed closed-end investment companies with a focus on cash-generative investments in social and public, renewable energy and economic infrastructure sectors.

Insight voted on 164 resolutions. Insight have voted in line with recommendations of their proxy voting provider on all occasions.

The Trustee has reviewed Insight's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

HICL INFRASTRUCTURE PLC

Rationale:

"Long dated UK government bond yields rose sharply towards the end of Q3 2022 reflecting in part market concerns with expected funding requirements while domestic growth dynamics were forecast to slow. Long dated yields, inflation and tax are important inputs in the valuation of long-term cash flows expected from social and public infrastructure investments.

Since HICL's last valuation at Q1 2022, key market inputs into its portfolio valuation had changed considerably which brought concerns about the portfolio valuation to the fore. These factors along with forced investor redemptions additionally contributed to share price volatility over the period around Q3 2022."

Action:

"We engaged with the Chairperson and expressed our preference for a longer tenure in the IMA. This is to afford continuity that has been instrumental in the company's successful track record. We discussed other terms and the new fee structure which could lower overall cost to investors.

In Q1 23, we met with the investment manager to review succession planning at its board, and related capability transfers. The board changes followed on from retirement of the chairperson since the company's IPO. The company maintains gender diversity with 60% female representation on the board and c30% at investment manager level."

Outcome:

"The company remains an important component of the Fund's infrastructure exposures providing higher scale, liquidity and exposure UK renewable assets. At this stage, we have retained the holding in portfolio."

<u>BNYM – voting and engagement activities</u>

The following commentary is based on the information that BNYM have provided in response to our questions and illustrates how they co-ordinate their voting and engagement activities with companies. Newton are a subsidiary of BNYM and are the entity that manage the Real Return and Global Dynamic Bond funds.

"We believe the value of our clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our understanding of a company's fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company's unique situation.

We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares, as we believe executive pay should be aligned with performance."

BNYM Real Return Fund

BNYM voted on 1,131 resolutions. Votes: For 92%, Against 8%, Abstained 0%.

There were 19 engagements over the year in relation to this fund. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed BNYM's voting activity and in conjunction with their adviser, Cartwright, on the Trustee's behalf, have identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP:

1. LOCKHEED MARTIN CORPORATION

Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

Vote: For

"We supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement as in our view, more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk."

2. SHELL PLC

Resolution: Request Shell to Align its Existing 2030 Reduction Target

Vote: Against management recommendation

"Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement.

As a significant GHG emitter, it is critical for Shell to have a credible transition plan. Abstaining on this resolution would convey to the company, in addition to our engagement, the need to add credibility to its transition planning.

We abstained on the proposal requesting an alignment of the 2030 Scope 3 reduction target to the Paris agreement. While the argument is acknowledged, voting in favour of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, we have abstained in line with our views that the current transition plan merits more robust 2030 goals in order to gain credibility."

BNYM Global Dynamic Bond Fund

The fund does not hold equities and therefore does not have the same voting rights as some other funds. However, Newton's engagement activities are undertaken for all the companies that they hold and so they also engage with the companies whose bonds are held in this fund.

There were 3 engagements over the year in relation to this fund.

The Trustee has reviewed BNYM's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

BARCLAYS

"The engagement goal is to encourage the bank to strengthen its climate transition plan. Barclays has considerable exposure to the fossil fuel industry, therefore monitoring and encouraging the bank to strengthen its climate transition plan wherever necessary is important to ensure that the bank remains on track to achieve its emission reduction targets.

Key takeaways:

- Client transition framework: 150 clients (from sectors where the bank has targets) are part of this framework, with 80% having climate targets. The bank is working with Oliver Wyman to review and compare with best practice. It will disclose its transition plan framework this year and will cover outputs of the methodology as well.

- Physical and transition risk: The bank participated in Bank of England's (BoE) Climate Biennial Exploratory Scenario (CBES) and received feedback on both physical and transition risks, although it is restricted in what it can disclose of this central stress test. The bank incorporates climate in its own stress tests and evaluates which portfolios are more susceptible to weather risks.

- BlueTrack (internal tool for climate targets for sectors): Originally constructed with third party help. Targets not externally verified, but numbers used for the targets are assured by KPMG. BlueTrack includes capital markets financing, which is important for the bank, therefore the bank is working with SBTi and waiting for PCAF methodology to include the same.

The bank will disclose its client transition framework this year. We are pleased to see movement on this as we have been asking the bank to provide this for some time. We also view it as a positive that the bank is working with the SBTi to align methodologies. While we note the merit of BlueTrack including capital market financing, external verification of targets would provide us with added comfort.

Next steps: Monitor the bank's reporting on its client transition framework, assess the progress vs. current sectoral targets disclosed by the bank."

<u>TwentyFour – engagement activities</u>

The following commentary is based on the information that TwentyFour have provided in response to our questions on voting and engagement. They are fixed income investors only and therefore do not have an opportunity to vote. The following commentary illustrates how they co-ordinate their engagement activities with companies.

"We believe that acting collaboratively with other investors and market participants can lead to better outcomes for clients and the market in general, and as such we are very happy to do so when appropriate. We have actively worked with other managers to help improve the governance of the sectors in which we operate, which we believe is beneficial for all of our respective clients.

TwentyFour is regularly consulted as an advisor by the Bank of England, the PRA/FCA, the UK Treasury, The European Commission and the European Banking Authority, as well as a number of other EU finance ministries (BaFin, DNB, and Bank of France etc.)

As Fixed Income investors we are focused on protecting against the downside and this is where we focus our efforts when engaging. In certain instances we have engaged with management on subjects that we hope will influence management behaviour and decisions over the long term, and in some cases this may lead to improved financial outcomes – but our core focus remains on protecting against the downside."

TwentyFour Absolute Return Credit Fund

The fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, TwentyFour does undertake engagement activities in respect of its bond holdings.

There were 75 engagements over the year in relation to this fund.

The Trustee has reviewed TwentyFour's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

1. **YORKSHIRE BUILDING SOCIETY ("YBS")**

Issue:

"This engagement was conducted in relation to YBS's new 'Brass 10' Residential Mortgage Backed Securities transaction and came under our Carbon Emissions Engagement Policy, since YBS is lagging peers with respect to its ESG disclosures. Following the government's proposal for all UK homes to have a minimum EPC rating of C from 2035 (2025 for private landlords), we wanted to understand: the issuer's plans to reach this target, what green products it offers to incentivise homeowner upgrades, when it plans to disclose Scope 3 financed emissions, and any plans to reinforce its net zero commitments through signing up to the Science Based Targets initiative (STBi) or the Net Zero Banking Alliance."

Response:

"We discussed the reporting of Scope 3 emissions; we learned that YBS doesn't currently have a plan in place to report these but will consider it in the future, and we reiterated it was very important to us to obtain this data. YBS doesn't have any green products, but it is are looking at offering some in the near term, and we highlighted it is lagging peers in this regard. There are now plans to improve the average EPC rating to C on owner occupied mortgages (we asked the issuer to focus on this given it intends to be in line with net zero for Scope 1 & 2 emissions by 2025 and the minimum EPC of C is to be in line with net zero).

On the social side, we challenged YBS on its social-labelled securitisation and if it was doing anything differently; the lender has not changed its lending criteria and believe in its social label on the grounds that it targets underserved borrowers (i.e. self-employed borrowers who wouldn't be accepted by high street banks) and provides affordable housing. YBS doesn't have specific targets to increase social lending as a proportion of its total origination, since this is already part of what it does and all the proceeds of Brass 10 have already been allocated for social lending. YBS has significantly grown its ESG team, so we do expect progress on the concerns we highlighted in the near future."

Outcome:

"A satisfactory response. Many factors are unfortunately out of management's control but there is a lot of work ahead to catch up with European peers. We will continue to monitor progress."

2. BHP GROUP LTD

Issue:

"We reached out to the multinational miner, BHP regarding the collapse of the Fundão tailings dam in Brazil in 2015 and their lack of action since."

Response:

"In their response only 96 of the 553 households displaced have been rebuilt and all 42 of the programs identified by the Renova Foundation are behind schedule. They provided insufficient detail on mitigation of future incidents nor actions taken to clean up and compensate for the disaster. Lack of action since the disaster highlights intrinsic social and governance concerns despite a strong raw ESG score."

Outcome:

"Do not invest."

3. WEIR GROUP

Issue:

"We met with the Weir group CFO and other members of management during their recent SLB (sustainability linked bond) roadshow. Given the carbon intensive nature of the mining sector we engaged on the on the environmental profile of their products and the business as a whole."

Response:

"While the mining sector is often viewed poorly from an environmental perspective, Weir stress that their products are both essential to the extraction of metals to support the net zero transition and the more efficient technologies which Weir currently offer, are fundamental to the decarbonisation of the mining sector. Management provided the example of their new HPGR (high pressure grinding rolls) which reduces energy consumption by 40% versus alternatives. Despite the nature of the sector they have a Science Based Targets initiative (SBTi) approved scope 1, 2 and 3 emissions reduction target. Scope 1 and 2 target a 30% decline by 2030 and scope 3 targets a 15% reduction by 2030.

Scope 3 emissions account for 97% of Weir's total emissions - which is their biggest challenge, they can't control how their customers power their equipment but investing in their more efficient productions will help reduce scope 3. The company are also engaging with customers and grid operators on how they can reduce scope 3.

Weir have committed to continue issuing in SLB format – this holds management accountable to their SBTi verified emissions reduction target. We did push management on being more ambitious with their 19% absolute emission reduction target by 2026 (given they have down 17%

vs 2019 baseline) however so far the gains have been from the 'low hanging fruit' and when you include growth, the next 2% will be much more challenging."

Outcome:

"This was a strong response from a business operating in a challenging sector, happy to invest in non-sustainable funds – more progress is needed on fossil fuel exposure before considering inclusion in sustainable funds."

CT – engagement activities

The following commentary is based on the information that CT have provided in response to our questions and illustrates how they co-ordinate their engagement activities with companies. These examples provide evidence that they are engaging actively with the companies they invest in on behalf of the Scheme.

"We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.

Our approach is aligned with the core values and beliefs of the wider financial group, and draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory.

LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.'

CT Dynamic LDI Funds

These funds contain investments that provide exposure to long dated interest rates / inflation. They do not hold any physical equity investments and are therefore not eligible to vote. However, CT does still engage with counterparty banks on relevant issues.

There were 15 engagements over the year in relation to all CT LDI portfolios. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed CT's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

BARCLAYS PLC

"Barclays updated their fossil fuel financing policy. They will no longer provide financing to oil sands exploration and production companies, or financing focused on the construction of new oil sands exploration assets, production and processing infrastructure or oil sand pipelines.

We have engaged numerous times with Barclays on their management of climate risks. While this is an important part of their management of climate risks, their fossil fuel financing policy remains looser compared to other UK peers, and will likely continue to create reputational risks."

Signed on behalf of the Trustee of the Family Action Pension Scheme

Signed by Helen Frisby on 23 July 2024

Helen Frisby
Trustee Director - Independent Governance Group
Date: 23 July 2024