

Implementation Statement for the Freshwater Group Staff Retirement Benefits Plan

Covering 31 July 2019 to 30 July 2020

1. Background

The Trustee of the Freshwater Group Staff Retirement Benefits Plan (the “Plan”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the Plan’s Statement of Investment Principles (“SIP”) during the previous Plan year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes. This is the first implementation statement produced by the Trustee.

A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIP can be found at https://highdorn.co.uk/pension_information/SIP%20-%208%20Jan%20signed.pdf

2. Investment Objectives and activity

The Trustee is required to invest the Plan’s assets in the best interest of members, and its main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Plan’s assets which is sufficient (in conjunction with the Plan’s existing assets, and contributions) to pay all members’ benefits in full;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

During the year, the Trustee monitored the asset allocation and considered how cash flows should be invested or disinvested, and whether any rebalancing of the asset was required.

During the year, the Trustee undertook a wider strategic review of the investment strategy for the Plan and the changes that were agreed at the July 2020 Trustee meeting were documented in an updated SIP dated September 2020. The asset allocation changes were implemented in December 2020 and January 2021. The changes to strategy are designed to increase efficiency of the portfolio as well as reduce risk.

The SIP was reviewed and updated during the period to incorporate the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors, stewardship and climate change, as required under new regulations.

3. ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change, and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee will continue to review these policies further over time. The Trustee also intend to review the managers' ESG policies including the application of voting rights each year.

4. Voting and Engagement

The Trustee is keen that their managers are signatories of the UK Stewardship Code, which they are.

The Trustee has elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustee will consider these policies in all future selections and will deepen their understanding of their existing managers' policies.

The funds held by the Plan during the year were:

- Schroder Managed Balanced Fund
- Schroder Sterling Broad Market Bond Fund
- Schroder Cash Fund
- Schroder UK Real Estate Fund
- Schroder Cash

The funds that hold physical equities (with voting rights attached) are underlined.

5. Description of Schroders' voting processes

Schroders evaluates voting issues arising at their investee companies and, where they have the authority to do so, votes on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Schroders utilises company engagement, internal research, investor views and governance expertise to confirm their intention.

They 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.

They stress that their own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

They continue to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led them to raise the bar on what they consider 'good governance practice.'

6. Summary of voting behaviour over the year

A summary of Schroders' voting behaviour over the period is provided in the table below:

	Summary Info
Manager name	Schroders
Fund name	Life Managed Balance Fund
Approximate value of Trustee's assets	c.£27.2m as at 30 July 2020
Number of resolutions eligible to vote	6901
% of resolutions voted	99.06%
% of resolutions voted with management	86.97%
% of resolutions voted against management	12.09%
% of resolutions abstained	0.94%

Institutional Shareholder Services (ISS) act as Schroders' one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through their Internet-based platform Proxy Exchange. Schroders receives ISS's research on resolutions. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For Schroders' smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for them, with only a few resolutions referred to Schroders for a final decision.

ISS automatically votes all Schroders holdings of which they own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in their voting decisions as well as creating a more formalised approach to their voting process.

7. Most significant votes over the year

Schroders consider "most significant" votes as those against company management.

They are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concern with a company's performance they may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

Due to limitations in the information provided by Schroders, the Trustee was unable to include specifics regarding the most significant votes cast within the Schroder Life Managed Balance Fund. However, they will continue to work with their advisers and Schroders with the aim of providing more information in future statements.