

Implementation Statement

Provident Financial Staff Pension Scheme

Purpose of this Statement

This Implementation Statement has been approved by the Trustees of the Provident Financial Staff Pension Scheme ("the Scheme") and sets out the following information over the year to 31 May 2024:

- How the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- The voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The voting activity is not reported over the Scheme year to 31 May 2024 because investment managers only report this data on a quarterly basis. This information has therefore been provided for the year to 31 March 2024.

Stewardship policy

The Trustees' Statement of Investment Principles ("SIP") in force at 31 May 2024 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed on 19 September 2023 and has been made available online here:

https://pfpensions.co.uk/documents/sip_2023.pdf

There were no changes made to the Scheme's stewardship policy over year to 31 May 2024.

At this time, the Trustees have not set stewardship priorities or themes for the Scheme, but will consider the extent that they wish to do so in due course, in line with other Scheme risks.

How stewardship, voting and engagement policies have been followed over the year

Based on the information provided by the Scheme's investment managers, the Trustees believe that their policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers. Investment rights (including voting rights) will have been exercised by the managers in line with the managers' general policies on corporate governance. The Trustees also expect the managers to have engaged with the companies in which they invest (where relevant) in relation to environmental, social and governance ("ESG") matters. More information on the managers' stewardship activities can be found in the following sections of this Statement.
- Over the year, as part of the ongoing monitoring of the Scheme's investment managers, the Trustees used ESG ratings provided by their investment consultant (where available), to assess how the Scheme's investment managers take account of ESG issues.

- Annually, the Trustees receive and review information on the voting behaviour and engagement activities of the investment managers. The Trustees review this information to ensure alignment with the Scheme's policies (as set out in the Scheme's SIP). This exercise was undertaken as part of preparation of the Implementation Statement in respect of the managers' activities over the year to 31 May 2024.
- The Trustees regularly consider the performance of the Scheme's funds and any significant developments that arise.

Summary

Based on the information contained in this Implementation Statement, the Trustees are comfortable that the actions of the investment managers are in alignment with the Scheme's stewardship policies. The Trustees are supportive of the key voting and engagement action taken by the relevant managers over the period.

Approved by the Trustees of the Provident Financial plc Staff Pension Scheme

31 May 2024

Voting data

This section provides a summary of the voting activity undertaken by the relevant investment managers within the Scheme's return-seeking portfolio on behalf of the Trustees over the year to 31 May 2024. The assets held with PIMCO, Robeco and Insight (as well as the hedging portfolio held with LGIM), are expected to have no voting rights given the nature of the mandates.

The Aon Adept Strategy 30 Fund is a "fund of funds" arrangement, whereby Aon select and invest in a number of underlying funds (as opposed to directly investing in a pool of securities). Of the underlying funds that comprise the Adept Strategy 30 Fund, Aon have provided voting data for the Mirova Global Sustainable Equity Fund and the Nordea Global Climate and Environment Fund, which they classify as "material" funds.

Manager	LGIM	Aon	
		Mirova	Nordea
Fund name	Developed Balanced Factor Equity Index Fund	Global Sustainable Equity Fund ²	Global Climate and Environment Fund ²
Structure	Pooled		
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour		
No. of eligible meetings	827	44	62
No. of eligible votes	12,190	651	841
% of resolutions voted	99.8%	100.0%	100.0%
% of resolutions abstained ¹	0.2%	2.0%	3.0%
% of resolutions voted with management ¹	78.7%	53.0%	86.7%
% of resolutions voted against management ¹	21.1%	45.0%	10.3%
Proxy voting advisor employed	Institutional Shareholder Services ("ISS")	None ³	Institutional Shareholder Services ("ISS")
% of resolutions voted against proxy voter recommendation ¹	16.6%	<i>Not applicable</i>	7.4%

Source: Investment managers. Totals may not sum due to rounding.

¹As a percentage of the total number of resolutions voted on.

²Held within the Aon Adept Strategy 30 Fund.

³Mirova votes in line with their own policy, however they do use the ISS proxy voting platform as one of many sources when determining how to vote.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities or themes.

At this time, the Trustees have not set stewardship priorities for the Scheme and so have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities or themes.

LGIM and Aon have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities or themes, the Trustees have opted to show three votes (for each fund where information has been provided) that cover a range of themes. To represent the most significant votes, the votes of the largest holdings relating to each theme (as at the date of the vote, as a percentage of the portfolio) are shown below.

LGIM, Developed Balanced Factor Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Walmart Inc.	Synopsys Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.7%	0.7%
Theme	Diversity	Board independence	Shareholder resolution
Summary of the resolution	Elect Director Thomas W. Horton	Elect Director Aart J. de Geus	Approve recapitalization plan for all stock to have one vote per share
How the manager voted	Against	Against	For
Rationale for the voting decision	LGIM expects companies to have at least one-third women on their board.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	LGIM expects companies to apply a one-share-one-vote standard.
Outcome of the vote	Not provided	Not provided	Fail
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
Criteria on which the vote is considered “significant”	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM considers this vote an escalation of their vote policy on the topic of the combination of Chair and CEO (that is, an escalation of engagement by vote).	LGIM considers this vote to have received a relatively high level of support (30.7% voted in favour).

Source: LGIM.

Mirova, Global Sustainable Equity Fund ¹

	Vote 1	Vote 2	Vote 3
Company name	Microsoft Inc.	Legal & General Group Plc	Legal & General Group Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.6%	0.6%
Theme	Shareholder resolution	Dividend policy	Climate
Summary of the resolution	Shareholder proposal regarding tax, climate and political contributions	Approval of dividend	Resolution on climate strategy
How the manager voted	Against management	Against management	Supported management
Rationale for the voting decision	Mirova routinely engage with Microsoft regarding tax disclosures and believe country by country reporting is critical information for investors. They were also in favour of the shareholder proposals relating to climate reporting and political contributions.	Mirova believe the company has a history of very low effective tax rates. They claim that while the company discloses some information on its tax data, the variance in rates is mainly due to its very "favourable" country mix. Mirova thinks this approach seems aggressive when compared to the company's peers.	Mirova believe that the company's climate transition plan is sufficiently robust to warrant a vote for at this stage. They note the company's investment policy is aligned with +1.5°C trajectory and the targets set cover all scopes for the short, medium, and long-term.
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	While Mirova believe the discussions around tax disclosure have been helpful, they continue to encourage the company to improve disclosure ahead of the 2025 Global Reporting Initiative reporting requirements.	Mirova have contacted the company to inform them of their voting decision and supporting rationale.	Mirova's main criticism is that they would have preferred the inclusion of sovereigns.
Criteria on which the vote is considered "significant"	Mirova consider these votes significant as they are relevant to their engagement strategy.		

Source: Aon, Mirova.

¹ Held within the Aon Adept Strategy 30 Fund.

Nordea, Global Climate and Environment Fund ¹

	Vote 1	Vote 2	Vote 3
Company name	Air Liquide	Eversource energy	Aptiv Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.1%	2.6%	1.4%
Theme	Issuance of equity (or equity-linked securities) and associated rights	Executive compensation	Board independence
Summary of the resolution	Authorise issuance of equity or equity-linked securities with pre-emptive rights up to aggregate nominal amount of €470m.	Ratify named Executive Officers' compensation	Elect director Kevin P. Clark
How the manager voted	Against management	Against management	Against management
Rationale for the voting decision	The share issuance authority with pre-emptive rights has a volume of 16.3% of currently issued capital. Nordea also have concerns given that the term length of the authority is 26 months.	Nordea think that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets, which are aligned with the interest of the shareholders. They note 25% of the share-based long-term incentive plans for executives are time-based and lack performance targets.	Nordea believe that, given the board's supervisory role, it should be separated from the company's management to the greatest extent possible. They voted against to ensure that the board maintains its independence.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	Nordea feel authorisation comprising more than ten percent of the company's capital should be avoided unless otherwise specifically justified.	Nordea see less and less support at many annual general meetings for remuneration packages and will continue to be critical of badly structured remuneration programs with large proportions of time-based variable compensation.	Nordea will continue to vote against combined Chair and CEO roles in all companies.
Criteria on which the vote is considered "significant"	Nordea classify significant votes as those that are severely against their principles and where they feel they need to enact change in the company.		

Source: Aon, Nordea.

¹ Held within the Aon Adept Strategy 30 Fund.

Engagement data

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken with respect to each fund in which the Scheme invests (where data has been provided) during the year to 31 March 2024¹.

Manager	LGIM	Aon		PIMCO ¹	Robeco	Insight	LGIM
		Mirova	Nordea				
Fund name	Developed Balanced Factor Equity Index Fund	Global Sustainable Equity Fund ²	Global Climate and Environment Fund ²	Low Income Duration Fund	Global Credits Short Maturity Fund	Short Dated Buy and Maintain Bond Fund	Bespoke hedging mandate
Number of engagements undertaken on behalf of the holdings in this fund in the year	374	42	42	100	24	104	159
Number of entities engaged on behalf of the holdings in this fund in the year	177	35	27	57	22	45	59
Number of engagements undertaken at a firm level in the year	2,144	122	1,214	1,355	349	2,521	2,144

Source: Investment managers

¹ PIMCO only compiles engagement activity statistics on a calendar year basis. As such, the figures shown are for the 12 months to 31 December 2024.

² Held within the Aon Adept Strategy 30 Fund.

Examples of engagement activity undertaken over the year to 31 May 2024

Source: Investment managers.

LGIM – Developed Balanced Factor Equity Index Fund and bespoke hedging mandate

Bayer: Litigation risks and management changes

As a leading pharmaceuticals and crop science company, Bayer plays a significant role in global food production and security. However, Bayer faces meaningful reputation risks regarding ongoing litigation related to its "Roundup" herbicide product. Since 2018, Bayer has faced over \$16 billion total charges or payments related to this litigation, which remains ongoing and poses still meaningful risks to Bayer's ability to deleverage its balance sheet while investing for future growth in its pharmaceuticals business.

From 2019 to 2024, LGIM's Stewardship and Investment teams met with members of Bayer's supervisory board, ESG team and its new CEO. Additionally, they have engaged with Bayer's investor relations and treasury teams via numerous email exchanges. In their meetings, LGIM have sought to ascertain how Bayer will fund and manage ongoing litigation risks. This would include soliciting its views regarding employing controversial legal strategies. LGIM have always made clear that Bayer cannot settle its legal challenges in a manner that creates long-lasting harm to its balance sheet in exchange for potentially short-term gains for its shareholders.

Mirova – Global Sustainable Equity Fund ¹

Ecolab Inc: Biodiversity

As a member of The Taskforce on Nature-related Financial Disclosures, Mirova participated in the dedicated group on chemicals and pharmaceuticals to bring the voice of responsible investors in the establishment of a relevant disclosure framework. Within this working group, Mirova requested the chemicals industry to disclose material indicators including chemical substances banned in some jurisdictions, persistent chemicals, emerging chemicals, pesticides active substances and dependence on water.

In 2023, Mirova engaged with a set of companies within the chemical sector in order to assess their practices regarding hazardous substances risk management. Considering that most material chemical risks relate to the lack of hazardousness assessment for new chemical substances, Mirova engaged the companies on:

1. Setting timebound targets to reduce manufacturing and use of Substances of Very High Concern (“SVHC”).
2. Assessing their global chemical risk via third-party verified methodology such as the Chemical Footprint Project (“CFP”).
3. Establishing methodologies meant to prioritize substance development in the research and development phase.

To illustrate this, Mirova engaged with a chemical detergent company, Ecolab, on the above. As a result, the company disclosed a policy on SVHC reduction and now discloses that only 2% of its products contain SVHC traces. The company assesses its global chemical impact based on the CFP framework, which allocates a total of 100 points across 20 questions to companies.

Nordea – Global Climate and Environment Fund ¹

Cleanaway Waste Management: Net zero targets

Nordea is a founding member and signatory of the Net Zero Asset Managers Initiative (a global coalition of asset managers working for the achievement of net-zero greenhouse gas emissions by 2050) and has adopted a historic set of climate targets to support this ambition. For companies in high carbon emitting sectors such as waste management, Nordea engages to understand their decarbonisation strategy.

Several waste management companies are present in Nordea’s top 200 highest CO2 emitters list, including Cleanaway Waste Management. This triggered an engagement to assess the company’s science-based decarbonisation strategy and targets and how it plans to align with the Paris-agreement by 2030. Another topic subject to increased public and regulatory scrutiny are “PFAS” (per- and poly fluoroalkyl substances), also known as ‘forever chemicals’, which may ultimately end up in landfills, highlighting possible waste management operators’ liability.

Nordea held a virtual meeting with Cleanaway’s Head of Carbon and Head of Sustainability to discuss the company’s carbon and methane measurement methodology, decarbonisation targets, Paris-aligned trajectory and PFAS handling at collection, processing and landfills. As Cleanaway’s decarbonisation initiative involves the use of carbon credits incentivised by the Australian government (and ultimately traded with international carbon

¹ Held within the Aon Adept Strategy 30 Fund.

credits), this does not comply with the Science-Based Target initiative (“SBTi”) framework. Nordea plan to follow up on Cleanaway’s extensive use of carbon credits and when the company will begin a dialogue with SBTi.

PIMCO - Low Duration Income Fund

Multinational Bank: Climate change and human/labour rights

One of the issuers within the PIMCO portfolio is a major global bank that has set net zero targets. The bank has published some targets on sectoral financed emissions and sustainable finance with improving climate risks disclosure.

PIMCO has been engaging with the bank both collaboratively with other investors (through The Institutional Investors Group on Climate Change) and bilaterally on broader ESG topics. Some progress has been made in target setting and assessing transition progress, as well as positive acknowledgement on methane reduction as part of their engagement with oil and gas sector.

However, PIMCO believe there remain gaps in the bank’s climate ambition. In particular, PIMCO encouraged the bank to consider further alignment between sectoral targets and their financing policy (for example, setting time-bound expectations for carbon-intensive sectors to have a credible transition plan and/or Paris-aligned greenhouse gas emissions targets in place), greater transparency in absolute greenhouse gas emissions and client engagement on net zero.

PIMCO are planning to further engage the issuer on their approach to identifying and assessing human right risks across their financing activities, as well as other material ESG topics.

Robeco - Global Credits Short Maturity Fund

Tencent Holdings Ltd: Social impact of gaming

Robeco believe further insight into how companies within the video gaming industry are dealing with the societal impacts of their products can help investors gain additional insight in how future-proof companies are. In particular, their engagement objectives include fostering improvement on:

- Safeguarding online communities
- Spending and time management
- Creating in-game diversity
- Managing violent content
- Human capital management
- Stakeholder management

Robeco started their engagement with Tencent, a Chinese company with businesses and investments in a wide variety of internet services and contents, with their dialogue focused on its wholly-owned subsidiary called Riot Games. The main concern around Riot Games was in-game harassment and that transparency of the company around social impacts of products should be improved in order for stakeholders to better assess the performance of Riot Games in these areas. During the years of engagement, Robeco had multiple conference calls, as well as an in-person meeting, with Riot Games' Investor Relations team and ESG specialists.

In December 2023, Robeco successfully closed their engagement with Tencent on the social impact of its games. The company demonstrated a proactive attitude to the social impact of its products, which proved beneficial in the tightening regulatory environment. This included the development of diversity equity and inclusion and anti-sexual harassment policies over 2022 and 2023, as well as significant improvements in ESG reporting.

Robeco believe that Tencent's expansion into international markets leaves room for improvement in managing violent content in the absence of strict guidelines.

Insight - Short Dated Buy and Maintain Bond Fund

Heathrow Funding Ltd: Climate change

One of the issuers within the Insight portfolio is a UK airport, offering facility maintenance, baggage handling, air traffic control, on board catering and aircraft fuelling services. Insight previously engaged with the Heathrow in 2022 to better understand its decarbonisation strategy. While the company is targeting net-zero by 2050, the two main challenges it faces are its degree of influence on airlines to decarbonise their fleet, and that its net zero plan relies on technology which is costly and/or unproven (for example, sustainable aviation fuel - "SAF").

The last time Insight met with the Heathrow, they requested the company get their decarbonisation targets approved by SBTi due to the materiality of the airline industry to carbon emissions.

In 2023, their target was approved by SBTi: Heathrow have committed to a 46.2% reduction in absolute scope 1, 2 and scope 3 greenhouse gas emissions by 2030 (using 2019 as a base year).

Insight have highlighted a number of areas for improvement regarding the company's ESG reporting, including submitting a public disclosure to the Carbon Disclosures Project. They also noted some of the issuer's targets don't appear to be very ambitious. For example, Heathrow's target for SAF to be used in airlines operating at the airport by 2030 is only 1% more than the UK government's ambition. Insight highlighted that it would be beneficial to see what the company is doing to influence the UK government into supporting SAF as a more material part of fuel supply.