

The FSS Pension Scheme (‘the Scheme’)

Engagement Policy Implementation Statement for the Year
Ending 30 November 2025

March 2026



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Section 1:

Introduction

This Engagement Policy Implementation Statement (“Statement”) sets out how, and the extent to which, the Scheme’s Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year running from 1 December 2024 to 30 November 2025 (the “Scheme Year”). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the Scheme’s SIP, which details the Trustee’s Engagement Policy and is available at <https://www.fsspensions.co.uk>.

Sections 2.1 and 2.2 of this Statement set out the investment objectives of the Scheme and changes that have been made to the Engagement Policy during the Scheme Year, respectively.

Section 3 of this Statement provides some highlights of the activity undertaken by the Trustee in relation to Responsible Investment and Environmental, Social and Governance (ESG) over the Scheme Year.

Sections 4 and 5 include information on the engagement and key voting activities of the underlying investment managers of the Scheme and set out how the Scheme’s engagement and voting policies have been followed during the Scheme Year. **The Trustee can confirm that it believes all policies in the SIP relating to engagement in respect of the Scheme’s assets have been followed during the Scheme Year.**

Section 2:

Statement of Investment Principles

2.1 Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set. The objectives for the Scheme specified in the SIP are as follows:

- The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due.
- Over the shorter term, the objective is to achieve the performance objectives outlined in the Investment Implementation Policy Document (IIPD).
- The Trustee pays due regard to the interests of the Principal Employer on the size and incidence of their contribution payments.

After the Scheme year end, the SIP was updated in February 2026 and the objectives specified are as follows:

- The Trustee's primary investment objective is to invest the Scheme's assets in such a manner that members' benefit entitlements can be paid as and when they fall due.
- By means of an agreed combination of investment return and contributions from the Sponsor, move the Scheme to a position of being fully funded on a de-risked funding basis (gilts +0.5% p.a.) by 2046.
- In doing so, to opportunistically reduce the degree of risk in the Scheme's investment arrangements when affordable, thereby helping to protect the Scheme's improving funding position.
- The Trustee recognises this ultimately means investing in a portfolio of bond-like assets but believes that, at the current time, some investment in equities and other growth assets ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustee recognises that this introduces investment risk and these risks are discussed below.
- The Trustee has agreed that the Scheme should move progressively towards a target of a predominantly bond-based investment strategy ("Matching Portfolio") as its funding position improves. The Trustee will monitor progress against this target.

2.2 Review of the SIP

The SIP was updated during the Scheme year to reflect an increase in the Scheme's target liability hedge ratios and changes to AVC fund options available to Scheme members and other minor changes. The most recent agreed version of the SIP at the time of writing dated July 2025.

The SIP was updated following the Scheme year end to reflect the appointment of Mercer as fiduciary manager to the Scheme, reflecting the transition of all Scheme assets to Mercer and setting out details of the fiduciary management arrangements. The IIPD was replaced with a new Statement of Investment Arrangements (SIA) setting out further details of the assets under management, including performance targets and the de-risking framework in place. The updated SIP will be made available online following Company consultation.

Section 3:

Environmental, Social and Governance (“ESG”)

Policy

The Scheme’s Engagement Policy outlines the Trustee’s beliefs on ESG factors (including climate change). The Trustee believes that ESG factors have a material impact on investment risk and return outcomes (and so are financially material), and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

To establish these beliefs and produce this policy, the Trustee undertook investment training provided by its investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing. This led to the production of an ESG policy, which was incorporated into the SIP in September 2020.

The Trustee also has in place a Memorandum of Understanding (“MoU”) with the Employer which itself imposes restrictions on ESG-related issues. The MoU states that the Scheme’s assets will not be invested directly in any entities engaged in illegal activities, production of arms (mainly military based arms), production of asbestos, gambling, pornography or tobacco (as one of their primary businesses) or entities that clearly have poor environmental records or unethical employment practices. This policy only applies for assets that are directly invested in, or where pooled funds are judged to be materially overweight to these entities.

In June 2022, the Trustee undertook an ESG Beliefs survey, which further established its beliefs and policy. This survey identified that most of the Trustee believed that **climate change, human rights and shareholders concerns** are the three most important themes for the Trustee. The Trustee’s policy in the SIP on ESG, stewardship and climate change were modified as a result.

In October 2023, the SIP was updated to include the Trustee’s engagement priorities and significant vote policy, in line with regulatory requirements.

Further details are included in Section 5 of the SIP dated July 2025. The Trustee keeps its policies under regular review.

How has this policy been met over the Scheme Year?

The Trustee has given its investment managers full discretion in evaluating ESG factors within their investment processes, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme's investments in accordance with their own corporate governance policies, and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

- The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in monitoring existing investment managers, including considering investment manager ESG information provided by the investment advisor. During the year to 30 November 2025, the Scheme's investment performance report was reviewed by the Trustee on a quarterly basis – this includes asset manager research (both general and ESG-specific) from Mercer, the investment consultant, as well as detail on how investment managers are delivering against their specific mandate.
- Managers are expected to provide a summary of their ESG and stewardship policies and to comment on these issues if requested the Trustee; the Trustee also asks its investment managers to summarise their approach to managing ESG issues when presenting at Trustee meetings, as appropriate.
- When looking to appoint a new manager, the Trustee considers how ESG, climate change and stewardship is integrated within that manager's investment processes.

Section 4

Engagement Activity by the Scheme's Investment Managers

The following are examples of engagement activity undertaken by the Scheme's investment managers, where relevant. Examples were provided by the investment manager(s).

See section 5 for more details on how the Trustee's policies on engagement have been implemented, as well as its policies on the exercise of investment rights (including voting).



L&G engages with Pemex

As one of the largest oil and gas companies by refining capacity, with significant production of crude oil and natural gas, Petroleos Mexicanos (Pemex) is a company that L&G believe is critical in Mexico's energy security and has a significant influence, particularly in South America, over the decarbonisation of the oil and gas industry and the realisation of financial opportunities from the energy transition.

L&G published their expectations of oil and gas companies regarding the energy transition as part of their Climate Impact Pledge engagement programme. One area they would particularly emphasise in this case study is Pemex's management of methane emissions which have been an area of concern across their supply chain. Methane emissions have more than 80 times the warming power of carbon dioxide over a 20-year period, making reduction crucial to achieving climate-change goals. L&G believes that reducing methane emissions can be a powerful and cost-effective way for oil and gas companies to make progress towards climate goals and manage regulatory and reputational scrutiny.

L&G have been a contributing investor to the CA100+ engagements with Pemex since 2023. In helping to establish a productive dialogue between the company and its investors, L&G encouraged the company to take a number of steps towards clear disclosures, oversight of climate risk at board level, and the setting of ambitious but achievable climate targets.

Following successive engagements, in what L&G views as a significant step, the company published its first Sustainability Plan, setting out clear targets for emissions reduction, enhanced disclosure (aligned with TCFD and ISSB recommendations), allocation of capital towards achieving climate goals, and addressing methane emissions within their operations.

L&G believes that the publication of Pemex's first Sustainability Plan demonstrates positive commitments regarding emissions reduction targets, disclosures, capital allocation and managing and mitigating methane emissions risks. The strength of these commitments and their endorsement by Pemex's CEO demonstrate a connected and serious approach to tackling these crucial issues.

In addition to continuing this collaborative engagement with the CA100+, LGIM will also continue the work on methane emissions with EDF. Having strengthened L&G's expectations in 2024 for oil and gas companies regarding methane emissions disclosure, this will continue to be an area of focus for L&G across the sector more broadly, as they seek to encourage companies to realise the potential for value creation along their journey to net zero.

L&G engages with Nippon Steel

Due to the influence that companies wield in policy development, L&G believes that transparency of climate lobbying activities and their alignment with net zero is crucial for investors to gauge the strength of companies' climate commitments. Having identified Nippon Steel as lagging in its policy engagement disclosures in 2022, following continuous engagement and a lack of progress, L&G co-filed a shareholder resolution requesting greater transparency on their climate policy engagement activities in their 2024 AGM. This resolution received 28% support, one of the highest levels of support recorded for a climate related shareholder resolution in Japan.

Since co-filing the shareholder resolution, L&G have met with Nippon Steel three times. L&G also attended a site visit – a further step towards transparency and engagement with shareholders. In addition to an increased willingness to acknowledge and listen to the concerns of their global shareholder base regarding decarbonisation, L&G noted specific intentions regarding improvements in disclosures.

L&G is pleased to see that, ahead of its 2025 AGM, Nippon Steel has published its first ever Industry Association Review and a set of policy positions, including a commitment to positive policy engagement in Japan for policies relating to climate change and energy. This followed disclosures on its direct lobbying activities earlier in the year.

These are encouraging first steps towards aligning the company's policy engagement with its long-term strategy and decarbonisation objectives. L&G will continue to work with the company, aiming to further strengthen investor confidence and support the integration of transparent and strategic advocacy efforts.

Section 5:

Voting and Engagement Disclosures

The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

Policy

The Trustee has delegated voting rights attached to its investments to the Scheme's investment managers, principally through being invested in pooled funds (noting that in this case, votes are cast on behalf of the pooled fund rather than the Trustee, who do not own the underlying assets directly). As a result, the Trustee does not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

It is the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met, with key voting activity and insights reported as part of the production of this Statement.

How has this policy been met over the Scheme Year?

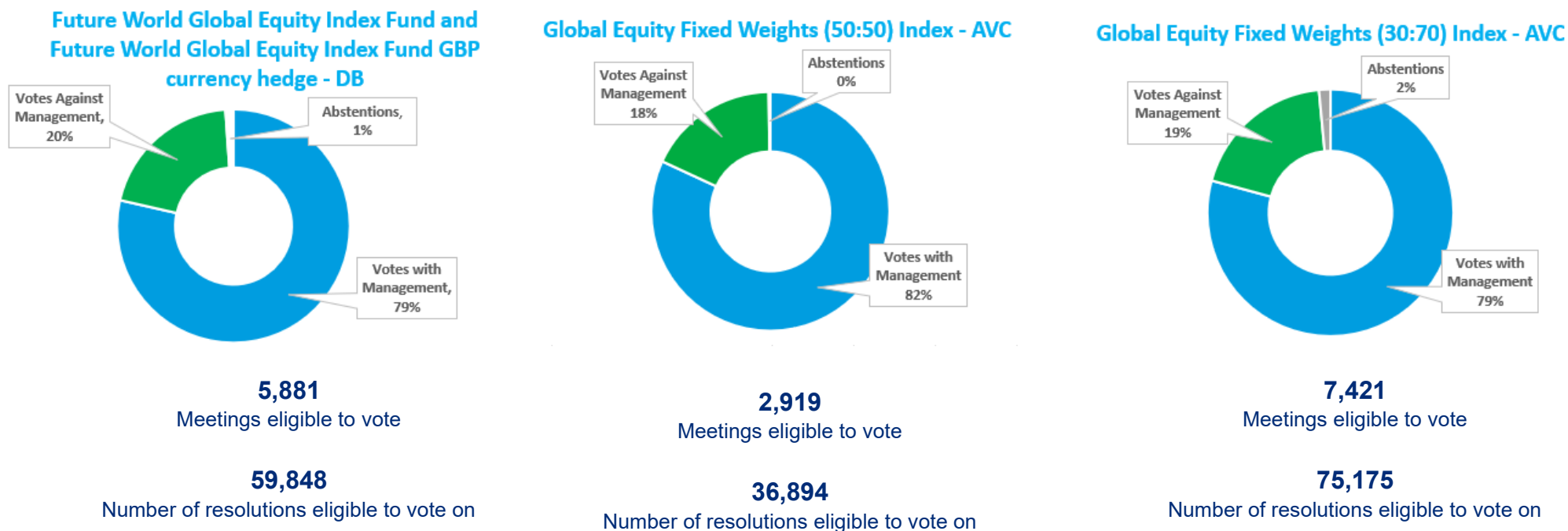
For the purposes of this statement, voting and engagement summary reports from the Scheme's investment managers for 2025 were provided to Mercer on the Trustee's behalf for review. These reports were specifically focused on votes that the managers deemed significant, in alignment with the Trustee's policy. The Trustee reviews these summaries as part of their review of this statement on an annual basis. The Trustee does not use the direct services of a proxy voter.

The Trustee supports the aims of the UK Stewardship Code ("the Code") and its investment managers are encouraged to report their adherence to the Code. All investment managers with which the Scheme held invested assets over the Scheme year were signatories to the Code as of the latest update on 28 January 2026. The pooled funds in which the Scheme invested during the year are not exposed to voting rights holding securities, however these managers are signatories to the Code.

Additionally, BlackRock and Ninety One have confirmed the pooled funds in which the Trustee invested during the Scheme year are not aligned with the Paris Agreement. LGIM has confirmed that the Future World Global Equity Index Fund (currency hedged and unhedged) is aligned with the Paris Agreement, but that the L&G Global Equity Fixed Weights (50:50) Index Fund and the L&G Global Equity Fixed Weights (70:30) Fund (AVC assets only) are not aligned with the Paris Agreement. At the end of the Scheme year, the Scheme's holdings with Columbia Threadneedle, Ninety One and L&G (excluding funds containing AVC assets) were disinvested and transferred to Mercer as part of the transition to a fiduciary management arrangement. Disinvestment of the BlackRock holdings subsequently took place in early Q1 2026.

Voting Activity during the Scheme year

Set out below is a summary of voting activity for the 12 month period to 30 November 2025, relating to the relevant funds held by the Scheme during the Scheme year (note that the L&G Global Equity Fixed Weights (50:50) Index Fund and the L&G Global Equity Fixed Weights (30:70) Index Fund are used for AVC assets only). Funds that do not have attached voting rights (i.e. non-equity funds) are not included below. Where a manager/strategy was appointed or terminated during the Scheme year, voting activity is shown for the part of the Scheme year during which the Scheme was invested in the relevant fund.



Source: LGIM. Figures subject to rounding. The voting data covers the year ending 31 December 2025.

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. L&G's voting policies are reviewed annually and consider feedback from their clients.

Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration for L&G as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also consider client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by L&G's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

L&G publicly communicates its vote instructions on its website with the rationale for all votes against management. It is L&G's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

Most significant votes

A "Significant Vote" is defined by the Trustee as one that is best aligned with its engagement priorities and based on the company weights in the total portfolio. The Trustee is required to report on all votes they believe are the 'most significant'.

Based on the ESG Beliefs Survey completed by the Trustee in June 2022, the Trustee's key themes based on a priority scale are: **climate change, human rights and shareholder concerns**. Some examples of significant votes in the reporting period are shown in the table below.

✗ Resolution not passed ✓ Resolution passed

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Why Vote is Significant
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	1.2%	Tesla, Inc.	6 November 2025	1a: Elect Director Ira Ehrenpreis	L&G voted against item 1a (against management).	L&G applies a vote against when the Chair of key committees exceeds 12 years to ensure independence, when boards are classified instead of annually re-elected, or when board tenure lacks regular refreshment. Votes against are also cast if gender diversity on the board or executive committee falls below minimum expectations. Additionally, L&G votes against companies that fail to implement majority-supported shareholder proposals or whose governance committees restrict shareholder litigation rights. L&G continues to engage with companies and advocate for these governance standards.	N/A	Shareholders concerns	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (50:50) Index	0.4%								
Global Equity Fixed Weights (30:70) Index	0.9%								
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	0.6%	Lam Research Corporation	4 November 2025	1e - Elect Director Michael R. Cannon	L&G voted against item 1e (against management).	A vote against has been applied due to insufficient independence on the Committee and as L&G expects a company to have at least one-third of women on the board. Additionally, L&G expects the Chair of the Nominations/Governance Committee to have served on the board for no more than 12 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. L&G will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	✓	Shareholders concerns	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (50:50) Index	0.1%								
Global Equity Fixed Weights (30:70) Index	0.3%								

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Why Vote is Significant
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	0.6%	The Procter & Gamble Company	14 October 2025	11 – Elect Director Jon R. Moeller	L&G voted against item 11 (against management).	A vote against is applied as L&G expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. L&G will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	✓	Shareholders concerns	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (50:50) Index	0.1%								
Global Equity Fixed Weights (30:70) Index	0.3%								
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	0.5%	Oracle Corporation	18 November 2025	1.5: Elect Director Bruce R. Chizen	L&G voted against item 1.5 (against management).	L&G applies votes against the (re-)election of non-independent directors, especially when they serve on committees requiring independence or exceed 12 years of tenure to maintain board balance. Votes against are also cast if board diversity falls below one-third women or if directors hold excessive board mandates that may affect their effectiveness. L&G continues to engage with companies and advocate for improved governance standards.	✓	Shareholders concerns	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (50:50) Index	0.1%								
Global Equity Fixed Weights (30:70) Index	0.3%								

Source: LGIM