

Acer Group Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 31 March 2024**

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1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Acer Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 31 March 2024.

The purpose of this statement is to set out:

- How, and the extent to which, in the opinion of the trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year; and,
- A description of voting behaviour (including the “most significant” votes made by or on behalf of the Trustees) during the year and state any use of services of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegates some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustees’ SIP.

The latest available SIP and relevant for the period is the SIP dated November 2023. A copy of this document alongside a copy of this implementation statement have been made available on the following website:

<https://www.arcadis.com/en-gb/about-us/business-practices/pension-statement-of-investment-principles>

2. Adherence to the SIP: Voting and engagement

As set out above, the Trustees have delegated responsibility to the Fiduciary Manager to implement the agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

The Trustees’ view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors 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.

The Trustees believe climate change is the single biggest ESG risk and therefore requires specific focus within the investment process. The Trustee has also identified board ethics, biodiversity and diversity, equity and inclusion, as other key stewardship priorities. The Fiduciary Manager has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in all its fully discretionary delegated investment portfolios.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to Sustainable Investment (“SI”) (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

Assessing the Fiduciary Manager’s incorporation of sustainability into their investment process along with consideration of ESG factors was a key factor in the Trustees’ decision to appoint WTW. Since their appointment, the Trustees have worked with WTW to gain a better understanding of their engagement and voting policy, as well having broader sustainability training that assisted in the process of creating a separate sustainable investment policy document, which sets out the Trustees’ views and ambitions with regards to sustainable investments.

Company level engagement and rights attached to investments (including voting):

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme’s investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme’s investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers’ policies and activities in relation to Environmental, Social and Governance (ESG) and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager’s appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme’s equity managers (including listed infrastructure and real estate) as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. For the most significant votes, we have highlighted those below that the Trustees considers most significant, in line with stewardship and voting priorities. The significant votes

set out below are from the equity manager with the largest exposure in the Scheme, specifically, the Global Equity Focus Fund.

Further information on the voting and engagement activities of the managers is provided in the table below. The Scheme's equity holdings are invested across four pooled funds:

- Towers Watson Investment Management (“TWIM”) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active Chinese equity fund
- SSGA - Heitman Global Prime Property Securities Index (AMX)– a global equity fund focused on businesses related to prime properties.
- SSGA – Infrastructure Equity MFG Index (AMX) – a global equity fund focused on businesses related to core infrastructure.

As outlined above, the Scheme is invested in both active and passive equity funds. For the active funds, the Trustees have decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM and Manager A. Given the nature of these investments, the Trustees believe that publicly disclosing the names of the Scheme's investment managers could impact the investment manager's ability to generate the best investment outcome for the Scheme and ultimately, the Scheme's members.

The Trustees delegate the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment managers. The Fiduciary Manager has assessed the investment manager's voting policy as part of its overall assessment of the investment manager's capabilities. The Fiduciary Manager considered the policy to be appropriate, and consistent with the Trustees' policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Fiduciary Manager's partnership with EOS at Federated Hermes (see below).

| Manager and strategy | Portfolio structure | Voting activity (as at March 2024) |
|---|---|---|
| Towers Watson Investment Management Global Equity Focus Fund | Pooled multi-manager equity fund | Number of meetings at which the manager was eligible to vote: 167 Number of resolutions on which manager was eligible to vote: 3,252 Percentage of eligible votes cast: 99% Percentage of votes with management: 88% Percentage of votes against management: 11% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 59% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10% |
| Use of proxy voting | The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote investors' shares. TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers are ultimately responsible for the votes. | |

| Manager and strategy | Portfolio structure | Voting activity (as at March 2024) |
|--|--|--|
| Manager A – an active Chinese equity fund | Pooled equity fund | Number of meetings at which the manager was eligible to vote: 104 Number of resolutions on which manager was eligible to vote: 853 Percentage of eligible votes cast: 100% Percentage of votes with management: 96% Percentage of votes against management: 4% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 20% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9% |
| Use of proxy voting | The manager uses Glass Lewis' voting recommendation service. | |

| Manager and strategy | Portfolio structure | Voting activity (as at March 2024) |
|---|---------------------|--|
| SSgA Heitman Global Prime Property Securities AMX Fund | Pooled equity fund | Number of meetings at which the manager was eligible to vote: 70 Number of resolutions on which manager was eligible to vote: 869 Percentage of eligible votes cast: 98% Percentage of votes with management: 93% Percentage of votes against management: 7% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 52% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7% |
| SSgA MFG Core Infrastructure AMX Fund | Pooled equity fund | Number of meetings at which the manager was eligible to vote: 85 Number of resolutions on which manager was eligible to vote: 1,164 Percentage of eligible votes cast: 100% Percentage of votes with management: 85% Percentage of votes against management: 14% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 76% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 1% |

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| Use of proxy voting | <p>The Manager has contracted Institutional Shareholder Services (ISS) to assist with managing the voting process at shareholder meetings.</p> <p>They use ISS to:</p> <ul style="list-style-type: none"> (1) act as proxy voting agent (providing the manager with vote execution and administration services); (2) assist in applying their voting guidelines; (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and; (4) provide proxy voting guidelines in limited circumstances <p>In addition, they also have access to Glass Lewis and region specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complements the manager's in-house analysis of companies and individual ballot items. All final voting decisions are based on their proxy voting policies and in-house operational guidelines.</p> |
|----------------------------|---|

Most significant votes:

| Coverage in portfolio | Size of holdings | Most significant votes cast |
|---|-------------------------|---|
| Towers Watson Investment Management Global Equity Focused Fund | 5.7% | <p><u>Company: Alphabet</u></p> <p>Resolution: Human rights</p> <p>How the manager voted: For shareholder's proposal, against management recommendation</p> <p>Rationale for the voting decision: The manager believes transparency on country risk is a non-controversial proposal and serves both Social and Governance interests.</p> <p>Rationale for being considered a significant vote: The proposal focused on increasing transparency around business activities in regions with significant human rights concerns.</p> <p>Outcome of the vote: Against</p> |
| Towers Watson Investment Management Global Equity Focused Fund | 4.9% | <p><u>Company: Microsoft Corp</u></p> <p>Resolution: Report on climate risk in retirement plan options</p> <p>How the manager voted: Against</p> <p>Rationale for the voting decision: The manager voted for this shareholder proposal as they believe that it promotes transparency and addresses a potential ESG risk.</p> <p>Rationale for being considered a significant vote: The manager believes that greater transparency (as long as it does not put the company at a competitive disadvantage) is in the interest of shareholders in the long run. Therefore, they continue to promote this practice across all holdings.</p> <p>Outcome of the vote: Against</p> |
| Towers Watson Investment Management Global Equity Focused Fund | 0.8% | <p><u>Company: TotalEnergies SE</u></p> <p>Resolution: Align targets for indirect Scope 3 emissions with the Paris Climate Agreement</p> |

| | | |
|--|--|--|
| | | <p>How the manager voted: For shareholder’s proposal, against management recommendation</p> <p>Rationale for the voting decision: The manager voted for this proposal, as its adoption would help to strengthen the company's efforts to reduce its carbon footprint and align its Scope 3 emission targets with Paris Agreement goals. This proposal would allow investors to better understand how the company is managing both its transition to a low carbon economy and its climate change-related risks</p> <p>Rationale for being considered a significant vote: Vote on climate related or social proposals. Vote against management</p> <p>Outcome of the vote: Against</p> |
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Industry wide / public policy engagement

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustees). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS’ services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS’ activities over 2023:

- 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.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements 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

3. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.