



Sky Pension Plan

Annual Implementation Statement

for the year-ended 30 June 2023

1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Sky Pension Plan (the “Plan”) covering the year to 30 June 2023. The purpose of this statement is to:

- Set out the extent to which, in the opinion of the Trustees, the Scheme’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 has been followed during the year
- Detail any reviews of the SIP the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review
- Describe the voting behaviour by, or on behalf of, the Trustees over the year.

A copy of this implementation statement, as well as the latest SIP will be/has been made available on the following website: www.skypensionplan.com.

2. Review of, and changes to the SIP

The SIP was not reviewed or updated during the last Plan year, and the current version, published in December 2021, remained in force throughout the Plan year.

3. Adherence to the SIP

Overall the Trustees believe the policies outlined in the SIP have been adhered to during the Plan year. The remaining parts of this implementation statement set out details of how this has been achieved for the Plan. These details relate to those parts of the SIP which set out the Trustees’ policies, and not those which are statements of fact.

4. Investment Principles

Defined Contribution assets

For the Defined Contribution assets the Trustees give members a choice of investments via pooled funds.



The Plan also offers a range of pre-determined lifestyle strategies. The aim of the lifestyle strategies is for members to achieve a reasonable level of long-term growth on the investments over the majority of their working life. The lifestyle strategies automatically switch assets between investment funds as members approach their selected retirement age. A choice of different Lifestyle options – targeting cash, annuity purchase or income drawdown – are available, reflecting the different ways in which members may choose to take their benefits at retirement.

Full details of all the investment options are provided in the SIP and on the Plan website.

During the Plan year the Trustees continued their project to review the way in which investment funds are offered to members, specifically implement a single investment platform to host all the funds. This will bring operational advantages to the Plan and members, enabling greater flexibility over the range and types of funds offered, and will create opportunities to enhance value for members. This project was completed shortly after the end of the Plan year, with all investments being transferred to a platform operated by Legal & General Investment Management (LGIM). A number of changes have also been made to the range of funds, and these are reflected on the Plan website at www.skypensionplan.com.

During the Plan year the Trustee started a triennial review of the Plan's investment strategy, considering the demographic make up of the membership, their expected risk tolerance and the ways in which they are expected to take their retirement benefits. This review is ongoing and is expected to be completed during the Plan year ending 30 June 2024.

Unallocated assets

For the Unallocated assets the Trustees have invested in two pooled bond funds, details of which are provided in the SIP. These funds have been chosen to closely match the duration of the underlying liabilities, and the split between fixed and inflation linked liabilities, as well as to provide the appropriate degree of liquidity.

There were no changes made to these funds or to the strategic asset allocation of the Unallocated assets during the Plan year.

Suitability of investments

The Trustees received regular reports from its investment consultant during the Plan year to monitor the funds and managers, and to assess their overall suitability. The Trustees will continue to review the funds, and this has also been done in connection with the project to implement a single investment platform as noted above.

Financially material considerations

The Trustees recognise that environmental (including climate), social and governance (ESG) matters are financially material over the long-term. The Trustees have had engagement with their main investment managers during the year, and also with both Schroders and LGIM in connection with the move to the single investment platform.

The quarterly monitoring report provided by the investment consultant includes ratings of all managers. These are research reports that provide a rating on the investment manager, with a focus on culture and a sustainability assessment embedded. Sustainable investment is built

into the investment consultant's research process which the Trustees have access to. In addition, the investment consultant provided a report for the Investment Sub-Committee covering its ratings and views on the Sustainable Investment policies of all the investment managers. Generally managers scored well on the majority of factors considered. The Trustees will continue to focus strongly on this area.

During the Plan year the Trustees also continued work to consider the requirements of new Climate Risk Governance and Disclosure legislation, which came into effect for the Plan on 1 October 2022. These requirements are based on the principles of the Task Force for Climate-Related Financial Disclosures (TCFD). They require the Trustees to identify, measure and monitor risks and opportunities caused by the impact of climate change on the Plan's investment funds, and to publish an annual report. The first report will be due for the Plan year ending 30 June 2023, and will be published in early 2024.

Managing risk

The Trustees consider risk from a number of perspectives:

- Inflation Risk
- Annuity Conversion Risk
- Opportunity Cost Risk
- Capital Risk
- Manager Risk
- Insolvency Risk
- Operational Risk

The New Cash Lifestyle is selected as the Plan's default investment strategy to manage the risks which members are exposed to.

During the Plan year the Trustees and Investment Sub-Committee have considered, monitored and managed these risks in a number of ways:

- Through the range of funds offered to members, which, taken together, enable members to manage risk appropriately through their Plan membership.
- Through the quarterly monitoring reports from its investment consultant, which include an assessment of the risks carried within the Schroders Diversified Growth fund. The reports received during the Plan year indicated that the level of risk in the fund was appropriate and consistent with its objectives. The reports also include ongoing monitoring of the fund managers.
- Through the triennial investment strategy reviews, which assess the Plan's Lifestyle options against a number of risk metrics, to ensure these are being managed appropriately.

The Trustees provide the members with factsheets on a quarterly basis and information on all the investment funds, which includes an explanation of the risks associated with investing.

Relationships with Investment Managers

The Trustees take steps to ensure that all investment funds used within the Plan are suitable for their members and are managed in a way that is consistent with their policies. Each investment manager has been provided with a copy of the SIP and have been asked to confirm whether they believe that the management of the assets is consistent with those policies in

the SIP that are relevant to the fund in question. All managers responded and the Trustees are satisfied that there are no inconsistencies between the management of the assets and the policies in the SIP.

Monitoring

The Trustees and Investment Sub-Committee monitor the performance of all the investment funds via the quarterly monitoring report provided by their investment consultant.

Through these reports the Trustees monitor the markets, asset movements and their managers' performance over the year via the following reports in the quarterly report from the investment consultant:

- ManagerWatch
- MarketWatch
- Multi-AssetWatch.

Fees are monitored throughout the year, and the Trustees also received details on costs and charges from their fund managers, to assist in their governance responsibilities. The Trustees have also assessed the level of portfolio turnover within the funds during the Plan year and these have all been deemed to be within expectations.

5. Voting and engagement

The Trustees have delegated the day to day voting and engagement activity to its investment managers. The Trustees expect their fund managers to have effective stewardship, both through voting and engagement.

In 2023 the Trustee discussed and agreed a series of priority areas for stewardship which it believes are important, as poor policies and/or practices in these areas are likely to materially impact on the value of investee companies. These priority areas are:

- Climate Change
- Diversity & Inclusion
- Modern Slavery

The remainder of this document provides additional detail on the key voting and engagement activities for the Investment Managers during the year, in respect of those funds where the manager is eligible to vote as a shareholder (i.e. funds which invest in equities). These are BlackRock, Schroders, M&G, MFS, Veritas and HSBC. The managers have provided examples of "significant" votes undertaken through the year under the headings of the priority areas noted above.

BlackRock

BlackRock's process for deciding on how to vote

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. They inform their vote decisions through research and engage as necessary.

BlackRock's engagement priorities are global in nature and are informed by their observations of governance related matters and market developments, as well as through dialogue with multiple stakeholders, including clients. They may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. They also welcome discussions with clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They apply these guidelines pragmatically, taking into account of a company's unique circumstances where relevant.

BlackRock's use of proxy voting services

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into their vote analysis process, and they do not blindly follow their recommendations on how to vote. Rather they primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that their investment stewardship analysts can readily identify and prioritise those companies where their own additional research and engagement would be beneficial. Other sources of information used include the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of their active investors, public information and ESG research.

Voting activity - BlackRock 30:70 Global Index Fund (GPB Hedged)
BlackRock 50:50 Global Equity Index Fund

Voting Activities - BlackRock 30:70 Global Index Fund (GBP Hedged)

- There were 58,288 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 98% of its votes over the year
- 7% of votes were against management and 1% were abstained

Voting Activities - BlackRock 50:50 Global Equity Index Fund

- There were 34,137 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 98% of its votes over the year
- 5% of votes were against management and 0% were abstained

Example of significant vote: Techtronic Industries Company Limited

Resolution: Elect Horst Julius Pudwill as Director

Company management recommendation: For

Investment Manager vote: Against

Rationale for the voting decision: BlackRock did not support the election of the Chairman, Mr. Horst Julius Pudwill, because he also chairs the Nomination Committee, which BlackRock believe should be chaired by an independent director to ensure objectivity, transparency, and independence in the board recruiting process.

Outcome: Pass

Example of significant vote: YUM! Brands, Inc.

Resolution: Shareholder Proposal Regarding Issuance of a Report on Efforts to Reduce Plastics Use

Company management recommendation: Against

Investment Manager vote: Against

Rationale for the voting decision: BlackRock did not support this proposal, which requested Yum! to issue a report detailing the company's efforts to reduce plastics use. In BlackRock's analysis, Yum!'s existing disclosures on plastics use – particularly their new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks of plastics use.

Outcome: Fail

Voting activity - BlackRock UK Equity Index Fund

Voting Activities

- There were 10,037 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 99% of its votes over the year
- 3% of votes were against management and 0% were abstained

Example of significant vote: J Sainsbury plc

Resolution: Shareholder Resolution on Living Wage Accreditation

Company management recommendation: Against

Investment Manager vote: Against

Rationale for the voting decision: BlackRock Investment Stewardship (BIS) supports companies paying their workers a wage equal to or above current real living wage rates, and we engage with boards and management on their approach to ensuring their company is best placed to recruit and retain the workers on which they depend for their success. However, BlackRock did not support the shareholder proposal. In their view, worker pay policies and rates

should be determined by company management, with reference to relevant regulations and board oversight. They do not believe it is consistent with their clients' long-term interests to legally bind J Sainsbury plc to peg their pay levels to those set by the Living Wage Foundation, as the passing of the shareholder proposal would require. This decision reflects BlackRock's view that it is not the role of shareholders to direct company management to cede control of a key decision, core to the company's ability to deliver their strategy and balance the interests of all stakeholders, to a third-party. Further, Sainsbury's have demonstrated over time their willingness to respond to changing stakeholder expectations. On this issue, they have a strong track record of offering above-market employee benefits. They engaged constructively with the parties who submitted the shareholder proposal, and with other investors, including BlackRock. They recently enhanced their pay policies so all direct employees receive the real living wage appropriate to the region in which they live.

Outcome: Fail

M&G

M&G's process for deciding how to vote

An active and informed voting policy is an integral part of M&G's investment philosophy. In their view, voting should never be divorced from the underlying investment management activity. By exercising their votes, M&G seek both to add value to their clients and to protect their own interests as shareholders. M&G consider the issues, meet the management if necessary, and vote accordingly.

Ultimately, voting decisions are taken in the best interests of clients and decision-making takes into account a wide range of factors. Whilst M&G do not solicit clients' views they would take them into account should they be known to them.

M&G's use of proxy voting services

M&G use the research services of ISS and IVIS (Investment Association). Proxy voting activity is instructed through the ISS voting platform, ProxyExchange. They use the ISS custom service to flag resolutions that may not meet their policy guidelines. Voting decisions are taken by the Sustainability and Stewardship team at M&G, often in consultation with fund managers. Some routine resolutions are voted by ISS on M&G's behalf when clear criteria have not been met.

Voting Activity - M&G UK Equity Recovery Fund

Voting Activities

- There were 1,255 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 100% of its votes over the year
- 1% of votes were against management and 0% were abstained

Example of significant vote: BP plc

Resolution: Approve Shareholder Resolution on Climate Change Targets

Company management recommendation: Against

Investment manager vote: Against

Rationale for the voting decision: Concern that it is not in shareholders' best interest given current company strategy.

Outcome: Fail

Example of significant vote: HSBC Holdings Plc

Resolution: Revisit the State Deduction Applied to Members of the Post 1974 Section of the Midland Bank Pension Scheme by Introducing a Safety Net

Company management recommendation: Against

Investment manager vote: Against

Rationale for the voting decision: Concern that proposal is not in management's or shareholders' best interests.

Outcome: Fail

Schroders

Schroders' process for deciding how to vote

Schroders evaluate voting resolutions arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Schroders' Corporate Governance specialists assess each proposal, applying the internal voting policy and guidelines to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Their specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Schroders' own research is also integral to the process; this will be conducted by financial and Sustainable Investment analysts. For contentious issues, their Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders' use of proxy voting services

Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

Voting activity – Schroders Diversified Growth Fund

Voting Activities

- There were 15,882 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 94% of its votes over the year
- 10% of votes were against management and 0% were abstained

Example of significant vote: KLA Corporation

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

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: A vote for this proposal is warranted because Schroders believe it to be in the best interest of shareholders to better understand how the company is managing its transition.

Outcome: Fail

Example of significant vote: Microsoft Corporation

Resolution: Report on Government Use of Microsoft Technology

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: The proposal requests that the Company identifies real or potential conflicts with its stated human rights policies which is reasonable given the potential risks.

Outcome: Fail

Voting activity - Schroders Global Climate Change Fund

Voting Activities

- There were 1,108 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 95% of its votes over the year
- 12% of votes were against management and 0% were abstained

Example of significant vote: Eaton Corporation

Resolution: Elect Director Dorothy C. Thompson

Company management recommendation: For

Investment manager vote: Against

Rationale for the voting decision: Gender Diversity: Less than 33% of the board are female directors.

Outcome: Pass

Example of significant vote: Microsoft Corporation

Resolution: Report on Government Use of Microsoft Technology

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: The proposal requests that the Company identifies real or potential conflicts with its stated human rights policies which is reasonable given the potential risks.

Outcome: Fail

MFS

MFS's process for deciding on how to vote

MFS maintains their own publicly available voting policies and procedures (the MFS Proxy Policies), which guide all of their voting decisions and provide a framework for voting decisions at approximately 2,000 meetings in over 50 markets each year. The exercise of voting rights is overseen by the MFS Proxy Voting Committee, which consists of senior members of MFS' Investment, Legal and Global Investment Support departments. The MFS proxy voting committee encompasses a diverse range of perspectives, which they believe leads to a thoughtful and collaborative process that guides MFS' voting decisions and policy development. This committee does not include individuals whose primary duties relate to client relationship management, marketing or sales.

The day-to-day management of their voting and engagement activity is performed by MFS's proxy voting team. As an active manager, they are able to combine the collective expertise of the proxy voting team with the unique perspectives and experience of their global team of investment professionals. This process enables them to formulate viewpoints with multiple inputs, which they believe leads to well-informed voting decisions.

The proxy voting team will engage in a dialogue or written communication with a company or other stakeholders when they believe that the discussion will enhance their understanding of certain matters on the company's proxy statement that are of concern to shareholders, or regarding certain thematic topics of focus for the proxy voting committee.

All voting decisions are made in what MFS believe to be the best long-term economic interests of their clients.

MFS's use of proxy voting services

MFS have entered into an agreement with Institutional Shareholder Services, Inc. (ISS) to perform various proxy voting-related administrative services, such as vote processing and recordkeeping functions. While MFS also receive research reports and vote recommendations from ISS and Glass, Lewis & Co., Inc., MFS analyses all proxy voting issues within the context of the MFS Proxy Policies, which are developed internally and independent of third-party proxy advisory firms. MFS's voting decisions are not defined by any proxy advisory firm benchmark policy recommendations. MFS has due diligence procedures in place to help ensure that the research they receive from our proxy advisory firms is accurate and to reasonably address any potentially material conflicts of interest of such proxy advisory firms.

Voting activity - MFS Global Equity Fund

Voting Activities

- There were 1,456 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised % of its votes over the year
- 6 % of votes were against management and 0% were abstained

Example of significant vote: Schneider Electric

Resolution: Approve Company's Climate Transition Plan

Company management recommendation: For

Investment manager vote: For

Rationale for the voting decision: MFS voted for this proposal, as the targets and plan appeared clear and sufficient.

Outcome: Pass

Example of significant vote: United Parcel Service

Resolution: Report on Effectiveness of Diversity, Equity, and Inclusion Efforts

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision: MFS voted for this resolution, as reporting quantitative and comparable diversity statistics would allow shareholders to better assess the effectiveness of the company's diversity initiatives and its management of related risks.

Outcome: Fail

Veritas

Veritas's process for deciding on how to vote

Veritas's investment analysts will receive all relevant proxies and determine if he or she believes that they should vote in favour or against management. After discussing with the Portfolio Manager and making a final decision, the analyst will instruct the custodian or prime broker via the Operations Team how to vote. This is done via ISS, and the role of the Operations Team is to ensure that the voting of proxies is done in a timely manner. The Role of the Chief Operating Officer ("COO") is to monitor the effectiveness of these policies. In the case where VAM LLP decides to vote against management or the ESG policy vote recommendation (see below), an explanation will be provided to clients.

Veritas's use of proxy voting services

Veritas use Institutional Shareholder Services ("ISS") to execute voting on behalf of clients. They have also mandated ISS to construct a customized screen for various ESG issues as described below.

Veritas have mandated Institutional Shareholder Services ("ISS") to construct a customised screen for ESG issues which incorporates the Association of Member Nominated Trustees ("AMNT") Red Lines, on a best endeavours basis. The AMNT Red Line Voting Policy contains 29 guidelines covering topics associated with ESG. Should any of the 29 red lines be breached, the instruction is to either comply or explain. Given this Red Line Voting Policy was developed principally for pooled fund investors (who have been unable to direct votes) and for UK stocks only, they have instructed ISS to apply the guidelines globally where applicable and apply the policy across all clients.

Voting activity - Veritas Global Focus Fund

Voting Activities

- There were 468 eligible votes for the fund over the 12 months to 30 June 2023
- The manager exercised 96% of its votes over the year
- 10% of votes were against management and 0% were abstained

Example of significant vote: VINCI SA

Resolution: Elect Ronald Kouwenhoven as Representative of Employee Shareholders to the Board

Company management recommendation: For

Investment manager vote: Abstain

Rationale for the voting decision: ISS recommended that Veritas vote against both employee shareholder nominees as only one can get elected. Looking at the two candidates Veritas thought that the other candidate, Agnes Daney de Marcillac, is better qualified and in addition adds to board

diversity. Therefore Veritas voted in favour of her and abstained on item 9 (the other proposed employee shareholder representative Ronald Kouwenhoven).

Outcome: N/A

Example of significant vote: Charter Communications, Inc.

Resolution: Elect Director Thomas M. Rutledge

Company management recommendation: For

Investment manager vote: Against

Rationale for the voting decision: The company has failed to commit to introducing and disclosing science-based emission reduction targets with a coherent strategy and action plan in line with a 1.5-degree scenario. Also, the level of gender diversity on board is below 40% and has not improved compared to the previous year. Further, within senior leadership positions, none of the roles of Chair, CEO, Chief Financial Officer and senior independent director are held by women.

Outcome: Pass

HSBC

HSBC's process for deciding on how to vote

HSBC exercise their voting rights as an expression of stewardship for client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

HSBC's use of proxy voting services

HSBC use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC's guidelines. They review voting policy recommendations according to the scale of their overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines

Voting activity – HSBC Islamic Global Equity Index Fund

Voting Activities

- There were 1,652 eligible votes for the fund over the 12 months to 30 June 2022
- The manager exercised 95.7% of its votes over the year
- 17.2% of votes were against management and 0.2% were abstained

Example of significant vote: Alphabet Inc.

Resolution: Proposal to seek disclosure of algorithmic systems (shareholder resolution).

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision:

Given the risks that could arise from the use of algorithms and increasing relevant legislation, the company should disclose more about the potential risks the company faces, the safeguards and procedures in place to mitigate them.

Outcome:

Majority voted against the resolution

Example of significant vote: Pfizer Inc.

Resolution: Proposal seeking a report on transfer of intellectual property to potential Covid-19 manufacturers (shareholder resolution).

Company management recommendation: Against

Investment manager vote: For

Rationale for the voting decision:

Access to healthcare is one of the important themes for HSBC and they advocate for fair and equitable vaccine distribution. While they acknowledge Pfizer's commitment and efforts to allowing equitable and affordable access to its Covid-19 vaccine, they believe more can be done.

Outcome:

Majority voted against the resolution

Summary of engagement activity over the year

The following table outlines case studies of a number of engagements undertaken by the Plan's investment managers. The case studies selected reflect the stewardship priority topics set by the Trustee. These engagements have been undertaken by the managers on behalf of all their clients who delegate this activity to them, and the statements made are attributed to the managers and do not necessarily reflect the personal views of the Trustee Directors.

Engagement case studies - BlackRock

No case studies provided by the manager

Engagement case studies - Schroders

Company: Whitbread

Topic: Modern Slavery

Summary of engagement:

"In 2022, we engaged with Whitbread as part of the 'Find It, Fix It, Prevent It' project. This is an investor led project to identify modern slavery risk in investee companies, improve governance and policies to mitigate the risk, and report on modern slavery in line with best practice.

We discussed Whitbread's modern slavery policies in March and raised concerns that:

- The company does not disclose stakeholder engagement processes or outcomes in its modern slavery statement
- The lack of outcome-focussed reporting

This call was partially successful as the 2022 slavery statement included several of our suggestions. However, it also highlighted additional social issues, and we took the opportunity to engage beyond the scope of the 'Find It, Fix It, Prevent It' project."

Outcome of engagement:

"We followed up with Whitbread seeking clarifications around purchasing practices and why supply chain risks assessments have not been extended to German and Middle Eastern operations. This was followed by a productive call with the company, giving us a more detailed understanding of Whitbread's modern slavery policies. The company highlighted a specific case study of how they dealt with a forced labour incident in their supply chain during this meeting.

The overall outcome of the engagement was Whitbread's improved slavery statements and more confidence at Schroders that there is no modern slavery in the company's supply chain."

Company: J Sainsbury (UK)

Topic: Human rights and Modern slavery - Become an accredited living wage employer by 2023

Summary of engagement:

"42% of all supermarket workers in the UK earn below the real Living Wage and no supermarket retailer has yet joined the group of accredited companies. We see both company and economy wide benefits for staff being paid living wages, through enhanced cultures, resilience, and consumer spending power. HSBC paid the London living wage to employees based in London since 2005 and has been an accredited living wage employer since 2014. HSBC has been supporting Workforce Disclosure Initiative (WDI) since launch and has been engaging with retail sector on social issues, such as a real living wage. We judged Sainsbury's responses to the living wage part of the WDI survey to be inadequate for the past three years (2019 – 2021). We challenged Sainsbury's on ultra-low pay for third party staff (for example, security, cleaners). Company failed to commit to moving towards living wage accreditation. We co-filed a shareholder resolution, directing the company to accredit as a Living Wage employer by 2023. In April 2022, we met with Chair & CEO to discuss Sainsbury's response to the resolution & any concessions they may be willing to offer. In June 2022, we joined investor call with CEO and Chair ahead of AGM vote, asking management exactly what % of third party staff are covered by living wages. We also engaged with Tesco about their approach to living wages pre JS AGM."

Outcome of engagement:

"JS agreed to raise outer London wages to RLW rate for London, meaning a wage rise for 19,000 staff that may not have happened without the resolution. The AGM resolution gained 17% vote, which is encouraging and evidence that JS agree with living wages principle, and are working more on understanding their third party contractors. In September 2022 JS raised wages again for 127,000 staff, and committed to providing free food for staff during their shifts. The wages raises were, however slightly under the RLW level. We are engaging a range of global supermarkets as part of our 2022 WDI programme"

Company: Thermo Fisher Scientific

Topic: Social - Human and Labour Rights (e.g. supply chain rights, community relations)

Summary of engagement:

"The objective of this engagement was to understand the company's position on potential Human rights violations. Veritas has concerns about reports that ThermoFisher Scientific's genetic kits violate human rights in Tibet. Thermo Fisher Scientific's Mission is to enable customers to make the world healthier, cleaner and safer. As the world leader in serving science, the company designs its products with great care. They engage in comprehensive training and educate customers to help them use products as designed. They also have policies in place regarding the ethical and responsible sale of technology. These policies follow widely accepted global scientific and ethical standards. During the meeting, Veritas reminded Eileen Pattinson that we had engaged on a similar issue involving the potential use of such kits in the Xinjiang region to suppress minority groups in 2021. We understood the response then: ThermoFisher ceased selling products in the region and put in place procedures to carefully controlled distributors to ensure full sight of the supply of such kits. Now there are reports of Chinese authorities using mass-forced DNA collection in Tibet and the suggestion that ThermoFisher kits are being used to process such DNA. Veritas expressed our concerns about ThermoFisher's potential role in such activities and asked the company to explain its actions and oversight. Eileen Pattinson noted that it is an evolving situation and their action may change. ThermoFisher has yet to cease supply in Tibet as they have strict procedures and monitoring in place (unlike in 2021) and do not have evidence that their kits are being used in such activity. They are confident the number of kits reaching the Tibetan police force is small, consistent with policing requirements (4000 tests per annum), and inconsistent with any mass testing/screening. If they found evidence of misuse, they would cease supply and were confident they have procedures in place to monitor the use of kits."

Outcome of engagement:

"For the moment, we are comfortable with the response provided by the company. We, alongside the business, will continue to monitor the situation as it evolves."

Engagement case studies - M&G

Company: Engie

Topic: Climate

Summary of engagement:

"The objective of this engagement was to ask French multinational electric utility company Engie to disclose its plans for the period post 2030 up to Net Zero in 2045. This came after hearing the company present very ambitious plans for 2030. M&G attended a collective meeting with Engie to receive an update from the chair on the company's climate strategy. The company set out a very ambitious pathway to 2030, and M&G asked that it disclose its plans after 2030."

Outcome of engagement:

"The company announced that it was going to build capacity for 80GW of renewables by 2030 and then accelerate renewable supply further. Engie sees huge demand in renewables, and gas will be part of the transition – the company will convert its coal plants to gas and all gas will become green by 2045. This engagement has been marked as complete."

Engagement case studies - MFS

Company: Danone

Topic: Climate

Summary of engagement:

"We continued to engage with Danone during the first quarter of 2023 as part of our participation in Climate Action 100+. Some of the key topics discussed were climate change, natural capital and deforestation, plastics, decarbonization planning, SBTi certification and capital allocation. Overall, we note that progress has been made in several areas on the company's climate plans. For one, Danone's SBTi validation has come through in December 2022 and is now aligned with 1.5 degree pathway and includes new forestry, land use and agriculture targets.

Danone's businesses greenhouse gas emissions for the agricultural business segment represent 60% of overall GHG emissions, which was challenging for target setting before the publication of the Forestry, Land use and Agriculture (FLAG) report. Before the FLAG report, sectoral pathways applicable to Danone were not defined. FLAG now provides companies with very precise guidance and tools that are specific to the FLAG sector – land based emissions and removals. Removals are key to the FLAG sector.

The company stated that it participated in several working groups to shape the FLAG pathway. Targets have been filed for scope 1,2 and 3. The commitment Danone took is now more complicated and will require precise monitoring.

With regard to plastics, the company has release KPIs on plastic and packaging and it is one of the major topics for the company and core category. As for the targets, Danone stated that in staples sector it was always perceived as one of the leaders with regards to its approach on plastics and packing; it is focusing on increasing recyclability and finding alternatives, trying to find new innovations. The ambition of Danone is to be a pioneer and it will want to keep this ambition”

Engagement case studies - Veritas

Company: Thermo Fisher Scientific

Topic: Human rights

Summary of engagement:

“Thermo Fisher Scientific’s Mission is to enable customers to make the world healthier, cleaner and safer. As the world leader in serving science, the company designs its products with great care. They engage in comprehensive training and educate customers to help them use products as designed. They also have policies in place regarding the ethical and responsible sale of technology.

These policies follow widely accepted global scientific and ethical standards. During the meeting, Veritas reminded Eileen Pattinson that we had engaged on a similar issue involving the potential use of such kits in the Xinjiang region to suppress minority groups in 2021. We understood the response then: ThermoFisher ceased selling products in the region and put in place procedures to carefully controlled distributors to ensure full sight of the supply of such kits.

Now there are reports of Chinese authorities using mass-forced DNA collection in Tibet and the suggestion that ThermoFisher kits are being used to process such DNA. Veritas expressed our concerns about ThermoFisher's potential role in such activities and asked the company to explain its actions and oversight. Eileen Pattinson noted that it is an evolving situation and their action may change. ThermoFisher has yet to cease supply in Tibet as they have strict procedures and monitoring in place (unlike in 2021) and do not have evidence that their kits are

being used in such activity. They are confident the number of kits reaching the Tibetan police force is small, consistent with policing requirements (4000 tests per annum), and inconsistent with any mass testing/screening. If they found evidence of misuse, they would cease supply and were confident they have procedures in place to monitor the use of kits."

Outcome of engagement:

"For the moment, we are comfortable with the response provided by the company. We, alongside the business, will continue to monitor the situation as it evolves."