

The FSS Pension Scheme (‘the Scheme’)

Engagement Policy Implementation Statement for the Year
Ending 30 November 2024

February 2025



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Section 1:

Introduction

This 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 2023 to 30 November 2024 (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 SIP dated October 2023.

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

A copy of the SIP containing the Engagement Policy is available at <https://www.fsspensions.co.uk/resources/statement-of-investment-principles-october-2023/>

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 sets out how the Scheme's engagement and voting policy has been followed during the Scheme Year in respect of the Scheme's assets. **The Trustee can confirm that all policies in the SIP on engagement in relation to 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 (IPID).
- The Trustee pays due regard to the interests of the Principal Employer on the size and incidence of their contribution payments.

2.2 Review of the SIP

Throughout the year, no changes were made to the Scheme's Statement of Investment Principles (SIP). The most recent version of the SIP remains as of October 2023.

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.

In order 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. The agreed policy was incorporated into the SIP following this meeting and reviewed and updated 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.

Further details are included in Section 5 of the SIP. 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 is integrated within investment processes in monitoring existing investment managers, including considering investment manager ESG ratings provided by the investment advisor. During the year to 30 November 2024, the Scheme's investment performance report was reviewed by the Trustee on a quarterly basis – this includes asset manager research ratings (both general and ESG-specific) from Mercer, the investment consultant, as well as detail on how investment managers are delivering against their specific mandate.
- The Trustee's policy is that a downgrade in Mercer's asset manager ESG rating (or lack of ESG rating) does not mean that the investment manager will be removed or replaced automatically, but will be reviewed on a case-by-case basis, taking into account the asset class invested in (and hence the applicability of ESG factors) and, where relevant, the circumstances behind the rating downgrade. During the Scheme year no ESG rating changes occurred. Currently, Mercer does not provide asset manager ESG ratings for the synthetic equity and LDI strategies, where the integration of ESG factors are not part of the asset managers' portfolio construction processes.
- Managers are expected to provide a summary of their ESG and stewardship policies and to comment on these issues as part of any meeting with the manager; the Trustee asks its investment managers to summarise their investment approach to managing ESG issues when presenting at Trustee meetings.
- When looking to appoint a new manager, the Trustee considers how ESG, climate change and stewardship is integrated within 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).



LGIM engages with APA

APA is Australia's largest energy infrastructure business. Under LGIM's Climate Impact Pledge campaign, the manager has been engaging with the company directly since 2022. In these engagements, the company was identified as lagging LGIM expectations on climate-related lobbying activities.

LGIM, expect companies to introduce credible climate transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 Green House Gas (GHG) emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal. As a consequence, when APA Group brought its climate transition plan to a vote, LGIM was unable to support it: although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025.

LGIM initiated engagement with the company after this vote and met with them for the first time in early 2023 as part of their Climate Impact Pledge engagement, and have continued to build the relationship, setting out their expectations as per LGIM's net zero guide, and working with the company to understand the hurdles it faces and the challenges to meeting these expectations.

LGIM was very pleased that, in the meeting with APA in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target. This demonstrates the effect of LGIM's engagement strategy, fully aligned with their voting policy, to encourage progress towards decarbonisation. LGIM looks forward to continuing the engagement with the company on their decarbonisation pathway and journey to net zero.

LGIM engages with Nestlé

As the largest food company in the world, Nestlé sets an example for the rest of the industry in terms of driving positive change and raising market standards. There is a clear link between poor diets and chronic health conditions such as obesity, heart disease and diabetes. These in turn may lead to increased healthcare costs and decreased productivity, both of which will have negative impacts on the economy and, ultimately, on LGIM clients' assets. In the fourth quarter of 2022 LGIM co-signed, with their peers, letters to 12 food and beverage manufacturers, under the leadership of Share Action's Healthy Markets Initiative. Nestlé was among the companies LGIM wrote to. In the individually tailored letters, LGIM encouraged the companies to do more in several areas. These included, for example, transparency around their nutrition strategy, demonstrating progress on their nutrition strategy, committing to disclosures around the proportion of the company's portfolio and sales associated with healthy food and drinks products (using government-endorsed nutrient-profiling models) and setting targets to increase the proportion of these sales.

Following the letter, together with the Healthy Markets Initiative, LGIM met with Nestlé several times. In late 2022, Nestlé announced that they would report on their global portfolio using the nutrient profiling system Health Star Rating (HSR) – LGIM were pleased to see this development. LGIM continued to meet with Nestlé as part of this collaboration during 2023 to discuss LGIM's ongoing concerns, particularly regarding their plans not just to monitor but also actively to increase their sales of healthier products. In September 2023, Nestlé announced a new nutrition target which LGIM believes is not ambitious enough. LGIM main concerns are: Nestlé's new target is broadly in line with the company's current overall growth guidance, meaning if sales of unhealthier products increase in line with this guidance, there would be no improvement linked to consumer health and diets; some of the products counted as 'nutritious' by Nestlé are outside the scope of government-endorsed nutrient profile models (including commercial baby foods and coffee). By increasing sales of out-of-scope products classified by Nestlé as nutritious, LGIM felt that the company could meet its target without having any positive impact on public health. Reflecting LGIM's shared concerns with ShareAction, the manager agreed in early 2024 to co-file a shareholder resolution at Nestlé's AGM, calling on the company to: Set key performance indicators (KPIs) regarding the absolute and proportional sales figures for food and beverage products according to their healthfulness, as defined by a government-endorsed Nutrient Profiling Model; and to provide a timebound target to increase the proportion of sales derived from these healthier products. These requests are intended to address LGIM main concerns and strengthen the link between Nestlé's targets and real-world impact by increasing the proportion of healthier food available in consumer markets. LGIM will monitor the company's response and actions and continue their engagement with them on this crucial issue.

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 its voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case votes are cast on behalf of the pooled fund not the Trustee, which does not own 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.

In addition, 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.

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 2024 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.

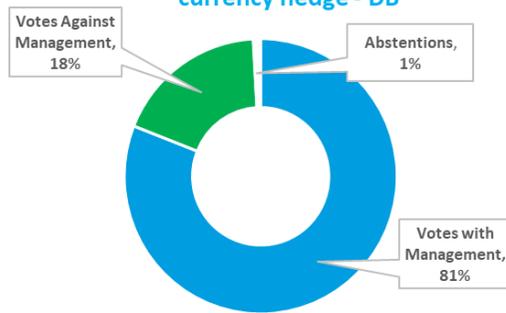
The Trustee supports the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. LGIM and Ninety One have confirmed that they are signatories of the current UK Stewardship Code (the "Code"). The pooled funds in which the Trustee invests with BlackRock and Columbia Threadneedle 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 invests are not aligned with the Paris Agreement. LGIM has confirmed that the Future World Global Equity Index Fund (currency hedged and non-hedged) are aligned with the Paris Agreement, and that the Global Equity Fixed Weights (50:50) Index Fund (for AVCs) is not aligned with the Paris Agreement.

Voting Activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies of the Scheme (note that the Global Equity Fixed Weights (50:50) and (30:70) Index Funds are only used for Additional Voluntary Contributions (AVCs)). Funds where voting is not applicable (i.e. non-equity funds) are not included below.

Future World Global equity Index Fund and Future World Global equity Index Fund GBP currency hedge - DB



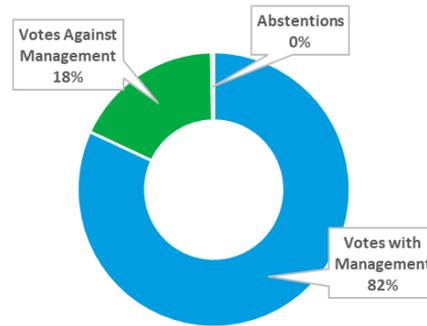
5,516

Meetings eligible to vote

55,469

Number of resolutions eligible to vote on

Global Equity Fixed Weights (50:50) Index - AVC



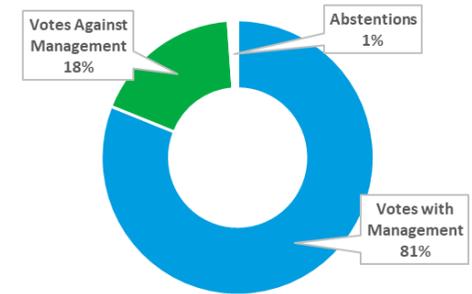
2,971

Meetings eligible to vote

37,861

Number of resolutions eligible to vote on

Global Equity Fixed Eights (30:70) Index - AVC



7,279

Meetings eligible to vote

72,341

Number of resolutions eligible to vote on

Source: LGIM. Figures subject to rounding. The voting data covers the year ending 31 December 2024. Please note that the Global Equity Fixed Weights (30:70) Index Fund was introduced into the AVC fund range during January 2024.

LGIM'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. LGIM's voting policies are reviewed annually and consider feedback from their clients.

Every year, LGIM 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 LGIM 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 LGIM'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.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM'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 shareholders 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	4.9%	Microsoft Corporation	10 December 2024	9 - Report on AI Data Sourcing Accountability	LGIM voted for item 9 (against management).	LGIM voted “for” as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✗	Shareholders concerns	Aligned with the Scheme's stewardship priorities
Future World Global Equity Index Fund and Future World Global Equity Index Fund - GBP currency hedged	1.8%	Amazon. com, Inc.	22 May 2024	6 - Report on Customer Due Diligence	LGIM voted for item 6 (against management).	LGIM voted “for” as they believe that enhanced transparency over material risks to human rights is key to understanding the company’s functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	✗	Human Rights	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (50:50) Index	2.2%	Unilever Plc	1 May 2024	4 - Approve Climate Transition Action Plan	LGIM voted for item 4 (for management).	LGIM voted “for” as the action plan meets LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, LGIM notes that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. LGIM therefore remain supportive of the net zero trajectory of the company at this stage. LGIM will	✓	Climate Change	Aligned with the Scheme's stewardship priorities

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
Global Equity Fixed Weights (50:50) Index	1.2%	Glencore Plc	29 May 2024	12 - Approve 2024-2026 Climate Action Transition Plan	LGIM voted against resolution 12 (against management).	<p>continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p> <p>A vote “against” was applied because LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While LGIM notes the progress the company has made in terms of disclosure, LGIM remains concerned over the company's thermal coal activities, as it remains unclear how the planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	✓	Climate Change	Aligned with the Scheme's stewardship priorities
Global Equity Fixed Weights (30:70) Index	2.3%	Shell Plc	21 May 2024	22 - Approve the Shell Energy Transition Strategy	LGIM voted against item 22 (against management).	<p>LGIM acknowledges the substantive progress that Shell has made in respect of climate related disclosure over recent years, and LGIM views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and Liquefied Natural Gas (LNG) business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, LGIM believe investors would benefit from further transparency regarding lobbying activities in regions where hydrocarbon</p>	✓	Climate Change	Aligned with the Scheme's stewardship priorities

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
Global Equity Fixed Weights (30:70) Index	2.7%	Apple Inc.	28 February 2024	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	LGIM voted against the report (with management).	<p>production is expected to play a significant role, guidance on capital expenditure ('capex') allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonisation strategy. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p> <p>LGIM voted "against" as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in equal employment opportunity (EEO) policies does not appear to be a standard industry practice. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	×	Shareholders concerns	Aligned with the Scheme's stewardship priorities

Source: LGIM