

G4S Pension Scheme

Implementation Statement



cardano

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Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. G4S Trustees Limited (the “Trustee”, “we” or “our”) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the “SIP”) for the G4S Pension Scheme (the “Scheme”) during the accounting year. The Statement covers the Scheme’s three sections; the Securicor Section, the Group 4 Section and the GSL Section, and the Defined Contribution Account. Part A of this Statement covers the three Sections whilst Part B covers the Defined Contribution Account.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Scheme’s investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 31 March 2023 to 31 March 2024.

The Statement is publicly available at www.g4s.com/g4sps

Part A

Executive summary

The day to day management of the Scheme’s assets is delegated to Cardano Risk Management Limited (the “Fiduciary Manager”). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme’s assets and the Fiduciary Manager’s policies were aligned with the Trustee’s own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme’s investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager’s overall assessments once a quarter.

During the year, the Scheme was in the process of undertaking insurance related transactions, which resulted in changes to the investment strategy.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1 What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

1.2 What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Scheme’s investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.”

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, and aim to improve sustainability within the portfolio and have a direct real world impact to our members’ current and future landscape. The Trustee’s three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages gender equality and health & nutrition)

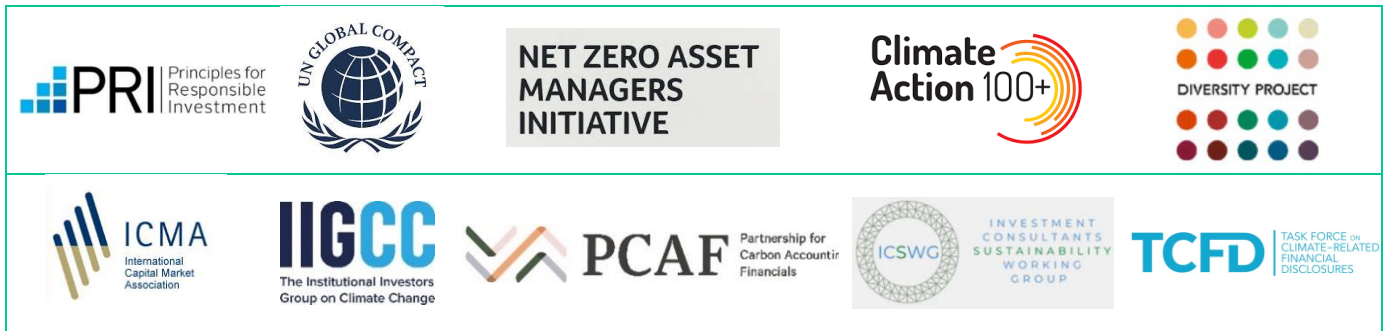
On behalf of the Trustee, the Fiduciary Manager has recently written to the Scheme’s investment managers reaffirming and expanding on the Trustee’s policy and expectations which align with our stewardship priorities. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

1.3 How have we implemented our Stewardship Policy?

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations noted below.



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

Quality over quantity

The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary

Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach. The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate, focusing efforts on managers where voting and engagement is material.

The Scheme invests in a series of Private Market investments. Most of these strategies own controlling stakes in the underlying businesses, meaning that stewardship and engagement is evidenced in a much broader way than, for example, investing in companies listed on a stock market (i.e. public market investments).

One important way for a Private Markets investment manager to add value is to ensure that each business has the best corporate governance possible – dictating and controlling the policies and make up of senior leadership (versus voting at shareholder meetings). Engagement is, therefore, highly relevant in some cases and we include some examples in the relevant section of this report.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising stewardship rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee. Given the activity of the Scheme over the year, as at 31 March 2024, the Scheme held no direct public equity positions. For completeness, we have included some examples of equity holdings that were held for a limited period throughout the Scheme year.

2.1 How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: All investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme. The data in this section represents a selection of managers that were held by the Scheme during the year to 31 March 2024.

Egerton Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	28
Number of resolutions the manager was eligible to vote on over the year	522
% of eligible resolutions the manager voted on	92%
% of votes with management	97%
% of votes against management	2%
% of resolutions the manager abstained from	1%

Kadensa

	Manager response
Number of meetings the manager was eligible to vote at over the year	92
Number of resolutions the manager was eligible to vote on over the year	1604
% of eligible resolutions the manager voted on	100%
% of votes with management	85%
% of votes against management	15%
% of resolutions the manager abstained from	0%

**Data not provided by manager*

2.2 Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager *lacks the resource to research each vote and submit votes*
- The investment manager wants to follow a recognised code of practice and the proxy voting service is *an easy way to implement this*

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions

and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Investment Advisor to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers listed above.

Manager	Use of proxy voting service
Egerton	Utilise ProxyEdge and ProxyVote to cast votes
Kadensa	ISS

2.3 Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

Egerton

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome	Relevant engagement themes
Canadian National Railway	01/04/2023	Shareholder proposal to accept Canadian National Railway's climate action plan	For	For	Climate Crisis

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Public Markets - Egerton Capital

Key points	Engagement activity
<p>Engagement Theme: Human Rights, Climate Change</p> <p>Industry: Railways</p> <p>Outcome: The changes being implemented by the company have resulted in improved ratings from each of the major sustainability rating firms</p>	<p>Egerton frequently engages with a holding company on topics across governance and sustainability as it believes improvements have the ability to drive shareholder value and bring about benefits to various stakeholders.</p> <p>In addition to discussing board structure and diversity initiatives, Egerton has continued to push for sustainability goals, including voting with a proposal for the company's board to produce a greenhouse gas emissions reduction plan, and report annually on progress made towards such a plan.</p> <p>Other environmental initiatives Egerton continues to support are the build out of solar farms and a longer-term project to design and develop North America's first hydrogen-powered freight locomotive.</p>

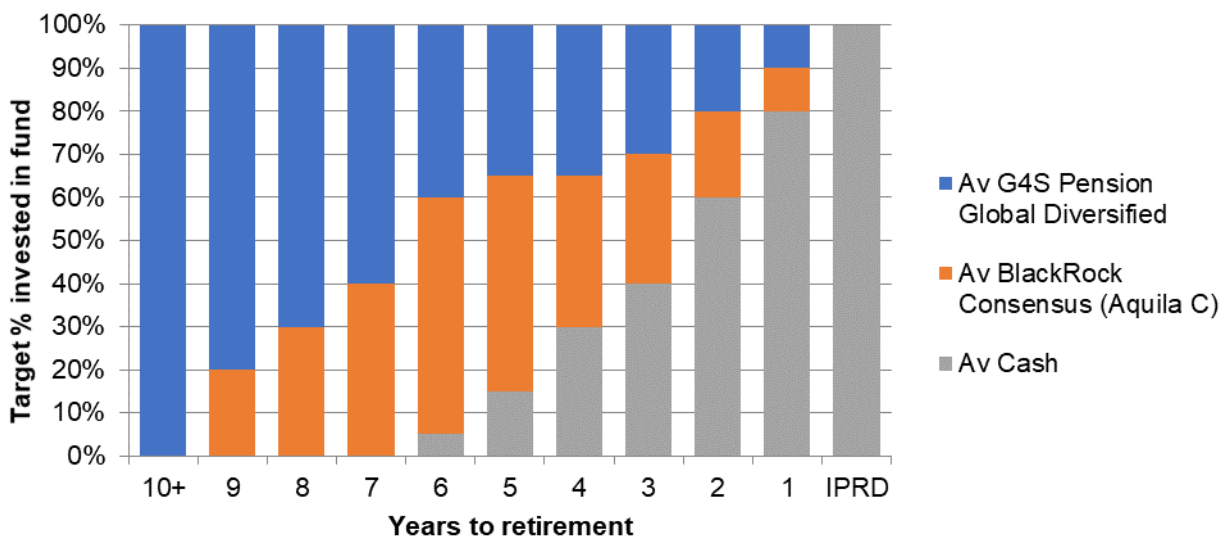
Private Markets - Kitty Hawk

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Education</p> <p>Outcome:</p> <ul style="list-style-type: none"> Formed a plan with the school to remove fossil fuels and integrate renewable energy sources to achieve their carbon neutral goal 	<p>Over the reporting period, Kitty Hawk worked with a school portfolio investment and commissioned an Estate Decarbonisation Plan for one of the schools. The school intends on becoming one of the first carbon neutral school groups in the UK.</p> <p>The comprehensive study reviewed the required activities to remove fossil fuels and integrate renewable energy systems. The recommendations include a mixture of different technologies staged over the next ten years. This would stagger the investment and line the different initiatives up with other parts of the school's maintenance and growth programme.</p> <p>The options have been presented in the Estate Decarbonisation Plan study with support from Kitty Hawk's investment team which may also inform the approaches taken at other schools in the portfolio.</p>

Part B – Aviva DC Assets

The Defined Contribution objective is to provide members with the facility to accumulate additional savings for retirement over and above members' Defined Benefit pension. The Default Strategy is known as the 'Additional Lump Sum Lifetime Investment Programme'. The aim of the default strategy is to grow the capital value of the assets over time balancing risk and return. As a member gets closer to retirement, assets are gradually switched into less volatile holdings, which are also expected to provide lower investment returns.

The progression as the Investment Programme Retirement Date ('IPRD') approaches and funds used are shown below:



The Trustee offers 9 other fund options so that members can tailor their arrangements towards their specific objectives:

1. How did our managers vote?

BlackRock World ex UK Equity Index Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1,946
Number of resolutions the manager was eligible to vote on over the year	25,054
% of eligible resolutions the manager voted on	96%
% of votes with management	68%
% of votes against management	30%
% of resolutions the manager abstained from	2%

BlackRock UK Equity Index Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	683
Number of resolutions the manager was eligible to vote on over the year	10,155
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	4%
% of resolutions the manager abstained from	1%

BlackRock 60/40 Global Equity Index Fund

Number of meetings the manager was eligible to vote at over the year	2,433
Number of resolutions the manager was eligible to vote on over the year	33,147
% of eligible resolutions the manager voted on	97%
% of votes with management	76%
% of votes against management	22%
% of resolutions the manager abstained from	2%

BlackRock Emerging Market Equity Index Fund¹

	Manager response
Number of meetings the manager was eligible to vote at over the year	2,783
Number of resolutions the manager was eligible to vote on over the year	23,079
% of eligible resolutions the manager voted on	98%
% of votes with management	87%
% of votes against management	12%
% of resolutions the manager abstained from	1%

¹ 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 differing ways, or a vote of 'Abstain' is also considered a vote against management.

2. Use of proxy voting services

Manager	Use of proxy voting service
BlackRock World ex UK Equity Index Fund	IVIS, Glass Lewis and MSCI
BlackRock UK Equity Index Fund	Glass Lewis
BlackRock 60/40 Global Equity Index Fund	Glass Lewis
BlackRock Emerging Market Equity Index Fund	ISS and Glass Lewis

3. Examples of significant votes

BlackRock World ex UK Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Nike Inc	12/09/2023	Report on Effectiveness of Supply Chain Management on Equity Goals and Human Rights Commitments	For	<p>The vote for reflected that the report is in the best interest of the shareholders and they would benefit from increased transparency and disclosure on how the company is managing human rights-related risks in its supply chain.</p> <p>The resolution was not approved, however the manager will look for the company to improve their reporting in this area.</p>

BlackRock UK Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Shell Plc	23/05/2023	Approve the Shell Energy Transition Report	For (exceptional)	<p>Whilst certain deficiencies were highlighted, the company adhered to the commitments set out in the 2021 plan, continuing to demonstrate significant progress strengthening its climate ambitions/disclosure to align with shareholder feedback.</p> <p>The resolution passed with 76.6% of the votes cast in support. The vote results suggest that there are several shareholders who are not convinced by Shell's climate action transition plan/progress, and the manager share similar views, hence why they only 'exceptionally supported' the resolution, based on the significant progress over the year. The manager will continue to engage with the company's energy transition progress and updates to its strategy under its new CEO.</p>

BlackRock 60/40 Global Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Unilever Plc	03/05/2023	Approve Remuneration Report	Against	<p>The vote reflected the managers concerns with the incoming CEO's salary being set significantly higher than his predecessors' salary. It is also significantly higher than his current salary and UK market peers. When considering his total package, including bonus opportunities, it is high especially considering his previous pay and that he is not well known to the market. In addition, the salary increase for the CFO is high.</p> <p>The resolution was not passed. The manager met with the board chair ahead of the AGM and have met with the remuneration committee chair post the AGM to discuss their concerns and the company's thinking going forward.</p>

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