

DB Implementation Statement (“IS”)

GKN Group Pension Scheme (No.1) (the “Scheme”)

Scheme Year End – 5 April 2025

The purpose of the document is for us, the Trustee of the GKN Group Pension Scheme (No.1), to explain what we have done during the year ending 5 April 2025 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP over the year
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

The Fiduciary Manager (“Cardano”) has gathered information from the underlying asset managers and has drafted the engagement information and examples included in this document. We believe that Cardano was able to disclose good evidence of engagement activity, and what has been provided by Cardano is sufficient to give the us comfort that our Stewardship policy is being implemented.

There were no material equity holdings during the reporting period, due to which details on the voting activity have been excluded from this document.

Additionally, a separate Implementation Statement (IS) has been prepared for the Scheme’s Defined Contribution (DC) assets.

Our fiduciary manager’s engagement activity

The Trustees delegate the management of the Scheme's defined benefit assets to our Fiduciary Manager, Cardano. Cardano manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and liability matching funds. Cardano selects the underlying investment managers on our behalf.

The Trustees delegate monitoring of ESG integration and stewardship of the underlying managers to Cardano.

Summary of changes to the SIP over the year

The Trustee has a policy to review the SIP formally at least every three years, or after any significant change in investment strategy or member demographics. There were no significant changes to the SIP in the twelve months ending 5 April 2025.

How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

Strategy: The Return Objective and Risk Statement have been set by the Trustee on the basis of an assessment of the Scheme’s current position and consideration of future uncertain events. This involved looking at the Trustee’s overall objectives for the Scheme, the Statement of Funding Principles and Scheme’s financial position (including the strength of their sponsoring employer’s covenant). In addition to qualitative assessments the Trustee also used asset-liability modelling techniques. As part of this exercise a number of assumptions were made in relation to the level and timing of future contributions.	The Trustees review the target return of the portfolio on an annual basis considering the funding level of the Scheme (technical provisions) and longer term funding objectives. The Trustees reviewed the target return and risk tolerance in March 2025 and concluded the strategy remained appropriate.
Rebalancing the portfolio	Delegated to Fiduciary Manager.
Costs Monitoring: The Trustee is aware of the importance of monitoring their Fiduciary Manager and other Investment Managers’ total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the Scheme’s Investment Managers that can increase the overall cost incurred by their investments.	The Trustee received the annual cost transparency reports from the Fiduciary Manager. These reports presented information in line with prevailing regulatory requirements for fiduciary managers.
Environmental, Social and Governance factors: The Trustee considers the Scheme to be an ongoing scheme and therefore has a long term time horizon for their portfolio, based on the expected term until benefits cease to be required to be paid from the Scheme. As such, the Trustee acknowledges the importance of being a responsible investor. The Trustee considers responsible investment to be the integration of environmental, social and governance factors (ESG) in investment decisions in respect of the portfolio where financial risk and/or return is or could be materially affected..	The Trustee published its second Taskforce on Climate Related Financial Disclosure (TCFD) report for the period to 5 April 2024 which includes information on the carbon emissions profile of the Scheme's investments and how resilient the Scheme’s investments are across various climate change scenarios.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Stewardship: The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries	Cardano provide data as part of Ongoing Monitoring to confirm this policy is being implemented as expected. The Implementation Statement, including Stewardship, for year ending 5 April 2024 was reviewed and signed off in line with annual Trustee Report and Accounts.
Governance: The Trustee has ultimate responsibility for the management of the investment arrangements of the Scheme and its assets. In discharging these responsibilities, the Trustee has established clear Investment Objectives setting out what they are aiming to achieve.	The Trustee met with the Fiduciary Manager and advisers on a quarterly basis to receive updates on the performance against the specified Investment Objectives as well as the other main policies.

The Scheme's SIP can be found: <https://uat.gknpensions.co.uk/index.html>

Ongoing monitoring

The Trustee discusses a quarterly investment report at Trustee meetings. Amongst other analysis, the report includes Environmental, Social & Governance (or 'ESG') ratings which rate the manager on their approach to ESG, provide an indication of their momentum in this area, and specify whether the manager can be thought of as high or low focus with regards to ESG. These ratings are updated by Cardano on a quarterly basis to reflect the most updated information.

Through their Fiduciary Manager, the Trustee monitors the voting and engagement activity of all investment managers. Some managers don't own material exposures to assets such as physical equities, which carry voting rights, or corporate bonds and therefore stewardship is less likely to be relevant or significant. A material proportion of the Schemes assets are invested in UK Government bonds (or 'gilts') and derivative instruments which carry no voting rights and where engagement and stewardship are of limited, or no, applicability.

We believe Cardano is using its resources to effectively influence positive outcomes in the funds in which it invests. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Training

The Trustees participate in responsible investment training sessions with their investment advisors as and when necessary including the preparation of Task Force on Climate-related Financial Disclosures ("TCFD") and other regulatory changes in this area.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our manager's engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's fiduciary manager.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund level	Firm level	
Cardano	<i>Not provided</i>	310	Environment – Climate change; Natural resource use/impact (e.g., water, biodiversity); Pollution, Waste
			Social – Human and labour rights (e.g., supply chain rights, community relations); Human capital management (e.g., inclusion & diversity, employee terms, safety); Public Health
			Strategy, Financial and Reporting – Reporting (e.g., audit, accounting, sustainability reporting)
			Other – Animal welfare

Source: Fiduciary Manager. The information above is for the most recent calendar year available.

Data limitations

Cardano has gathered information from the underlying asset managers and has drafted the engagement information and examples included in this document.

This report does not include commentary on certain asset classes, such as liability-driven investments, Government bonds (such as UK 'gilts') or cash, because of the limited materiality of stewardship to these asset classes. Additionally, it does not include commentary on assets where any given underlying holdings did not constitute a significant proportion of the Scheme's assets over the reporting period, such as equities. Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Engagement Examples

The following case studies provided by the Fiduciary Manager demonstrates the types of engagement activity being carried out on behalf of the Trustee.

Wording provided directly by the Fiduciary Manager.

Barings	Engagement Theme	Climate Crisis
	Industry	Maritime
	Engagement Activity	Barings holds an investment in a global tugboats business with a large fleet operating from a network of ports. Due diligence on the issuer by their investment analyst highlighted areas of potential improvement on environmental topics. Environmental standards are expected to become increasingly important for port tender renewals requiring a leading environmental profile to reduce operational and financial risk. Barings undertook an engagement with the CEO and CFO at a conference event regarding emissions reduction. It requested that (i) the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions (ii) the company explores options for use of lower emissions fuel types on new vessels and its existing fleet. This is viewed as a multi-year engagement request with regular semi-annual interactions with senior management expected.
	Outcome	Company is planning to incorporate an environmental strategy with key performance indicators ('KPIs') on issues raised through engagement in their 2024 sustainability report.
BlackRock	Engagement Theme	Climate Crisis
	Industry	Metals
	Engagement Activity	BlackRock has engaged with a leading specialty metals producer primarily serving the commercial aerospace market. The company has undergone a multi-year transformation, shifting away from its lower-quality, carbon-intensive commodity steel operations to focus on higher-value, specialty titanium products for the aerospace sector. Through ongoing engagement, BlackRock has worked collaboratively with management to enhance the company's business mix, operational quality, and cost efficiency. These improvements have also led to better environmental and social outcomes, including reduced carbon emissions, more efficient water use, and stronger health and safety standards. As a result, the company achieved an improved MSCI ESG rating of 'A' and delivered material value creation through enhanced margins, revenue growth, and increased business resilience.
	Outcome	Improved water usage and carbon emissions through higher quality materials.
Cardano	Engagement Theme	Climate Crisis
	Industry	Chemical Sector
	Engagement Activity	Cardano has engaged with a portfolio company in the chemical sector on its decarbonisation strategy, as part of a coalition of investors led by ShareAction.

		This company has been identified as one where progress has been particularly slow - especially in setting a comprehensive Scope 3 emissions target. In response, Cardano and fellow investors escalated the engagement by adopting a multi-pronged approach, including the filing of a shareholder resolution calling for the company to set a Scope 3 target.
	Outcome	Following the shareholder resolution, a dialogue was held with the company's CEO, and the Norwegian government a significant share of the company, was also engaged regarding the company's Scope 3 emissions. Cardano continues to actively participate in the ShareAction led coalition and is considering further escalation.
AllianceBernstein	Engagement Theme	Human Rights
	Industry	Healthcare
	Engagement Activity	AllianceBernstein has engaged with a pharmaceutical company to understand its strategy for expanding access to its cervical cancer vaccine, particularly in emerging markets such as China, where much of the growth is occurring. The company has been scaling up its manufacturing capacity to increase supply, which should improve vaccine availability in low- and middle-income countries.
		In its most recent engagement with company management, AllianceBernstein learned that the vaccine is still unlikely to reach many higher-need, lower-income populations. However, the company recently disclosed a commitment to provide 91.5 million doses between 2021 and 2025, aimed at improving accessibility in these markets. It also expressed an intention to explore alternative manufacturing strategies to help close the access gap in developing nations.
	Outcome	Company disclosed that it will provide 91.5 million doses of the vaccine, improving accessibility to developing nations.
Kadensa	Engagement Theme	Climate Crisis
	Industry	Consumer Discretionary
	Engagement Activity	Kadensa has engaged with the company with an aim to improve their ESG practices with a particular focus around (i) packaging material and waste; (ii) water stress; and (iii) health/nutrition (high sugar content drinks). The company has shared targets on plastics recycling (well developed in Japan and Europe, greatly lags in Southeast Asia), and water reduction targets for 2030, and has provided updated metrics on a semi-annual basis. Kadensa will continue to engage and track progress.
		Company has committed to targets to improve recycling and reduce water usage.

Source: Fiduciary Manager