

RFS Pension Scheme Implementation Statement – 5 April 2024

Why have we produced this Statement?

The Trustees of the RFS Pension Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustees have complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustees' investment objectives and investment strategy.

It also explains how and why the Trustees delegate certain responsibilities to third parties and the risks the Scheme faces and the mitigated responses.

The Trustees last reviewed the SIP in October 2023.

What is the purpose of this Statement?

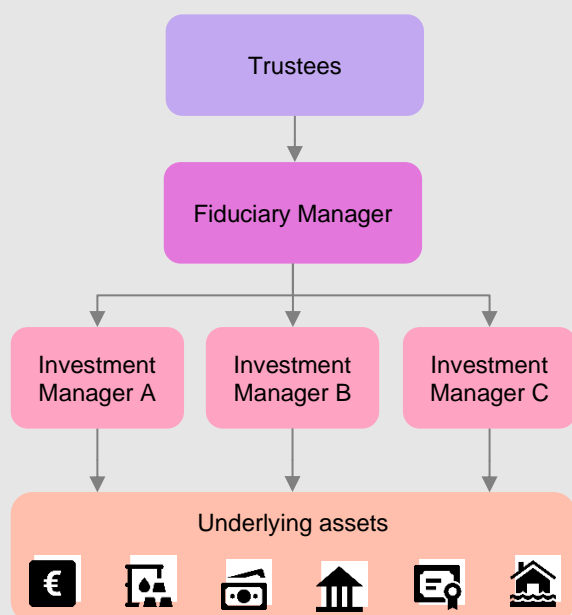
1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe the voting rights attached to the Scheme's assets have been exercised over the year.

What changes have we made to the SIP?

The Trustees have made the following changes to the SIP over the year:

- Clarified that a third party is providing independent oversight of the Fiduciary manager.
- Added information on the Trustees' stewardship policy including their priorities which are: climate change, biodiversity and human and labour rights.

How are the Scheme's investments managed?



Trustees - The Trustees' key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustees retain overall responsibility for the Scheme's investment strategy but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

Fiduciary Manager (WTW) – The Trustees employ a Fiduciary Manager to implement the Trustees' investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

Investment managers – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. The Fiduciary Manager will look for best in class specialist managers for each asset class.

Underlying assets – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

Why does the Trustees believe voting and engagement is important?

The Trustees' view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustees further believes that voting and engagement are important tools to influence these issues.

The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors, voting and engagement in its processes.

The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

What are the Trustees' voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting, the Trustees expect investment managers to address broad ESG considerations, but has identified climate change, biodiversity and human

and labour rights as the key stewardship priorities for the Trustees.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustees expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are particularly influential to outcomes, the Trustees expect the Fiduciary Manager to engage with investment managers to improve their processes.

What training have the Trustees received over the year?

To ensure the Trustees are kept up to date with best practice in ESG considerations, voting and engagement the Trustees received the following training over the year:

- Information on stewardship, recent regulatory guidance, and the various stewardship priorities that the Trustees should consider.
- How to incorporate sustainable investment principles into the Scheme's investment strategy to enhance long-term value while promoting ESG objectives.

What are the Fiduciary Manager's policies?

Climate change and net zero pledge

The Trustees believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in the portfolios that it manages including the Scheme's.

Public policy and corporate engagement

The Fiduciary Manager partners with EOS at Federated Hermes, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustees).

Some highlights from 2023 include:

- Engagements with 1,041 companies on a total of 4,272 issues and objectives.
- 31 responses to consultations or proactive equivalents and 90 discussions with relevant regulators and stakeholders.
- Voting recommendations on 128,101 resolutions, with 22,716 against management.
- Active participation in a range of global stewardship initiatives.

Industry collaboration initiatives

The Fiduciary Manager engages in several industry initiatives including:

- Signatory of the UK Stewardship Code
- Co-founder of the Net Zero Investment Consultants Initiative
- Member of Net Zero Asset Managers Initiative
- Signatory of the Principles for Responsible Investment (PRI)
- Member of the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founder of the Investment Consultants Sustainability Working Group
- Founding member of The Diversity Project
- Supporter of the Transition Pathway Initiative
- Collaboration through the Thinking Ahead Institute and Willis Research Network

How does the Fiduciary Manager assess the investment managers?

Investment manager appointment - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2023 the Fiduciary manager conducted engagements with over 150 managers on sustainability and stewardship.

Investment manager monitoring - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis.

Investment manager termination - The Fiduciary Manager engages with investment managers to improve their practices and has been increasing the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

Example of engagement carried out over the year

High yield manager Environment - Climate issue

This manager is an underlying exposure that sits within the core diversified fund.

Issue: As the Fiduciary Manager increased its minimum standards and expectations over time in relation to SI, this manager became a clear laggard relative to other exposures in the portfolio, lacking a framework for both ESG integration and engagement. The Fiduciary Manager communicated its concerns with the manager who committed to a plan to significantly improve their capabilities and resources spent here. During this process, the Fiduciary Manager stopped allocating new capital to this manager.

Outcome: The manager has now made significant process on their SI capabilities, as well as the commitments made as part of the engagement process. They have developed a new ESG integration framework, as well as a checklist for both new and existing investments to ensure all holdings are analyzed using correct ESG data sources, and any concerns are documented. They have also started producing ESG reporting, such as emissions at a portfolio level.

The manager has now also shown a number of positive ESG engagement examples with underlying holdings. Whilst this remains a work in progress, this has become a much greater focus for analysts at the firm, which is viewed positively.

Equity manager General ESG issue

This manager is an underlying exposure that sits within the global equity focus fund.

Issue: Concerns over engagement reporting and reassessment of ESG integration

Outcome: Reporting transparency on ESG front was lagging in the past year. Manager developed an engagement tracker which will assist client reporting and they appeared willing to provide more transparency. Also, the manager re-assessed their ESG integration and stewardship practices which are acceptable.

Emerging Market Debt manager Environment - Climate issue

This manager is an underlying exposure that sits within the core diversified fund.

Issue: While we know anecdotally that the manager's underlying fund is engaging robustly with certain issuers, we have asked for regular and consistent engagement reporting to evidence this and ensure the engagement is not selective or ad-hoc.

Outcome: We are agreeing a template that we believe provides sufficient evidence of ongoing actions and follow ups. This will be included in quarterly reporting packs for WTW.

What are the voting statistics we provide?

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity investment managers.

Responses received are provided in the following pages. The Trustees used the following criteria to determine the most significant votes:

- Trustees' stewardship priorities (climate change, biodiversity and human and labour rights)
- Financial outcome for members, including the size of holding

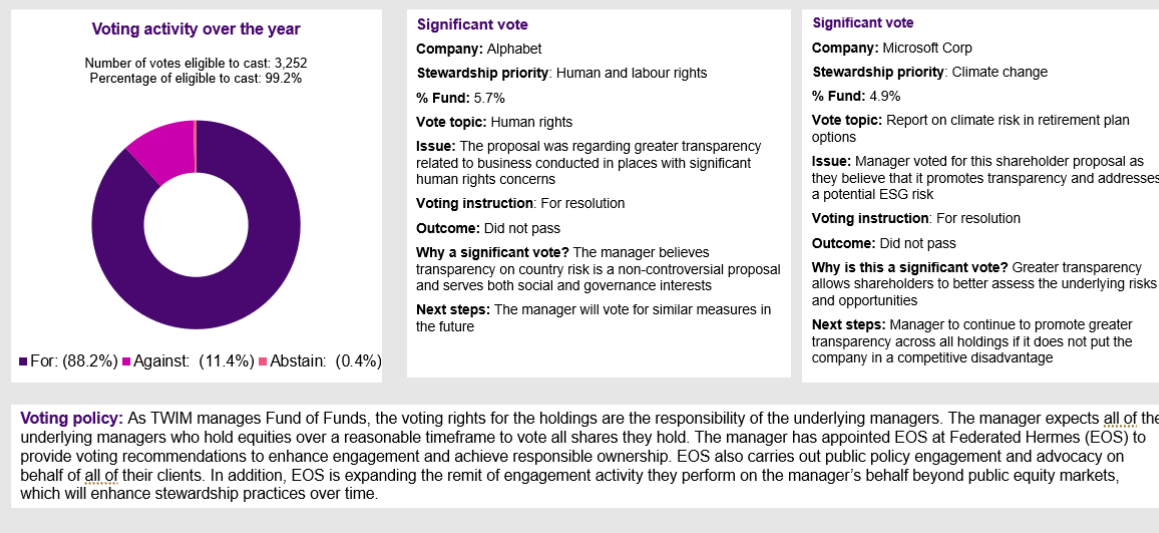
The Scheme is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustees has decided not to publicly disclose active investment manager names as the Trustees believes this could impact the investment manager's ability to generate the best investment outcome.

In conclusion...

...The Trustees are satisfied that over the year, all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

Towers Watson Investment Management – Global Equity Focus Fund

Voting activity over the year



Towers Watson Investment Management – Core Diversified Fund

Voting activity over the year

