



Binding Site Limited Pension Fund ('Scheme')

30 September 2022 Implementation
Statement

February 2023

Schroders' Solutions Disclaimer:

The Implementation Statement is a regulatory requirement under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts the Trustee at risk of breaching your legal duties.

This is a Trustee document and the Trustee must review the Implementation Statement draft, provided by its investment adviser, and confirm that they have considered the content prepared and reviewed any associated documentation such as voting policies.

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the Binding Site Limited Pension Fund (the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 30 September 2022, and the changes made were predominantly to reflect the appointment of Schroders IS Limited (formerly River and Mercantile Investments Limited) as the Scheme's Fiduciary Manager, as well as to incorporate regulatory requirements and guidance.

This SIP came into force from November 2021.

A copy of the current SIP signed and dated 26 November 2021 can be found here:

<https://www.bindingsite.com/en/legal>

This Implementation Statement covers the Scheme year from 1 October 2021 to 30 September 2022 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website:

<https://www.bindingsite.com/en/legal>

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustee's policies on exercising voting rights and engagement are set out in the SIP. The Trustee changed the voting and engagement policies contained in the SIP during the year, to reflect the delegation of many day-to-day investment decisions to Schroders IS Limited as Fiduciary Manager, including delegation of decision on many ESG factors, as set out below. They will keep these policies under review.

The Trustee retains the Fiduciary Management¹ service of **Schroders IS Limited**, formerly known as **River and Mercantile Investments Limited**, as their Investment Manager and Adviser (it is referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "**Underlying Investment Managers**").

Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then.

- Signatory to the UK Stewardship code
- A+ rating for UN Principles for Responsible Investment
- A- rating for Carbon Disclosure Project
- Advanced ESG recognition from Morningstar
- Best Investor Engagement recognition from IR Society Best Practice Award for 2021

A copy of the SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee's policies on corporate governance and other financially material considerations when providing Fiduciary Management services. In particular, the Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, when choosing new or monitoring existing Underlying Investment Managers.

The Trustee believes it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. Similarly, the Trustee has not sought to set their own voting policy, a position they do not intend to change at this time.

Investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With these funds, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager.

The Trustee has received trainings on the latest regulatory update from Depart for Work and Pensions and ensured that their stewardship priorities align with their Fiduciary Manager's engagement themes over the Scheme Year. The Trustee believes the Fiduciary Manager's engagement themes/priorities (listed in section 3) are issues which are material to the long-term value of the investments. The Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders and by strengthening relationships with these stakeholders, business models become more sustainable.

¹ The Fiduciary Manager was acquired by Schroders Group on 1 February 2022, so two sets of engagement priorities/themes were applicable to the Scheme during the Scheme Year. Details of both sets of engagement themes can be found in the next section. Going forward, the Fiduciary Manager's engagement priorities will be aligned with the priorities of the broader Schroders Group.

The Trustee believes the current approach to stewardship is in members' and beneficiaries' best interest, as the voting and engagement carried out by both Fiduciary Manager and Underlying Investment Managers is

expected to improve ESG related risk management and climate risk, and ultimately this is expected improve the financial outcome for the Scheme's members.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year.

The Trustee reviewed the Fiduciary Manager's Annual ESG report and ensured it was satisfied with the actions taken on its behalf in relation to ESG integration within the investments and stewardship activity.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

The Trustee has identified areas in which it can enhance its stewardship activities in the following scheme year by:

- Reviewing the Fiduciary Manager's (Schroders Solutions) latest ESG-related policies.
- Continuing to review the Fiduciary Manager on its ESG integration and its own stewardship activities over the year.

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon (“BNYM”), uses a proxy voting company called Institutional Shareholder Services (“ISS”) to exercise these rights on its behalf and monitors ISS’s activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- There are two set of engagement priorities/themes from the Fiduciary Manager which the Trustee considered in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustee, voted and engaged with the investee companies. Those engagement priorities and themes are set out below:
 - For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions’ going forward given the acquisition of the business):
 - **E** - Climate change: carbon emissions and footprint of our funds
 - **S** - Human capital: employee engagement and satisfaction
 - **G** - Corporate governance: board composition, executive pay / compensation
 - For Schroder Solutions’ engagement themes (from February 2022 onwards):
 - **Climate:** Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
 - **Natural Capital and Biodiversity:** Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
 - **Human Rights:** Overarching approach to human rights, workers and communities, customers and consumers

- **Human Capital Management:** Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
- **Diversity and Inclusion:** Board diversity and inclusion, executive & Workforce diversity and inclusion
- **Corporate Governance:** Board and management, executive remuneration, relationship with shareholders
- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, and corporate governance. Executive pay, board diversity and improving social outcomes were the other main themes identified - in line with the Fiduciary Manager's engagement priorities set out above.
- On behalf of the Trustee, the Scheme's Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
- As a result of the Russia-Ukraine war, the Fiduciary Manager has implemented a no-Russia investments policy, and by the end of March 2021, Schroders Solutions had begun removing any Russia exposures from the portfolio and engaging with underlying managers who continue to hold exposures. The Trustee is supportive of this approach and receives updates from the Fiduciary Manager on the success of its engagements in this area. An example where the Fiduciary Manager has been successful with engaging with underlying managers is with a hedge fund manager within the alternatives allocation of the Fiduciary portfolio. As a result of the recent engagement with the manager seeking to maintain client investment without exposure to certain Russian assets, the fund now has no exposure to Russia and Belarus and the exclusion of cannabis companies. Additionally, all existing fund terms remain unchanged (fees, liquidity, valuation methodology).

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

- Within the Scheme's portfolio, **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in return-seeking equity assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on areas largely in line with Schroders Solutions' engagement themes. The BNYM annual 2021 and semi-annual 2022 proxy voting reports (links included in Appendix) were reviewed by the Trustee. The proxy voting report includes details of the significant votes and engagement examples covering a board range of underlying investment companies.
- An example would be their engagement with an is an American multinational food processing and commodities trading corporation. In May 2022, BNYM voted for a shareholder proposal requesting that the company report on how the company is measuring its use of pesticides that cause harm to human health and environment in its agricultural supply chains. The company does not currently provide targets on pesticide use which lagged its peers. Although the proposal did not pass, Mellon will continue to engage with the company to disclose more information on how the company is managing supply chain risks around this topic.
- For the largest mandate within the return-seeking credit assets, engagement on improving risk controls and governance structure was noted as a significant example. The manager engaged with a leading global aerospace company on factors to which MSCI assigned a Very Severe Controversy flag. Through continued engagement over a 4 year period, the company has addressed the manager's concerns regarding its governance and risk controls. An example of the engagement's success was the change in Executive compensation to having an increased focus on operational performance tied to product safety, employee safety and quality, along with climate and DEI criteria. Additionally the company improved risk controls following their engagement with the manager, by implementing safety and quality management systems along with creating an independently managed safety committee.
- In relation to the liability hedging mandate, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of

factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. The Liability Hedging Manager invested on the Scheme's behalf in green gilts, which can be seen as a vote in favour of the UK Government's commitments to achieving the Paris Agreement goals.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting regarding the Scheme's investments relate to underlying securities investment via pooled funds managed by Underlying Investment Managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 30 September 2022, the Fiduciary Manager voted on 67 resolutions across 22 meetings. The Fiduciary Manager voted against management on 7 resolutions which was 10.4% of total resolutions and abstained on 2 resolutions (3.0% of the total resolutions).

The Schroders IS Investment Research team engaged with Underlying Investment Managers regarding their clients' pooled fund investment on 67 resolutions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided.
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plan to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

Top engagement themes	
Manager A – Equity	<ul style="list-style-type: none">▪ Board independence and diversity▪ Incorporating ESG into employee training and appraisals/remuneration▪ Voting policy and engagement processes
Manager B – Alternatives	<ul style="list-style-type: none">▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies▪ Board independence and diversity▪ Formalise voting and engagement policy
Manager C – Alternatives	<ul style="list-style-type: none">▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies▪ Formalise voting and engagement policy▪ Formalise ESG investment policy
Manager D – Alternatives	<ul style="list-style-type: none">▪ Formalise diversity policy▪ Formalise voting and engagement policy

	<ul style="list-style-type: none"> ▪ Formalise ESG investment policy
Manager E – Alternatives	<ul style="list-style-type: none"> ▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c. 25 Underlying Managers/Pooled Funds used by the Fiduciary Manager Manager. Set out below is the voting statistics for the most material equity holding that held voting rights during the period, namely the BNY Mellon Global Equity Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

Summary of voting activity – Equity mandates

BNYM Global Equity Fund	
Total meetings eligible to vote	910
Total resolutions eligible to vote	11,462
% of resolutions did you vote on for which you were eligible?	99%
% did vote with management?	91%
% vote against management?	7%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%

Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withheld in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withheld and votes abstained. BNYM also did not vote on 1% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.

3. Examples of most significant votes and engagements carried out by the Underlying Managers

Engagement priorities	Examples
Climate change	Caterpillar, Bank of Montreal, ADM
Human capital	Visa Inc., J Sainsburys
Corporate governance	Equifax, Intel

BNYM Global Equity Fund

Visa, Inc.

Mellon believes that human capital management is an area that should be a focus for all companies regardless of industry or size, as a company's employees are the foundation for their success.

BNY Mellon engaged with the Chief Sustainability Officer and Director of ESG Management at Visa as they wanted an update on the progress being made on the company's public goals of increasing diversity specifically at the VP level and above in the US. They specifically wanted more information on internal leadership development programs and scholarships/internships focusing on diverse students.

In order to better understand how the programs are growing and serving their stated goals, the manager requested specific examples of programs in Visa's disclosures. Mellon plan to continue focussing on the progress and transparency in disclosures from Visa in this area.

Mellon asks companies that they improve their transparency in reporting on human capital-related metrics. If there is a perceived failure of companies adhering to this request, Mellon will take voting action against the board committee responsible for human capital oversight.

Intel Corporation

Remuneration is a key theme Mellon focuses on in engagement as well as voting as they believe that a large amount of shareholder value can be lost through poor remuneration practices and poor executive succession planning. Mellon engages on remuneration with all companies, however puts a specific focus on companies that have failed their advisory votes or where advisory votes receive less than 70% support.

Intel was chosen as an engagement example as Mellon did not support the Company's previous remuneration structure when a new CEO was put into place, and the company failed their advisory remuneration vote.

Engaging with the Compensation Committee Chair; other members of the legal team and the Comp and Benefits team, Mellon inquired as to why Intel did not survey shareholders for their input before the remuneration scheme was put into place.

The outcome of this engagement was positive as the company made changes to the new CEO's remuneration structure. Mellon will continue to monitor remuneration decisions at the company and will withhold support for comp committee members if the company does not stick to their commitment.

EQUIFAX, INC.

Mellon met with Equifax on December 9, 2021. BNY have engaged with Equifax since 2015 to improve compensation practices. As a result of their discussions, Equifax aligned its compensation to have a more performance-based long-term incentive plan (LTIP), in line with Mellon's guidelines. Equifax noted that Underlying Manager's feedback over years of engagement was a catalyst of change for its compensation structure.

ARCHER-DANIELS-MIDLAND COMPANY

In May 2022, Mellon supported a shareholder proposal requesting a report explaining if and how the company is measuring its use of pesticides that cause harm to human health and the environment in its agricultural supply chains. Archer-Daniels-Midland does not currently provide targets on pesticide use when many of their peers do. In instances where supply chain concerns could pose a material risk to a company, Mellon prefer that companies be as transparent as possible in disclosing their processes and data around managing this risk. The proposal did not pass, and we will continue to encourage Archer-Daniels-Midland to disclose more information on how the company is managing supply chain risks around this topic.

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Fiduciary Manager and selected Underlying Investment Managers with material holdings can be found here:

Fiduciary Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html https://www.mellon.com/insights/insights-articles/2022-semi-annual-proxy-voting-report.html
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf