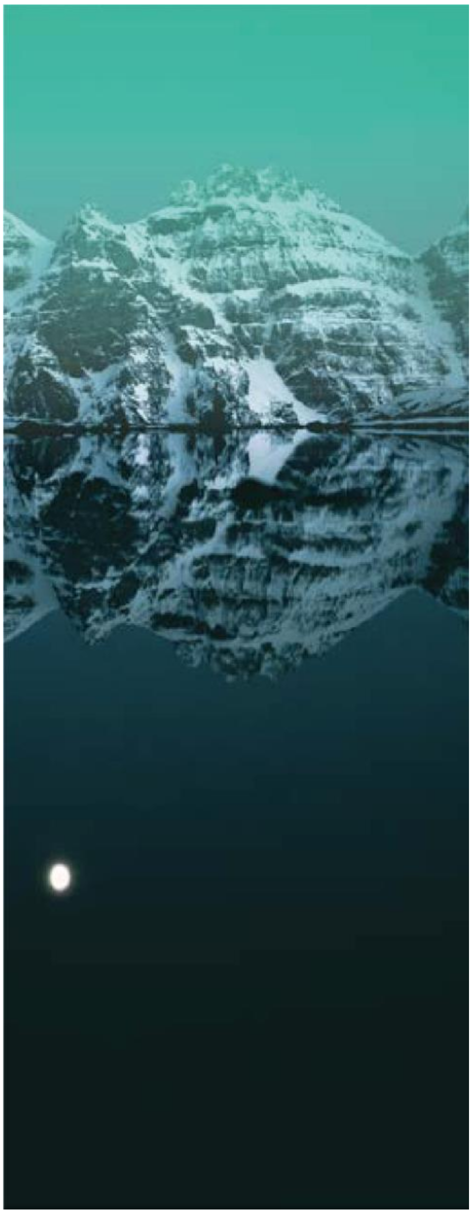
31 March 2024

Sembcorp Utilities Teesside Pension Scheme

Implementation Statement



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Introduction

This implementation statement ("Statement") is produced alongside the Trustee Report and Accounts and is required by pensions regulations[1]. The Trustee of the Sembcorp Utilities Teesside Pension Scheme (the "Trustee", "we" or "our") has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the "SIP") for the Sembcorp Utilities Teesside Pension Scheme (the "Scheme") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Scheme's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 April 2023 to 31 March 2024.

The Statement is publicly available at: https://www.sembcorp.com/uk/codes-and-policies/

Executive summary

The day to day management of the Scheme's assets is delegated to Cardano Risk Management Limited (the "Fiduciary Manager"). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme's assets and the Fiduciary Manager's policies were aligned with the Trustee's own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager's overall assessments once a quarter.

The Trustee is satisfied that, by using the Fiduciary Manager and the Trustee's own governance arrangements over the Fiduciary Managers activities, the Trustee has complied fully with its Stewardship Policy during the year.

Over the 12 months to 31 March 2024, the Scheme was in a period of transition. The Scheme has been in the process of winding down legacy illiquid fund investments managed by its previous fiduciary manager, SEI Investments. For the avoidance of doubt, as at the end of the period the Scheme still held a small portion of it's portfolio in SEI legacy holdings; this accounted for less than 2% of total Scheme assets. The Trustee expects to complete the transition and removal of these assets by the end of 2024.

[1] The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

"Stewardship" is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

1.2. What is our Stewardship Policy?

The Stewardship Policy is as follows:

> ***"Financially material considerations over the appropriate time horizon of the investments***
>
> *The Trustee has a relatively long-term time horizon for their portfolio and, as such, recognise that being a responsible investor should improve financial outcomes. The Trustee considers responsible investment to be the integration of environmental, social and governance (ESG) factors into investment decisions where financial risk and / or return could be materially affected. These considerations include the potential impact of climate change.*
>
> *The Trustee delegates responsibility to take account of ESG factors in investment decision-making to the Fiduciary Manager. This includes investments made directly by the Fiduciary Manager as well as those in pooled funds managed by third parties. In the latter case, the Fiduciary Manager is responsible for ensuring that the external investment managers appropriately incorporate ESG factors within their investment process. The Trustee monitors how the Fiduciary Manager incorporates ESG factors on a regular basis.*
>
> ***The exercise of the rights (including voting rights) attaching to the investments***
>
> *The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.*
>
> ***The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments***
>
> *The Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long-term portfolio returns, which is in the best interests of the members and beneficiaries of the Scheme. Beyond these requirements of responsible investing, the Trustee does not explicitly target any non-financial matters in their investment decision making.*

Undertaking engagement activities in respect of the investments

The Trustee believes the integration of stewardship duties into the investment process helps them to fulfil their responsibilities. Implementing voting and engagement policies helps drive long term value for beneficiaries. This is achieved through targeted voting and engagement, which encourages better corporate management of environmental, social and governance issues and promotes more stable capital markets and economies.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Fiduciary Manager's activity in this regard)."

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustee has selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind and aim to improve sustainability within the portfolio and have a direct real-world impact to our members' current and future landscape. The Trustee's three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages gender, equality and health & nutrition)

On behalf of the Trustee, the Fiduciary Manager has written to the Scheme's investment managers reaffirming and expanding on the Trustee's policy and expectations which align with our stewardship priorities. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

1.3. How have we implemented our Stewardship Policy?

Scheme structuring

The Trustee holds investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;

- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme's Stewardship Policy.

For example, in 2023 our Fiduciary Manager replaced some of our equity market exposures with a global fund that included explicit sustainability (as well as financial) performance targets. This enhanced the level of engagement possible with the companies we invest in and more actively aligned these efforts to our specific priorities.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK 2020 UK Stewardship Code.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, these are noted below.

Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

Quality over quantity

- The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

- The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

- The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

- The Fiduciary Manager is realistic to understand that not all engagements will be successful, and will be transparent with the Trustee on outcomes

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

- The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

- The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee receive information relating to voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate. The Trustee focuses its efforts on any managers where voting and engagement is material.

The Scheme invests in a series of Private Market and Infrastructure investments. A critical means of value creation for many such strategies is ensuring that each business or asset has the best governance possible.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of all investors in the fund, including the Trustee.

2.1. How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: All investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme

Cardano Global Sustainable Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1,104
Number of resolutions the manager was eligible to vote on over the year	12,589
% of eligible resolutions the manager voted on	99%
% of votes with management	82.6%
% of votes against management	17.0%
% of resolutions the manager abstained from	0.4%

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

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Manager	Use of proxy voting service
Cardano Global Sustainable Equity Fund LP	Use Glass Lewis and apply the Cardano bespoke policy.

2.3. Examples of significant votes

When collating voting statistics, we asked managers to provide examples of significant votes cast. The table provides a sample of responses received.

Cardano Global Sustainable Equity Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome (in manager's own words)
National Australia Bank	15-Dec-23	Resolution asking National Australia Bank (NAB) to require that oil and gas customers have a transition plan in place to receive new lending and renewables from 1 October 2025. The key asks of the resolution were addressing: 1. the requirement to have a climate transition plan in place applies to all 'fossil fuel companies', 2. the restriction on new lending and renewables applies to all 'new financing', 3. NAB brings its requirements that customers have transition plans forward to 1 January 2025 to match peer timelines; and 4. how NAB will assess such transition plans for credible alignment with the 1.5°C goal of the Paris Agreement.	For	We recommended a vote in support of this resolution as we believe the requested disclosure can help to bring clarity to the company's new requirements around customer climate transition plans, and the associated risks and opportunities. While we believe the introduction of the new requirements by NAB is a positive development in the company's climate strategy, we agree with the proponent that the current disclosure lacks details regarding important considerations and may expose the company to market and transition risks. The resolution was not put to vote at the meeting as a prerequisite was that another first shareholder resolutions was adopted by the meeting (resolution 5a asking for change of the constitution)
Procter & Gamble	10-Oct-23	Director nominees: Re-election of board chair Jon Moeller, lead director Joseph Jimenez, the chair of the governance and public responsibility committee, Angela Braly; and director, Patricia Woertz, at the October 2023 AGM.	Against	We voted against the re-election of board chair Jon Moeller, lead director Joseph Jimenez, the chair of the governance and public responsibility committee, Angela Braly; and director, Patricia Woertz, at the October 2023 AGM. The rationale for the vote was that P&G should be making stronger commitments to achieving deforestation-free supply chains. Although for palm oil sourcing, there is a grievance mechanism in place and the use of satellite imagery, we found that the level of detail provided on how these risks are handled on

	the ground is lacking. At P&G's peers there is more responsibility and accountability taken for thorough engagement throughout the supply chain and a more deliberate and holistic approach to building a sustainable supply chain. P&G scaled back its commitment in its deforestation policy to not buy wood pulp from degraded forests. It claims that this is related to a lack of clear definition, however, according to external experts and NGOs there is a clear enough definition for 'degradation' and the issue is that P&G is still purchasing timber that leads to degradation. Although it states that it makes up for this with new trees planted, removing old forest has a significant biodiversity impact that can't be replaced with reforestation efforts. These votes were applied to communicate our expectations for stronger leadership in this area. All three directors were re-elected. Procter & Gamble remains in our engagement program on deforestation.

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3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Barings Global Senior Secured Bond Fund

Key points	Engagement activity
Engagement Theme: Climate Change **Industry:** Banks **Outcome:** Positive responses from banks in completing the questionnaire and engaging in follow-up dialogue	Engaged with senior management of emerging markets' banks, including in Slovenia and South Africa, based on their response to the climate risk questionnaire. This has included conversations related to reporting their financed emissions disclosure and setting up credible Science Based Targets initiative (SBTi) vetted targets for reduction in the carbon footprint disclosed. Going forward, Barings will work with the Europe, the Middle East, India and Africa (EMIA) Financial Sector Working Group to increase scope of banks engaged, to encourage improved data collection on carbon footprint, as well as evidence of building climate risk analysis into its new loan underwriting in order to pursue engagement objectives. Barings will also continue to engage with banks on an individual basis (outside of the EMIA platform).

Wellington Blended Opportunistic Emerging Markets Debt

Key points	Engagement activity
Engagement Theme: Climate change **Industry:** Agriculture **Outcome:** Wellington will continue to meet with the company regularly to measure their development in ESG initiatives	Wellington continued to engage with a holding company who are one of the largest protein producers in the world, headquartered in Brazil, and recently noted at the top levels of management a focus on environmental, social and governance factors. Given the nature of the business and its geographical location, some of the most pressing issues in this space relate to deforestation of the Amazon and governance issues related to previous corruption issues. One aspect of addressing and moving forward with this issue is through tracking suppliers. Currently, the company track 100% of direct suppliers, and are aiming to track all indirect suppliers by 2025.

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