

Implementation Statement (“IS”)

GKN Group Pension Scheme (No.2) (the “Scheme”)

Scheme Year End – 05 April 2024

The purpose of the document is for us, the Trustee of the GKN Group Pension Scheme (No.2), to explain what we have done during the year ending Scheme Year End Date 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.

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 2024.

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.

<p>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.</p>	<p>The Trustees review the target return of the portfolio on an annual basis considering the funding level of the Scheme and current (technical provisions) and longer term funding objectives. The Trustees reviewed the target return and risk tolerance in H1 2024 and concluded the return and hedging targets remained appropriate in the short term. An ongoing review of the long term investment strategy is being completed over H2 2024.</p>
<p>Rebalancing the portfolio</p> <p>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.</p>	<p>Delegated to Fiduciary Manager.</p> <p>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.</p>
<p>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..</p>	<p>On a quarterly basis, the Trustee receives and reviews the reporting provided by the Fiduciary Manager including data on sustainability, climate risks, and engagements statistics. The manager also reporting quarterly on ESG ratings of the underlying managers included within the portfolio.</p>

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.

<p>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</p>	<p>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 2023 was reviewed and signed off in line with annual Trustee Report and Accounts.,</p>
<p>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.</p>	<p>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.</p>

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

During the year, the Trustee Directors received training on ESG and stewardship topics, and updated our policies in relation to these to ensure in line with industry best practice.

The Trustees participate in responsible investment training sessions with their investment advisors as and when necessary.

The Trustee has also received training on climate risk, including the 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 managers' 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 specific	Firm level	
Cardano	<i>Not provided</i>	477	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), Inequality, Public Health Strategy, Financial and Reporting – Risk management (e.g., operational risks, cyber/information security, product risks), 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 voting and 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.

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.

Cardano Global Sustainable Equity Fund	Engagement Theme	Living Wages
	Industry	Retail
	Engagement activity	<p>Cardano co-filed a resolution to encourage Sainsbury's to pay their employees a real living wage. The resolution was co-filed with the Share Action Good Work Coalition, which engages companies to push for better working practices.</p> <p>There is a strong business case to say that companies with strong labour rights, policies and practices, including the provision of a real living wage, have a competitive advantage to attract and keep skilled employees.</p> <p>The resolution gathered 17% of shareholder support at the AGM and the announcement to pay all direct Sainsbury's employees a real live wage meant a pay rise for around 19,000 workers.</p>
	Outcome	During engagement discussions, Sainsbury's announced a rise in its hourly rates for London based employees and all direct employees were receiving, at a minimum, the real living wage rates for the year
Barings	Engagement Theme	Climate Change
	Industry	Banks
	Engagement activity	<p>Engaged with senior management of emerging markets banks, based on their response to the climate risk questionnaire. This has included conversations related to reporting their financed emissions disclosures and setting up credible Science Based Targets for reduction in the carbon footprint disclosed.</p> <p>Going forward, Barings will work with the EMIA Financial Sector Working Group to increase the scope of banks engaged with, 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).</p>
	Outcome	Positive responses from banks in completing the questionnaire and engaging in follow-up dialogue
Egerton	Engagement Theme	Climate Change
	Industry	Railways
	Engagement activity	Egerton frequently engages with a holding company on topics across governance and sustainability as it believes improvements in these areas have the ability to drive shareholder value as well as bring about benefits to various stakeholders. In addition to discussing board structure and diversity initiatives, Egerton has continued to support and push for sustainability goals, including voting with a shareholder proposal for the company's board of directors to produce a greenhouse gas emission levels reduction plan, and to report annually on the progress made towards such

		<p>plan. Other environmental initiatives Egerton continues to support are the build out of solar farms to reduce its carbon emissions, and a longer-term project to design and develop North America's first hydrogen-powered freight locomotive.</p> <p>Egerton's engagement is ongoing and there are frequent meetings with the company.</p>
	Outcome	The changes being implemented by the company have resulted in improved ratings from each of the major sustainability rating firms.
Kadensa	Engagement Theme	Climate Crisis
	Industry	Manufacturing
	Engagement activity	<p>Following on from a low ESG rating, Kadensa have engaged with the senior management of an underlying company to assess the management's plan and commitment to address their low rating and track progress.</p> <p>The underlying company had received a low ESG rating despite efforts to integrate ESG within their business. Over recent years, management had focussed on increasing ESG integration through initiatives at product level (launched EV and hybrid options), factory level (renewable energy installation), and staff level (encouraging employees to commute more sustainably).</p> <p>Through repeated meetings, Kadensa have confirmed with the company that they will connect with relevant ESG rating agencies to communicate their ESG efforts and understand the rating agencies' best practices.</p> <p>Most recently the company have confirmed that they have invited the ESG ratings agencies to visit their factory to learn about their ESG initiatives to the hopes to improve their rating</p>
	Outcome	The company has engaged with ESG rating agencies to seek to improve upon their low ESG rating
Wellington	Engagement Theme	Climate change
	Industry	Agriculture
	Engagement activity	<p>Following on from a low ESG rating, Kadensa have engaged with the senior management of an underlying company to assess the management's plan and commitment to address their low rating and track progress.</p> <p>The underlying company had received a low ESG rating despite efforts to integrate ESG within their business. Over recent years, management had focussed on increasing ESG integration through initiatives at product level (launched EV and hybrid options), factory level (renewable energy installation), and staff level (encouraging employees to commute more sustainably).</p> <p>Through repeated meetings, Kadensa have confirmed with the company that they will connect with relevant ESG rating agencies to communicate their ESG efforts and understand the rating agencies' best practices.</p> <p>Most recently the company have confirmed that they have invited the ESG ratings agencies to visit their factory to learn</p>

	about their ESG initiatives to the hopes to improve their rating
Outcome	Wellington will continue to meet with the company regularly to measure their development in ESG initiatives

Source: *Fiduciary Manager*