

Implementation Statement for the Freshwater Group Staff Retirement Benefits Plan

Covering 1 August 2020 to 31 July 2021

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 have 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 second 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 below:

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 previous year, the Trustee undertook a 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 were designed to increase efficiency of the portfolio as well as reduce risk.

During the year, the Trustee worked with the Employer to develop a cashflow management policy to ensure that, where possible, cashflow requirements would be met through equity dividends and Employer contributions, with no or minimal need for disinvestments.

The Trustee monitored individual investment manager performance during the year using reports provided by the investment managers.

The Trustee is currently discussing with its investment consultant how best to monitor the overall investment strategy going forward in order to help ensure that it meets the Trustee's objectives.

3. Voting and Engagement

The Trustee is keen that their managers are signatories of the UK Stewardship Code, currently Blackrock is the only manager to be a signatory. The Financial Reporting Council has recently changed the requirements to become a signatory and the Trustee expects that Schroders and Rothschild may become signatories in the next year.

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 Trustees will consider these policies in all future selections and will deepen their understanding of their existing managers' policies over time.

The Plan, over the year, had holdings in the below funds:

- Schroder Managed Balanced Fund (*until December 2020*)
- Schroder Sterling Broad Market Bond Fund (*until December 2020*)
- Schroder Cash Fund
- Schroder UK Real Estate Fund (*until April 2021*)
- Schroder Matching Synthetic Gilt Fund Range (*from December 2020*)
- Schroder Intermediated Diversified Growth Fund (*from December 2020*)
- BlackRock Global Equity Index (*from December 2020*)
- Rothschild New Court Equity Growth Fund (*from December 2020*)

The underlined funds are fixed income or real estate funds which do not hold physical equities and hence there are no voting rights and voting data for the Trustees to report on in respect of the underlined funds.

Voting information in respect of the other funds listed above, which do contain physical equities, is set out in the rest of this statement.

4. Description of Investment Management's voting processes

a. Schroders

Schroders describe their voting process as the below:

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

We 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 our voting decisions. In addition to relying on our policies we will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that our own research is also integral to our final voting decision; this will be conducted by both our financial and ESG analysts. For contentious issues, our 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.

We continue to review our voting practices and policies during our ongoing dialogue with our portfolio managers. This has led us to raise the bar on what we consider ‘good governance practice.’”

b. Blackrock

Blackrock describe their voting process as the below:

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

Our engagement priorities are global in nature and are informed by BlackRock’s observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting.

We apply our guidelines pragmatically, taking into account a company’s unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock’s Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.”

c. Rothschild

Rothschild describe its voting process as the below:

“The concentrated nature of our portfolios means all resolutions for all meetings are manually reviewed and we do not rely on rigid rules. Most resolutions are uncontroversial and do not require lengthy discussions. In cases where a resolution does require more consideration, the relevant members of the investment team will be involved in the decision process and the reasons for a given conclusion are documented. The members of the investment team mostly involved in these decisions are two of the Co-Heads of Investment, the responsible investment specialists and the lead analyst on the company.

Our annual ESG Report provides our clients with our voting record on an annual basis. We disclose the number of resolutions voted on, their nature and whether we voted with or against the recommendations of a board. We provide the rationale for certain voting decisions, such as:

- Voting against the recommendations of a board.*
- Voting against a resolution, but in line with the recommendations of a board.*
- Placing a vote that was not in line with our guiding governance principles in the event of mitigating circumstances.”*

5. Summary of voting behaviour over the year

Some of the investment funds in question were only held for part of the year but voting information in respect of the full year has been included in order to provide a broader indication of the voting behaviour within the pooled funds. For example, the Schroders Managed Balanced Fund was only held for the first 4 months of the year, but a full 12 months of voting information has been included for the Schroders Managed Balanced Fund.

a. Schroders

Schroders currently only provide voting data at quarter ends but are working to start providing this data at month end in the near future.

A summary of Schroders' voting behaviour over the period is provided in the table below:	Summary Info
Manager name	Schroders
Fund name	Managed Balance Fund
Approximate value of trustees' assets	Nil as at 31 July 2021 c£30m before redemption in December 2020
Number of Equity holdings	492
Number of meetings eligible to vote	594
Number of resolutions eligible to vote	7,732
% of resolutions voted	99.44%
% of resolutions voted with management	86.73%
% of resolutions voted against management	5.85%
% of resolutions abstained	6.87%
% of meetings voted at least once against management?	45.13%
% of resolutions voted contrary to the recommendation of your proxy adviser?	No data available

**Data provided as at 30 June 2021*

	Summary Info
Manager name	Schroders
Fund name	Intermediated Diversified Growth Fund
Approximate value of trustees' assets	c.£10.0m as at 31 July 2021
Number of Equity holdings	2296
Number of meetings eligible to vote	2007
Number of resolutions eligible to vote	23,805
% of resolutions voted	99.7%
% of resolutions voted with management	91.5%
% of resolutions voted against management	7.9%
% of resolutions abstained	0.6%
% of meetings voted at least once against management?	45.7%
% of resolutions voted contrary to the recommendation of your proxy adviser?	No data available

**Data provided as at 30 June 2021*

b. Blackrock

A summary of Blackrock's voting behaviour over the period is provided in the table below:	Summary Info
Manager name	Blackrock
Fund name	Global Equity Index
Approximate value of trustees' assets	c.£11.8m as at 31 July 2021
Number of meetings eligible to vote	1,001
Number of resolutions eligible to vote	13,446
% of resolutions voted	99%
% of resolutions voted with management	91%
% of resolutions voted against management	8%
% of resolutions abstained	0%
% of meetings voted at least once against management?	39%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser?	0%

c. Rothschild

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

	Summary Info
Manager name	Rothschild
Fund name	New Court Equity Growth Fund
Approximate value of trustees' assets	c.£12m as at 31 July 2021
Number of meetings eligible to vote	17
Number of resolutions eligible to vote	306
% of resolutions voted	100%
% of resolutions voted with management	98%
% of resolutions voted against management	2%
% of resolutions abstained	0%
% of meetings voted at least once against management?	12%
% of resolutions voted contrary to the recommendation of your proxy adviser?	N/A

6. Most significant votes over the year

a. Schroders

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.

b. Blackrock

BlackRock Investment Stewardship prioritises its work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance. Blackrock's year-round engagement with clients to understand their priorities and expectations, as well as their active participation in market-wide policy debates, help inform these themes. The themes Blackrock have identified in turn shape their Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which Blackrock look at the sustainable long-term financial performance of investee companies.

Blackrock periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that they consider, based on their Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain their vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to Blackrock's clients and other stakeholders, and potentially represent a material risk to the investment they undertake on behalf of clients. Blackrock make this information public shortly after the shareholder meeting, so clients and others can be aware of their vote determination when it is most relevant to them. Blackrock consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

c. Rothschild

Rothschild have no fixed internal definition of what votes constitutes being significant and what votes do not. Qualitatively Rothschild deemed votes against the recommendation of the Board as significant. Likewise given Rothschild's expectations around climate risk management and support of the "Say on Climate" initiative, they also view any resolutions relating to climate as significant. Rothschild have set a list of expectations from companies on climate-related disclosure. Companies must:

1. Report emissions and climate risks
2. Have a clear and credible plan to get to net zero
3. Monitor and set milestones

These three points are standing items in their discussions with company management and will inform their decision-making on climate-related proxy voting.

Below is a sample of the significant votes made by the managers over the period 1 August 2020 – 31 July 2021 by fund.

Blackrock Global Equity Index Fund

_ Company name	Volkswagen AG	AGL Energy Limited
Date of vote	30 Sep 2020	07 Oct 2020
Summary of the resolution	Approve Discharge of Management Board Member A. Renschler for Fiscal 2019	Approve Coal Closure Dates
How you voted	Against	For
Rationale for the voting decision	Concerns with the level of oversight provided by this management board member.	Supportive of company's efforts to date on these issues. Proposal support based on nature of the proposal.
Outcome of the vote	Pass	Withdrawn

Schroder Managed Balanced Fund and Schroder Diversified Growth Fund

Schroders do not provide details of the most significant votes for their funds but are working on being able to provide these in the future.

Rothschild New Court Equity Growth Fund

Company name	Moody's	S&P Global
Date of vote	20/04/2021	05/05/2021
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	3.17%	3.16%
Summary of the resolution	'Say on Climate' vote on company decarbonization plan	"Say on Climate' vote on company decarbonization plan
How you voted	For	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Not applicable	Not applicable
Rationale for the voting decision	We are public supporters of the Say on Climate initiative	We are public supporters of the Say on Climate initiative
Outcome of the vote	Resolution passed	Resolution passed
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	Ongoing monitoring of performance versus targets	Ongoing monitoring of performance versus targets
On which criteria have you assessed this vote to be "most significant"?	<p>We have set a list of expectations from companies on climate-related disclosure. Companies must:</p> <ol style="list-style-type: none"> 1. Report emissions and climate risks 2. Have a clear and credible plan to get to net zero 3. Monitor and set milestones <p>These three points are standing items in our discussions with company management and will inform our decision-making on climate-related proxy voting.</p>	<p>We have set a list of expectations from companies on climate-related disclosure. Companies must:</p> <ol style="list-style-type: none"> 1. Report emissions and climate risks 2. Have a clear and credible plan to get to net zero 3. Monitor and set milestones <p>These three points are standing items in our discussions with company management and will inform our decision-making on climate-related proxy voting.</p>