

The Family Action Pension Scheme – year to 31 December 2024

Implementation Statement

The Trustee of The Family Action Pension Scheme (the “Trustee” and the “Scheme” respectively) has prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Its purpose is to describe the actions taken over the past year and to demonstrate how the Trustee has followed the policies on voting, stewardship and engagement, as set out in the Scheme’s Statement of Investment Principles (the “SIP”) dated February 2024. This statement covers the year to 31 December 2024.

Whilst the Scheme has separate sections in the SIP for the Defined Contribution and the Defined Benefit sections, we have set out a unified implementation statement, as both sections have the same policies on voting and engagement. The Scheme’s Defined Benefit assets are held in pooled investment funds (via the Mobius Life investment platform) and the day-to-day management of these investments (including the responsibility for voting and engaging with companies) is delegated to the fund managers of the pooled investment funds (the “Fund Managers”).

The Fund Managers of the pooled investment funds over the period were Legal & General Investment Management (“LGIM”), Insight Investment (“Insight”), Columbia Threadneedle Investments (“CT”), BNY Mellon Investment Management Limited (“BNYM”) and TwentyFour Asset Management (“TwentyFour”).

As Trustee of the Scheme’s assets, we are responsible for the selection and retention of the funds. Reviewing the voting and engagement activities, for which we include details below, is an important exercise to help us ensure they remain appropriate and are consistent with the Fund Managers’ stated policies in this regard.

We are satisfied with the voting and engagement activities of the Fund Managers, and in particular, that they are using their position as stakeholder to engage constructively with investee companies; however, we will engage with the Fund Managers should we have any concerns about the voting and/or engagement activities carried out on our behalf.

Where the Trustee identified areas for improvement or potential concern in manager practices, it would take appropriate action. The Trustee had no cause to challenge the Fund Managers’ voting and/or engagement activities during the year to 31 December 2024.

During the Scheme year, the allocation to the Insight Broad Opportunities Fund was sold, and the assets and remaining liabilities in the Defined Contribution section of the Scheme transferred to the Smart Pension Master Trust. As such, voting data and engagement examples in respect of these holdings have not been included within this statement.

Changes to investment strategy

At the end of 2023 the Trustee agreed to some changes to the investment strategy which were implemented during February 2024. These changes are summarised below:

- The allocation to the Insight Broad Opportunities Fund was sold due to underperformance, lack of expected downside protection and removal from Cartwright’s buy-rated list;

- The allocation to LDI funds was increased to enhance hedging of interest rate and inflation risks up to the funded liability level, including greater exposure to credit and equity-linked LDI funds for additional return potential;
- LDI tolerance levels were introduced to monitor hedge ratios more effectively, with oversight incorporated into the quarterly investment reports; and
- The cashflow policy was updated to use the BNY Mellon bond fund and TwentyFour funds equally for LDI capital calls and distributions, with an exception for the CT Equity-Linked Real Dynamic LDI Fund, which will use the BNY Mellon Real Return Fund for leverage rebalancing.

All of the changes to the investment strategy detailed above were based on advice received from the appointed investment consultant.

Reporting and oversight

The Trustee has regularly reviewed the performance of the funds over the year and performance information is set out elsewhere in this report. The Trustee was satisfied that the default lifestyle fund and the self-select fund range in the DC Section performed in line with their objectives prior to the closure.

During October and November 2024, all remaining assets and liabilities in the DC Section were successfully transferred to the Smart Pension Master Trust. This decision followed a review by the Trustee, in conjunction with the Scheme's sponsoring employer, of the operational efficiency and long-term sustainability of the DC Section. The Trustee concluded that members were likely to benefit from improved value and governance under the Master Trust structure. The transfer was carried out with the support and guidance of the Trustee's advisors.

Changes to investment governance

In November 2024, the Trustee reviewed the objectives for the current investment consultant. The purpose of this review is to help ensure they are getting good value for money. The Trustee will continue to assess performance, relative to these objectives on an annual basis.

Compliance with the Statement of Investment Principles

The Trustee has reviewed the extent to which, in its opinion the Statements of Investment Principles have been followed in the year and the Trustee remains satisfied that it continues to follow all the principles, policies and processes as detailed in the Statement of Investment Principles.

Voting and engagement overview

The Trustee's policy, as set out in the SIP, is to consider only factors that are expected to have a financial impact on the Scheme's investments. Details on significant voting and engagement activities provided by the Fund Managers are set out below.

In order to produce this statement we have asked the Fund Managers a series of questions on their policies and actions and to provide examples relating to their voting and engagement activities during the year and in conjunction with our advisers, have identified significant voting and engagement activities (i.e. those most relevant to the Trustee's policy). We have then reviewed these and selected the most relevant comments for the purpose of this statement.

BNYM have provided information relating to the Real Return Fund as this fund holds equities for which they have voting rights. The BNYM Global Dynamic Bond Fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, BNYM does undertake engagement activities in respect of its bond holdings and we have included an example below.

The CT LDI funds do not hold equities and given that these investments do not confer voting rights, there was no voting carried out in relation to these funds. The primary underlying counterparty for the LDI fund assets is the UK government; however the derivatives used means the funds will also have exposure to clearing houses and investment banks. Engagement with these types of organisations can be more difficult than engaging with companies issuing shares and debt, although it is an area that continues to evolve.

BNYM – voting and engagement activities

The following commentary is based on the information that BNYM have provided in response to our questions and illustrates how they co-ordinate their voting and engagement activities with companies. Newton are a subsidiary of BNYM and are the entity that manage the Real Return and Global Dynamic Bond funds.

“We believe the value of our clients’ portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company’s individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence. We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.”

BNYM Real Return Fund

BNYM voted on 1,057 resolutions. Votes: For 94%, Against 6%, Abstained 0%.

There were 15 engagements over the year in relation to this fund. The majority of engagements were made regarding environmental topics.

The Trustee has reviewed BNYM’s voting activity and in conjunction with their adviser, Cartwright, on the Trustee’s behalf, have identified the following as the most significant votes from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP:

1. ASTRAZENECA PLC

Resolution: Approve Remuneration Report

Vote: For

“We decided to support the CEO pay package based on the CEO's proven track record of creating significant value for shareholders and turning around a company once considered beyond recovery. For many years, he has been compensated below global peers in the industry, despite his accomplishments, and has also hinted at possibly leaving previously. At this juncture, where execution is critical, we want to avoid any potential disruptions that a change in leadership might bring. Our decision to support CEO pay aligns with our broader investment case for AZ, as we believe under Pascal's leadership, the company is well positioned to continue executing on its strategic initiatives and delivering value to shareholders.”

2. SHELL PLC

Resolution: Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Product(Scope 3) with the Goal of the Paris Climate.

Vote: Against management recommendation

“We did not support a shareholder proposal for a report on GHG (greenhouse gas) emission- education targets aligned with the Paris Agreement as we believed the company has disclosed enough information for shareholders to assess the related risks. Moreover, the company has disclosed a partial Scope 3 target which is considered an appropriate response to the proponent's asks.”

BNYM Global Dynamic Bond Fund

The fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, BNYM does undertake engagement activities in respect of its bond holdings.

There were 4 engagements over the year in relation to this fund.

The Trustees have reviewed Newton's engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

BARCLAYS PLC – Climate Transition Framework Engagement

An engagement was undertaken with Barclays Plc regarding its approach to managing climate-related risks, particularly in relation to high-emitting clients. While the bank has made progress in identifying and engaging with lagging clients and has assessed around 1,250 counterparties, we encouraged Barclays to improve transparency around its client transition framework. This includes clearer disclosure of its engagement process, escalation procedures, and scoring methodology (e.g. factor weights and sector-specific metrics). We welcomed the bank's constructive response and will continue to monitor its disclosures and engage further if needed.

TwentyFour – engagement activities

The following commentary is based on the information that TwentyFour have provided in response to our questions on voting and engagement. They are fixed income investors only and therefore do not have an opportunity to vote. The following commentary illustrates how they co-ordinate their engagement activities with companies.

“We believe that acting collaboratively with other investors and market participants can lead to better outcomes for clients and the market in general, and as such we are very happy to do so when appropriate. We have actively worked with other managers to help improve the governance of the sectors in which we operate, which we believe is beneficial for all of our respective clients.

TwentyFour is regularly consulted as an advisor by the Bank of England, the PRA/FCA, the UK Treasury, The European Commission and the European Banking Authority, as well as a number of other EU finance ministries (BaFin, DNB, and Bank of France etc.)

As Fixed Income investors we are focused on protecting against the downside and this is where we focus our efforts when engaging. In certain instances we have engaged with management on subjects that we hope will influence management behaviour and decisions over the long term, and in some cases this may lead to improved financial outcomes – but our core focus remains on protecting against the downside.”

TwentyFour Absolute Return Credit Fund

The fund does not hold equities and given that bonds do not confer voting rights, there was no voting carried out in relation to this fund. However, TwentyFour does undertake engagement activities in respect of its bond holdings.

There were 86 engagements over the year in relation to this fund.

The Trustee has reviewed TwentyFour’s engagement activity in conjunction with their adviser, Cartwright, and the following has been identified as the most significant example of engagement from the perspective that it potentially has the biggest financial impact on the Scheme, as set out in the SIP.

1. Enel (“ENELIM”)

Issue:

“We engaged with Enel given the low controversies score highlighted by our ESG provider relating to a recent controversies. In particular there was one severe controversy which we wanted more detail on. We asked about the deadly Italian power plant accident occurred near Bologna in April 2024 where 7 people died.”

Response:

“We had a call with the head of ESG Federico Baroncelli, who clarified that the incident occurred due to a test on a hydroelectric plant consisting of turbines and alternators. During the test, the turbines are made to spin at maximum speed. The first test went well, while the second test caused an explosion, likely due to the alternator. Immediately after the incident, a process was initiated to ensure that all procedures adopted by Enel were compliant with the standards. To identify the cause of the incident, they used physical inspection and retrieval of black boxes.

Since the plant is submerged in water, it was not possible to fully empty it to conduct the inspection. However, six hypotheses were proposed based on the data from the black boxes, all suggesting a mechanical issue likely related to the alternator supplier, rather than errors in Enel's procedures. Due to the lack of a full inspection, it has not yet been confirmed whether the supplier's hypothesis is correct. It will take a few more months to determine this, and answers are expected around February or March. Enel has stated that they are ready to take immediate action if the supplier is found to be at fault. Suppliers are constantly monitored for safety and human rights compliance. On the other hand, if it's found that this is an Enel issue rather than supplier they are prepared to take the needed health and safety steps internally."

Outcome:

"Enel provided a satisfactory and concise response and we have planned a follow up call in February to continue to monitor the evolution of the case and verify the actions taken against their supplier if found to be at fault. We are happy to hold."

2. DEUTSCHE BANK ("DB")

Issue:

"We engaged with Deutsche Bank following a controversies flag alleging that they financed a Queensland coal mine. We asked for clarification if and why the funding went ahead despite the company's commitment to not directly or indirectly finance the construction of new coal-fired power plants or new mining projects for the extraction of coal?"

Response:

"Deutsche Bank were unable to comment on any existing client relationships for legal reasons, however in their response they made it clear that they adhere to their established policies and procedures in conducting business – suggesting they have complied with their policies in relation to this loan. Deutsche Bank has a set of requirements and guiding principles that they apply to the client and business selection processes. As part of this approach, Deutsche Bank conducts enhanced environmental and social due diligence for transactions in the thermal coal power and mining sector. The Bank will cease financing (lending and capital markets) for companies with a thermal coal revenue dependency of more than 50% that do not have credible plans to reduce this dependency to below 50% by 2025 in OECD countries, or below 30% by 2030 in non-OECD countries. This approach is essential to mitigate and manage negative impacts on the environment or society and to uphold the bank's commitments to international standards. In this context, the bank has defined criteria for evaluating transition plans for the phasing out of thermal coal. Phase out from thermal coal is expected for companies in OECD countries by 2030 and for companies in non-OECD countries by 2040."

Outcome:

"We have replied asking for explicit confirmation that the loan in question did not constitute as a breach of DB's coal financing policies. Happy to hold and await response."

CT - engagement activities

The following commentary is based on the information that CT have provided in response to our questions and illustrates how they co-ordinate their engagement activities with companies. These examples provide evidence that they are engaging actively with the companies they invest in on behalf of the Scheme.

“We take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of our investment process, helping us to manage risk and support long-term returns. Beyond the management of opportunity and risk, we also see responsible investing and broader investment stewardship activities as part of our duty as an investor acting in the best interest of our clients, and as a participant in the global financial system.

Our approach is aligned with the core values and beliefs of the wider Financial Group, and draws on national and international codes and standards for responsible investment and ownership, including the United Nations Principles for Responsible Investment, to which we are a founder signatory

LDI portfolios are very different to traditional equity or bond portfolios and so our engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.”

CT Dynamic LDI Funds

These funds contain investments that provide exposure to long dated interest rates / inflation. They do not hold any physical equity investments and are therefore not eligible to vote. However, CT does still engage with counterparty banks on relevant issues.

There were 19 engagements over the year in relation to these funds.

The Trustees have reviewed CT’s engagement activity and in conjunction with their adviser, Cartwright, have identified the following as the most significant examples of engagement from the perspective that they potentially have the biggest financial impact on the Scheme, as set out in the SIP:

1. BARCLAYS PLC: Engagement 1

“Barclay’s latest annual report highlights continued progress on their efforts to enhance their approach to biodiversity risk management with a comprehensive update to their forestry and agricultural commodities statement, with significantly enhanced criteria for the sector regarding deforestation.

They have also started to pilot the TNFD framework and assessment for certain sectors, and have actively contributed to the TNFD consultation. We have previously discussed this topic with them through meetings, and followed up with them to share our biodiversity best practices and findings from engagement with other banks.

Rating: 2 stars”

2. BARCLAYS PLC: Engagement 2

“The company’s latest disclosure highlight good improvements on their approach to human rights due diligence. In 2023 they have conducted a human rights saliency assessment for their corporate and investment bank, highlight key human rights risks for this business, have used this to inform the February 2024 updates to their human rights statement, and have a developed a work programme for future areas to enhance their human rights approach.

This include plans to extend saliency assessment to all areas of the bank, exploring further approaches to provide access to remedy, and enhancing their human rights due diligence process. This remains an important topic to minimise human rights impacts of their activities. We have engaged with the bank on human rights, seeking for them to update their HR statement and enhance their due diligence.

Rating: 2 stars”

3. BARCLAYS PLC: Engagement 3

“The company provide significantly enhanced climate risk management in their latest climate updates. The company introduced additional financed emissions targets for agriculture, commercial real estate, and aviation. They also provided updates to their residential real estate target. The company became the first UK bank to publish a transition finance framework. They also updated their climate change statement introducing restrictions and tightened conditions for financing to the oil and gas sector.

This is significant as Barclays have lagged in this specific area and faced reputational risks as a result. We have engaged several times with Barclays on their climate risk management, including as a co-lead investor through the IIGCC bank working group.

Rating: 3 stars”

Signed on behalf of the Trustee of the Family Action Pension Scheme

Signed by Helen Frisby on 28 July 2025

Helen Frisby
Trustee Director - Independent Governance Group
Date: 28 July 2025