

Implementation Statement

Provident Financial Staff Pension Scheme

Purpose of this Statement

This Implementation Statement (the "Statement") has been approved by the Trustees of the Provident Financial Staff Pension Scheme ("the Scheme") to set out the following information over the year to 31 May 2025:



How the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.



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.

This Statement does not cover additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

The voting activity in this Statement is not reported over the Scheme year to 31 May 2025 because the investment managers (the "managers") only report this data on a quarterly basis. The relevant information has therefore been provided for the year to 31 March 2025, in line with the approach taken in previous years.

The investment strategy underwent significant transformation over the year to 31 May 2025, with the Scheme holding investments in certain funds for only part of the year. In light of this, the Trustees feel it is appropriate to report on the engagement and voting activities of funds held at year-end, alongside those held for the majority of the year under review.

As such, voting and engagement data has not been included for the Aon Adept Strategy 30 Fund nor the PIMCO Low Duration Income Fund, both of which the Scheme fully divested from in October 2024.



Conclusions

Based on the information received, the Trustees believe that the managers have acted in accordance with the Scheme's policies on exercising rights (including voting rights) and engagement activities over the year under review.

The Trustees are supportive of the key voting action taken by the applicable managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

Overall, the Trustees do not have any material concerns with the stewardship, voting or engagement activities of the Scheme's managers.

Stewardship policy

The Trustees' Statement of Investment Principles ("SIP") describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. The SIP was last reviewed in June 2025, following the implementation of agreed investment strategy changes. The SIP has been made available online here:

[Documents and Forms | Provident Financial Staff Pension Scheme](#)

There were no changes made to the stewardship policy over year to 31 May 2025. However, as noted above, the Scheme's SIP was updated in June 2025 and, as part of this update, revisions were made to wording related to:

- The Trustees' policies on arrangements with the managers.
- The factors the Trustees consider to be financially or non-financially material, so as to increase transparency and clarity.
- The exercise of voting rights and engagement, so as to provide additional detail.

At the Scheme year-end, the Trustees had not set any formal stewardship priorities. However, following the year end, the Trustees agreed to adopt "climate" as a stewardship priority for the Scheme having considered the financial materiality of possible stewardship priorities, the views of both the Trustees and the Employer, alongside the expected time horizon of the Scheme.

The extent to which the voting and engagement activity of the Scheme's managers aligns with the Scheme's new stewardship priority will be included in the Implementation Statement to 31 May 2026.

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

Based on the information provided by the Scheme's 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 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 managers, the Trustees used ESG ratings provided by their investment consultant (where available), to assess how the Scheme's managers take account of ESG issues.
- The Scheme appointed two new managers, Barings Asset Management and Aegon Asset Management, for new multi-asset credit and asset-backed securities ("ABS") mandates over the year. Sustainability, including the funds' approaches to sustainability research, sustainability integration and stewardship were considered as part of the manager selection exercise, alongside all other material factors. The mandates with Barings and Aegon are both considered by the Trustees' investment advisor to adequately take into account material ESG issues that could affect performance, and may also be able to capture any benefit to performance or mitigation to risk that ESG awareness brings.

- Annually, the Trustees receive and review information on the voting behaviour and engagement activities of the 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 2025. In addition, the Trustees receive an annual Sustainability Monitoring Report, which allows them to understand whether there are any key concerns or actions required with respect to the sustainability activities of the managers.
- The Trustees regularly consider the performance of the Scheme's funds and any significant developments that arise.

Approved by the Trustees of the Provident Financial Staff Pension Scheme

31 May 2025

Voting data

This section provides a summary of the voting activity undertaken by the relevant managers within the Scheme's return-seeking portfolio on behalf of the Trustees over the year to 31 May 2025. As previously noted, voting information for the Aon Adept Strategy 30 Fund has not been included, given the Scheme was only invested for a small portion of the year.

The holdings with Aegon, Barings, Insight and Robeco (as well as the bespoke hedging portfolio held with Legal & General) are expected to have no, or limited, voting rights given the nature of the mandates.

Manager	Legal & General ("L&G")
Fund name	Developed Balanced Factor Equity Index Fund
Structure	Pooled, meaning there is limited scope for the Trustees to influence the managers' voting behaviour
No. of eligible meetings	811
No. of eligible votes	11,446
% of resolutions voted	99.8%
% of resolutions abstained ¹	0.4%
% of resolutions voted with management ¹	78.8%
% of resolutions voted against management ¹	20.8%
Proxy voting advisor employed ²	Institutional Shareholder Services ("ISS")
% of resolutions voted against proxy voter recommendation ³	16.2%

Source: L&G.

¹ As a percentage of the total number of resolutions voted on. Totals may not add up to 100%. Numbers are subject to rounding.

² L&G's Investment Stewardship team use ISS's electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with L&G's position on ESG, L&G have put in place a custom voting policy with specific voting instructions. L&G review their custom voting policy with ISS annually and take into account feedback from their investors.

³ As a percentage of the total number of resolutions voted on.

Significant votes

As at the Scheme year-end, the Trustees had not yet set stewardship priorities for the Scheme. However, as noted above, the decision was made to set "climate" as a stewardship priority following the year end and this will be communicated to the managers and reflected in the Implementation Statement to 31 May 2026.

For this Implementation Statement, the Trustees have asked the managers to determine what they believe to be a "significant vote". In future, the Trustees will consider the most significant votes in conjunction with the newly agreed stewardship priority.

L&G have provided a selection of votes for the Developed Balanced Factor Equity Index Fund, which they believe to be significant. The Trustees have opted to show three votes 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.

L&G Developed Balanced Factor Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	Boston Scientific Corporation	Walmart Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.8%	0.8%
Theme	Board leadership	Employee remuneration	Diversity
Summary of the resolution	Elect director Michal F. Mahoney	Establish a company compensation policy of paying a living wage	Elect director John L. Hennessy
How the manager voted	Against	For	Against
Rationale for the voting decision	L&G expect companies to separate roles of Chair and CEO due to risk management and oversight concerns.	L&G encourage companies to establish a compensation policy that ensures employees earn a living wage. L&G believe this reduces negative financial impacts that stem from low worker morale, poor health, absenteeism and high staff turnover.	L&G expect boards to be regularly refreshed to ensure diversity, independence, and relevant expertise – as well as being comprised of at least one third women. An against vote was also cast as L&G opposed unequal voting structures, advocating for one-share-one-vote.
Outcome of the vote	Not provided	Not provided	Pass
Implications of the outcome	L&G will continue to engage with their investee companies, publicly advocate their position on issues and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	L&G consider 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).	L&G considers this resolution significant due to its long-standing engagement with Walmart on living wages. In 2023, L&G launched an income inequality campaign targeting major global food retailers, including Walmart, urging them to establish clear living wage policies. While the company has improved on some areas of L&G's requests in terms of training opportunities, the company does not have a policy on the living wage, and its minimum wage of \$14 per hour for store employees is much less than the living wage.	L&G considers this resolution significant as it views gender diversity as a financially material issue for its clients, alongside supporting the "one share, one vote" principle.

Source: L&G.

Engagement data

The 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 2025.

Please note that engagement activities are expected to be limited for the Scheme's LDI and liquidity funds held with L&G due to the nature of the underlying holdings. Consequently, the Scheme's engagement figures from the Bespoke hedging portfolio can be attributed to the Buy & Maintain portion of the Fund. As such, engagement information for these mandates is not included in the table below.

Manager	L&G	Robeco	Insight	Aegon ¹	Barings	
Fund name	Developed Balanced Factor Equity Index Fund	Bespoke hedging portfolio	Global Credits Short Maturity Fund	Short Dated Buy and Maintain Bond Fund	European ABS Fund	Global High Yield Global Credit Strategies Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	676	196	74	108	115	167
Number of entities engaged on behalf of the holdings in this fund in the year	434	100	17	67	93	111
Number of engagements undertaken at a firm level in the year	4,459	241	939	422	291	

Sources: L&G, Robeco, Insight, Aegon and Barings.

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

Examples of firm-level engagement activities undertaken over the year to 31 May 2025

Source: Examples provided by the respective manager.

L&G Investment Management

Rio Tinto

L&G recognise the mining and diversified metals sector are essential to the energy transition and support companies that responsibly decarbonise while capturing long-term financial opportunities. In August 2024, L&G published an updated assessment framework for mining companies' climate transition plans, which now guides their ongoing engagements.

L&G have been in discussions with Rio Tinto since voting against their previous climate action plan in 2022. At the time, while recognising that the company had strengthened its operational emissions reduction targets by 2030, together with making a commitment for substantial capital allocation linked to the company's decarbonisation efforts, L&G were concerned by the absence of quantifiable targets for scope 3 emissions and the lack of commitment to an annual vote (which would allow shareholders to monitor progress in a timely manner).

Since then, L&G have engaged with Rio Tinto to address these gaps. In light of what L&G view as substantive progress, including enhanced disclosures and clear actions to decarbonise its value chains, they determined that Rio Tinto's updated strategy aligns with its expectations.

As a result, L&G pre-declared and voted in favour of Rio Tinto's latest climate action plan. L&G will continue their engagement with the company on the implementation of the plan and monitor progress.

Insight Investment

America Movil ("AMX")

Insight believe it is critical to ensure that companies adopt strong labour management practices along with sufficient safeguards in place to improve livelihoods and for the benefit of the surrounding communities. In addition, they believe human rights can materially shift investors' perceptions and are essential to achieving sustainable development. Insight note that these themes align closely to United Nation's 2030 Agenda, in particular the Sustainable Development Goals relating to gender equality, decent work and reduced inequalities.

Insight began their engagement with AMX in 2021, with an aim to encourage improvement on governance and diversity. Following initial discussions, AMX updated its materiality assessment and reviewed board practices. Over the period since, the company has made notable progress, establishing targets to increase board diversity to three female directors (via the appointment of Gisselle Jiménez) and integrating these into the company's strategy as it was added to their Sustainability Linked Loan ("SLL") structure. AMX also refreshed its Board Diversity Policy, aiming for at least 30% gender representation.

Insight believe this engagement may provide financial benefits, pointing to the growing evidence that companies with diverse directors (in relation to gender and ethnicity) are more likely to achieve above-average profitability and higher returns on invested capital. Board support for diversity initiatives also helps create a more inclusive culture throughout the entire organisation.

Robeco Asset Management

Financial services company

As this engagement is ongoing, Robeco have noted the name of the company has been anonymised for confidentiality purposes.

Robeco held a call with the Climate and Nature Leads of the company to discuss their latest climate report, which highlighted that substantial progress since the start of the engagement. The company is defining itself as a leader in climate action, notably through its commitment to cease financing new oil and gas projects upstream and fully

exit such financing by 2040. Robeco feel the decision to stop financing upstream natural gas projects, despite the company having a large amount of exposure to these assets, is particularly impactful.

The company has started actively engaging with 2,000 of its clients, collecting climate data and developing the resources to process this data. The company's clients must work towards meeting certain criteria, such as setting carbon reduction targets and demonstrate progress within two years or face potential financing restrictions. The bank is also complying with European Banking Authority requirements by setting three-year targets and sector projections.

Climate-focused key performance indicators (KPIs) are embedded in the company's remuneration policy and are linked to its in-house climate strategy. Nature-focused KPIs are also under development and will be linked to remuneration when these are finalised.

More recently, the company placed in the top 10 of the latest Transition Pathway Initiative ranking for banks. However, Robeco felt some of the scores did not fairly represent the company's ambitious climate strategy and will be following up on the results.

Aegon Asset Management

ICG, St Paul's CLO VII

Aegon believe in improving consumer well-being and seek to avoid allocating capital to activities that may undermine this objective. As part of this commitment, Aegon engaged with a collateralised loan obligation ("CLO") manager, ICG, to enhance the quality of their collateral pool with respect to ESG factors.

The engagement began with ICG completing Aegon's proprietary CLO manager questionnaire, followed by a call to outline Aegon's ESG objectives and expectations. When ICG later shared details of a new transaction, Aegon raised concerns about exposures that conflicted with their ESG principles, specifically related to gambling.

As a result of this dialogue, ICG removed three gambling companies from the collateral pool to address Aegon's concerns. This response positively influenced Aegon's view of both the transaction and the manager, ultimately leading to their decision to participate in the transaction.

Barings

Sports marketing and management company

Barings hold an investment in a company with controlling rights in motor racing. The company has recently announced a change in ownership and is expected to be acquired by a larger investment group. Historically, the company has maintained a well-regarded set of short-term sustainability goals, including reducing emissions at racing events and transitioning to sustainable fuels.

Barings have engaged senior management to request clarity on how environmental plans may evolve under the new ownership and whether timescales for achieving sustainability goals will be affected. Management has acknowledged the request but has not provided detailed information due to ongoing uncertainty around the future sustainability strategy. Barings continues to hold the investment and will follow up with management as the situation develops.