IMPLEMENTATION STATEMENT FOR THE YEAR ENDED 5 APRIL 2023

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER

1. Introduction

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

The SIP was updated over the Scheme year, in September 2022. Changes made are detailed in section 2 below. A copy of the current SIP signed and dated September 2022 can be found here:

https://www.futureplanner.co.uk/library/.

This Implementation Statement covers the Scheme year from 6 April 2022 to 5 April 2023. It sets out:

- Details of any review of and/or changes made to the SIP;
- How, including the extent to which, the Scheme's SIP has been followed over the year;
- How, including the extent to which, the Trustee's policies on exercising voting rights and engagement have been followed over the year; and
- The voting by or on behalf of the Trustee, including the most significant votes cast and any use of a proxy.

A new set of guidance ("the Guidance") from the Department for Work and Pensions ("DWP") has been issued with a series of statutory & non-statutory guidance. They aim to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme's SIP. This Implementation Statement has been prepared to provide the details on how the Trustee of the Scheme, with the help of the Scheme's Fiduciary Manager, has complied with the new statutory guidance set by DWP.

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

https://www.futureplanner.co.uk/library/.

Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.

2. Summary of changes to the SIP during the Scheme year

The SIP was last updated in 2022 with changes coming into effect in September 2022. As such, the Trustee has fulfilled its obligation to review the Scheme's SIP at least every three years. The latest update included a note detailing the transfer of the Scheme's deferred members to an external pension arrangement (which took place over the Scheme year). The other changes were immaterial.

3. Implementation of the Trustee's policies during the Scheme year

The following wording sets out the actions taken by the Trustee over the year to 5 April 2023 in order to follow various policies within the SIP.

Investment governance

The Trustee has governed the Scheme in line with the SIP.

The Trustee has met four times over the year to discuss investment matters. This allowed the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the appointed Fiduciary Manager as appropriate. There have been no changes to the Scheme's investment governance policy over the Scheme year.

Over the Scheme year the Trustee received quarterly information on the performance of the investment strategy from the Fiduciary Manager. This information was formally reviewed by the Trustee and discussed with the Fiduciary Manager. During these discussions the Trustee ensured it was clear what the key portfolio activity was over the reporting period and the rationale for any portfolio changes, as well as the key contributors and detractors to investment performance over the period.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

The quarterly investment governance reports the Trustee received from the Fiduciary Manager includes information on the default strategy's exposure to ESG, ethical and carbon risk factors. Based on this ongoing assessment the Trustee is comfortable with the default strategy's level of exposure to these risk factors.

The default arrangement's risk characteristics (volatility of returns) were within tolerances agreed with the Fiduciary Manager. The self-select funds, which comprise passively managed funds, effectively tracked their respective benchmarks gross of fees.

The Trustee is required to review the SIP at least every three years. This was last undertaken in September 2022.

The Trustee is comfortable the investment strategy performed as expected during the Scheme year, given wider market conditions.

Corporate Governance and Stewardship

The SIP sets out how the Trustee delegates responsibility around corporate governance and stewardship to the Fiduciary Manager. The Trustee believes that the specific policies set out in the SIP have been complied with this year based on the details below.

The Trustee uses the Fiduciary Management service of Schroders IS Limited as their Investment Manager and Adviser (it is referred to as the "Fiduciary Manager" in the Implementation Statement). 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. The Fiduciary Manager has the following credentials in ESG management:

- 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
- Engagement Blueprint awarded ESG Engagement Initiative of the Year at Environmental Finance's Sustainable Investment Awards 2022

The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "Underlying Investment Managers"). The Scheme invests in some assets with voting rights attached (e.g. equities) and with engagement possible in relation to most asset classes. Whilst the Trustee has delegated responsibility to the Fiduciary Manager and Underlying Managers for voting and engaging on its behalf, the Trustee regularly reviews the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee's beliefs and objectives.

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. However, given that the 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), the Fiduciary Manager does not have direct control over the voting or engaging with the companies that issue the underlying securities. This process lies with the Underlying Investment Manager, who may have different engagement priorities than the Trustee. Therefore, the Trustee requires the Fiduciary Manager to integrate stewardship activities such as 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.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

Corporate Governance and Stewardship (continued)

On behalf of the Trustee, the Fiduciary Manager carried out regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme's investments. In addition, with the help of the Fiduciary Manager, the Trustee monitors the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly ISC meetings held during the Scheme Year. 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.

Financially material factors including ESG and climate change

The Trustee attributes appropriate weight to ESG factors (and stewardship) when considering changes to the investment strategy and in appointing and reviewing investment managers. The Trustee's expectations for any current or future investment manager depends on the asset class involved, the degree of discretion given to the investment manager, and the time horizon over which the Trustee expects to hold the investment.

The SIP was updated in 2019 and 2020 to reflect new regulatory requirements relating to financially material factors (including ESG and climate change). This section considers the actions taken and decisions made in connection with those changes.

The Fiduciary Manager, who takes investment decisions on behalf of the Trustee, is expected to follow the Trustee's SIP in respect of financially material factors specifically ESG and climate change. The Trustee receives and reviews quarterly monitoring reports which include a matrix of ESG scores of the Scheme's portfolio and details of carbon emissions.

During the Scheme Year, the Trustee has received training on the latest DWP Guidance. To support the Trustee in meeting the new requirements, the Trustee also received training on Schroders' Engagement Blueprint, which sets out the six engagement themes the Scheme's Fiduciary Manager believes to be most financially material. These are the themes the Fiduciary Manager will align the majority of its own engagement of underlying managers with. To agree on which of these themes the Trustee prioritises in its own stewardship activities, the Trustee completed a survey selecting three engagement themes it will use for engagement and monitoring of the Fiduciary Manager's activities. As a result of the survey, the Trustee of the Scheme has determined their stewardship priorities to be Climate Change, Corporate Governance and Human Rights.

The Trustee believes these themes are issues material to the long-term value of the investments. These issues also reflect expectations and trends across a range of stakeholders, and by strengthening relationships with these stakeholders, business models become more sustainable, which ultimately should enhance the value added to the Scheme's investment and hence benefit the Scheme's members and beneficiaries. Therefore the Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme.

Where the Fiduciary Manager selects Underlying Investment Managers where it cannot directly influence ESG factors, how an Underlying Investment Manager evaluates ESG factors and mitigates ESG risks forms an important part of its evaluation at both investment and operational due-diligence stages. This may lead to the exclusion of potential Underlying Investment Managers.

In addition, the Trustee also received other training on topics such as Climate Risk and ESG updates within the Fiduciary Management solutions. As part of ongoing monitoring of how the Fiduciary Manager has exercised the Trustee's stewardship policy over the Scheme Year, the Trustee reviewed the Fiduciary Manager's Annual ESG report in early 2023 and ensured it was satisfied with the actions taken on its behalf concerning ESG integration within the investments and stewardship activities.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

Monitoring

Over the year the Trustee monitored the performance of the underlying managers, and the strategy as a whole, on a quarterly basis. The market conditions over the Scheme year were particularly volatile when compared to recent years, with most of the major asset classes returning negatively. Whilst the 12 month returns have not kept pace with the long-term benchmark, the returns since inception have held up well. The Trustee is satisfied the strategy performed as expected during this period in the context of the market conditions, through mitigating the worst of the wider market falls.

Risk management

This section of the SIP sets out how risks are monitored and managed within the Scheme. Many of these aspects are also covered in various other parts of the SIP and hence in this section there may be some repetition from other parts of the Implementation Statement. The Trustee is satisfied that risks are monitored in line with the SIP on the basis set out below.

The Trustee sets investment guidelines for the Fiduciary Manager which cover a range of risks to manage which are mitigated by minimum or maximum amounts of diversification, liquidity and counterparties. The Fiduciary Manager has operated within these restrictions throughout the Scheme Year. The Trustee has monitored the Fiduciary Manager against the investment guidelines on a quarterly basis through quarterly monitoring reports and is satisfied that the guidelines have been adhered to on the basis of those reports.

The default arrangement's risk characteristics (volatility of returns) were within tolerances agreed with the Fiduciary Manager. The self-select funds, which comprise passively managed funds, effectively tracked their respective benchmarks gross of fees.

The Trustee maintains a risk register that gives consideration to the risks detailed in the SIP. Risks are assessed using a "treat, tolerate, transfer, terminate" control framework.

In identifying and evaluating all risks, the Trustee assesses both impact and likelihood (among other items). Mitigation of all risks identified is considered and applied where appropriate as part of the process.

In addition, risk identification is a standing agenda item in all quarterly Trustee meetings.

Non-financially material factors

In line with the SIP, The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold.

Default Investment Strategy and Self-select range

The Trustee's objectives for the Scheme are:

- To provide members with a robust default solution which makes available vehicles designed to focus on members' needs by:
  - Optimising the value of members' assets at retirement;
  - Maintaining the purchasing power of members' savings; and
  - Protecting the value of accumulated assets as members approach retirement.
- To provide members with a range of investment options to enable them to tailor their investment strategy to their own needs, should they not wish to partake in the default solution.
- To avoid over-complexity in investment in order to keep administration costs and member understanding to a reasonable level.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

Default Investment Strategy and Self-select range (continued)

A review of the default strategy took place in Q1 2022, with a number of changes agreed:

- The strategic allocation targets were amended for all three blended funds to ensure they are better placed to continue to meet member objectives;
- The lifestyling period into Retirement Focus was extended from 3 to 5 years for both the default lifestyle and self-select lifestyle strategies;
- The member choice framework was partially consolidated by combining the Retirement Focus (Drawdown) and Retirement Focus (Default) options; and
- The Retirement Focus (Default) allocation was amended to reflect a more drawdown-focussed approach and provide greater alignment with members' typical post-retirement solution

At least once in each Scheme year, the Trustee reviews the suitability of the Scheme's self-select options. Following a Trustee training session and subsequent advice provided by their Fiduciary manager, the Trustee decided to maintain the previously agreed range of self-select funds.

The Trustee is comfortable the investment strategy reflects the needs of the Scheme's membership. In particular:

- a default strategy which gradually de-risks member's investments as they approach retirement, and reflects inflation-related investment return targets which are aligned to member's expected retirement income requirements; and
- a self-select fund range offering outside the default strategy that offers members a wide choice of asset classes and risk-based options, without the range being so large as to be overwhelming and hinder member decision-making. In addition, members can choose to invest in the alternative lifestyle funds, introduced in 2018.

Strategy implementation

The Trustee has chosen to incorporate active management within the default arrangement, through the Fiduciary Manager. This is aligned with the Trustee's investment belief that active management can add value by managing risk during adverse market conditions, and taking advantage of investment opportunities to generate return, subject to the agreed risk tolerances of the default arrangement's funds.

The Trustee has chosen to incorporate passive management within the self-select fund range (aside from the self-select lifestyle profiles, which mirror the default arrangement during the growth phase). The Trustee believes passive management offers low cost, effective access to the core range of asset classes offered within the range, for those members actively choosing to access those asset classes.

The policies set out above were unchanged during the Scheme year.

The Trustee receives quarterly reports from the Scheme's administrators that enable it to monitor the administration service and, in particular, that agreed service levels are being met in relation to the accuracy and timeliness of core financial transactions, including correct investment of ongoing contributions.

Further detail regarding the processing of core financial transactions over the year is set out in the DC governance statement ("Chair's Statement").

The Trustee delegates the day to day management of the assets to various investment managers, these managers are accessed through the Mobius Life platform.

Aspects of implementation related to administration, investment of contributions and transitions are reviewed annually by the Trustee in their Value for Members assessment. Details of this are set out in the Chair's Statement.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

4. Voting and Engagement Summary

On behalf of the Trustee the Fiduciary Manager exercises voting rights in relation to pooled funds managed by the Underlying Investment Managers, in line with its voting policy.

Most voting rights and engagement regarding the Scheme's investments relate to underlying securities within these pooled funds. At a general meeting of a company, the Underlying Investment Managers exercise voting rights and engage with the company issuing the security in line with their policies, which the Fiduciary Manager may have influenced. Nonetheless, the pooled funds themselves often confer certain rights around voting or policies, which the Fiduciary Manager exercises on behalf of the Trustee, and we cover these here.

Over the year to 31 March 2023, the Fiduciary Manager engaged with Underlying Investment Managers regarding clients' pooled fund investments on 95 resolutions across 23 meetings. The Fiduciary Manager voted against management on 4 resolutions which was 4.2% of total resolutions, and abstained on 4 resolutions (4.2% of the total resolutions). The engagement topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Within the Scheme's portfolios, BNYM Global Equity Fund makes up the majority of the Scheme's investments in return-seeking assets, with equity being the only asset class to hold voting rights. The Trustee reviewed the BNYM semi-annual proxy voting reports (links included in Appendix) and noted that BNYM prioritised stewardship with each of their underlying holdings on areas broadly in line with Schroders Solutions' engagement themes.

The Trustee has considered the voting statistics and behaviour set out in this Implementation Statement, along with engagement activity that took place on their behalf during the Scheme Year within the Long Term growth, Stable Growth, Cautious Growth and Retirement Focus funds, and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, and some good progress has been achieved such that many of the Underlying Investment Managers' ESG credentials have improved over the Scheme Year.
- Each 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.
- In this Implementation Statement, the Trustee considered relevant examples in relation to its own stewardship priorities. Examples were provided in the appendix.
- As the Trustee has refined its stewardship priorities this year, it considers the most significant votes to be those that both relate to these priorities and are defined as significant by the Underlying Managers (of the most material holdings) based on their specific knowledge of the circumstances around each vote. The Trustee has communicated this with the Fiduciary Manager, and as per DWP guidance, all votes which meet these criteria have been reported below.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

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

Most Significant Votes

Over the Scheme year, 15 votes were defined as 'Significant' by the Underlying Investment Managers, based on data provided to the Trustee. 'Significant' here is defined as votes that are:

- aligned with the Trustee's stewardship priority themes of Corporate Governance, Human rights, and Climate change, and;
- relating to a stock with an allocation greater than 0.15% of total assets within any of the DC blended funds

The Trustee will engage with the Fiduciary Manager to request that they engage with the Underlying Managers to provide more examples of votes in line with the Trustee's stewardship priorities.

Summary of voting statistics – of underlying Equity managers

The Fiduciary Manager uses c. 15 Underlying Managers; however, the equity holdings are the only asset class with voting rights. The voting statistics set out below for the most material equity funds held on behalf of the Trustee that had voting rights during the period.

	BNYM Global Equity Fund	**Legal & General World Equity Index - GBP Currency Hedged**	**Legal & General Europe ex UK Equity Index - GBP Currency Hedged**	**Vanguard S&P 500**
Total meetings eligible to vote	926	3,145	618	3,133
Total resolutions eligible to vote	11,723	38,823	10,391	27,807
% of resolutions did you vote on for which you were eligible?	93%	100%	100%	97%
% did vote with management?	93%	79%	81%	91%
% vote against management?	7%	20%	19%	8%
% abstained	0%	1%	1%	2%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	926	14%	10%	0%

Notes:

– BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.

– Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

– 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 have included votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.

– 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.

The Trustee is satisfied that the voting and engagement activities undertaken by both Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Trustee has determined during the Scheme Year. The Trustee is looking to update the SIP next year to include the enhanced stewardship policy it developed under DWP Guidance.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

Appendix A – Voting and Engagement examples

Engagement by the Fiduciary Manager (Schroders IS) in relation to underlying pooled funds held on behalf of the Trustee

In addition to the voting and engagement outlined in section 3 below, over the Scheme Year, the Fiduciary Manager also:

- engaged with the core credit manager, Neuberger Berman, regarding some particularly high emitting companies within the fund that was leading to higher than benchmark carbon footprint metrics;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager was not satisfied with the quality of data previously provided.
- engaged with the two managers who were rated 'red-engagement' on Schroders' ESG scoring matrix.

The engagement activities and outcomes are outlined in the table below:

	Top engagement themes
Manager A – Equity	▪ Engaged with the manager in Q4 following their decision to exit net zero asset manager initiative – engagement ongoing ▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes
Manager B – Alternatives	▪ A number of engagements with various people in separate ESG functions across the business to understand what progress has already been made in the last 12m and what expectations are for the future ▪ Focus on D&I and how the manager has improved its processes and increased the effectiveness of its committee structure, Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy

Examples of voting and engagement carried out by the Underlying Managers

Engagement Theme	Manager	Examples
Climate change	T. Rowe Price, PIMCO, Marshall Wace, Blackrock	Health & Happiness, British multinational banking and financial services organization, Stellantis, Sumitomo
Human Rights	LGIM	Amazon
Corporate governance	Neuberger Berman	Boeing

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

Climate Change – Health & Happiness

T. Rowe Price, one of the credit managers, had three objectives for their engagement of Health and Happiness (H&H). One was to request more details on their decarbonization journey, specifically a strategy for the firm to reduce the footprint of dairy cows in their supply chain. The Manager also wanted a timeline for full emission reporting, and lastly an update on progress towards achieving B-Corp Certification.

The following topics were discussed:

1. Continuous progress in decarbonization – T. Rowe Price believes that H&H has made some good progress but still does not provide full disclosure on its group-wide scope 1-3 emissions and is still looking to set a net zero target.
2. B-Corp Certification – H&H is confident that they are on track to achieve Group-wide B-Corp Certification by the end of 2025 with clear plan and milestone set.
3. Annual investment to support farmers in France since 2013 – H&H has been doing this to ensure ongoing sustainable supply of dairy products and lower carbon impact.

As a result of the engagement, T. Rowe Price imparted their views on best practices and asked that within the next 2 years the company would disclose its group-wide scope 1-3 emissions data and set net zero targets; and continue to work towards achieving B-Corp Certification.

Human rights – Amazon

LGIM, manager of the World Equity Index voted against the management proposal to elect direction Danial P Huttenlocher. LGIM pre-declared its vote intention for this resolution, demonstrating its significance. LGIM justified its voting direction on a human rights basis, as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. The outcome of the vote was in favour of the management proposal.

Climate Change – Stellantis

Marshall Wace ("MW"), one of the alternative managers, has been engaging with Stellantis, a global automaker and provider of mobility solutions. Stellantis was born from the merger of the Italian American Fiat-Chrysler and the French Peugeot groups. The company is currently undergoing a transformation process to integrate the different businesses and to focus on electrification.

As part of their electrification and net zero strategy the company has established a target for 100% of passenger car sales in Europe and 50% of passenger car and light-duty truck sales in the US to be EVs by 2030. They have also designed a circular economy strategy, including setting up hubs to dismantle, repair and reuse auto parts.

- During their engagement process, Stellantis told MW that sustainability is not a separate business division and instead it's fully integrated into each department. This is a constructive approach. However, it's apparent to MW that the group would benefit from someone coordinating all the electrification and sustainability related initiatives.
- Whilst the company has set robust and ambitious targets, MW believe they will have to further communicate a clear and detailed plan on how they will reach these and also regularly report on progress made. The team at Stellantis initially engaged with MW as part of a broader outreach effort with top shareholders on the back of a negative reaction to the compensation vote at the 2022 AGM.
- MW state that Stellantis have taken on feedback from investors and made positive changes. MW encouraged the communications team to work on the MSCI score and disclosures via the CDP network.

Climate Change - British multinational banking and financial services organisation

PIMCO, one of the Schemes Credit managers, had an ongoing engagement with a British multinational bank. PIMCO held a 1x1 call with the investor relations team, focusing on climate change and human rights.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

- During the meeting PIMCO discussed progress on sectoral target setting, financed emissions, client engagement on transition, clarifications on sector policy and grievance and remediation for human rights. PIMCO also discussed the issuer's gaps in their lending policies on natural capital and alignment with net zero and are reviewing the policy though unlikely to be updated in 2022. They encouraged the issuer to clarify their approach to assess and engage clients on transition progress, including clear criteria for assessing clients' transition progress (e.g. against 1.5C pathways, net zero framework by TPI or CA100+).
- PIMCO also recommended more explicit reference to net zero in sector policies, particularly setting out time-bound expectations for all carbon-intensive sectors to have a credible transition plan and/or net zero targets. Furthermore, PIMCO recommended the issuer to set clear criteria for assessing client transition progress, defining engagement strategy, outcomes and escalation process.
- The issuer recognized the room for improvement in strengthening human rights due diligence in lending and intend to improve over the coming years. The issuer is reviewing the lending policies, with updates expected through 2022.

Climate Change - Sumitomo Mitsui Financial Group

BlackRock had multi-year engagements with Sumitomo Mitsui Financial Group, Inc. (SMFG), which is one of Japan's three largest banks. BlackRock have often discussed governance and environmental issues with SMFG, such the company's long-term strategy and their approach to climate-related risks and opportunities. In June 2022, BlackRock voted against the two shareholder proposals to (1) Partially amendment the Articles of Incorporation (AOI) to set and disclose short-and medium-term greenhouse gas (GHG) emissions reduction targets consistent with the Parison Agreement, and (2) the Partial amendment to the AOI to set and disclose proactive measures to ensure the company's financing activities are consistent with the International Energy Agency's (IEA) Net Zero Emissions Scenario.

BlackRock's justification for their vote is as follows:

- Proposals filed in Japan often require an additional degree of consideration as they could entail amending the company articles of incorporation (AOI), which would make them legally binding. This introduces a unique degree of personal liability for directors and management. It also creates material legal liability for a company should a proposal pass, particularly if the proposal language is vague or open to interpretation, which could make it harder to determine whether the requests have been met.
- In the case of the first proposal, the request that the company set short-and medium-term GHG emissions reduction target across all sectors – which may include loans to non-carbon intensive sectors and retail/consumer loans – is, in our assessment, overly prescriptive.
- In the case of the second proposal, the proponent's request risks potentially restricting the company's ability to finance carbon capture, utilization, and storage (CCUS) technologies, as well as ammonia or hydrogen mixed combustion technologies. These technologies may play an important role in an orderly transition to net zero under the IEA's net zero scenario by 2050. Thus, the proposal may hinder rather than advance SMFG's decarbonisation trajectory, and those of their clients

Overall, BlackRock deems the general actions and progress demonstrated by the company to date, as well as management's commitment to keep shareholders informed on their progress through clear and timely disclosures, as a good sign that the company is committed to net zero.

IMPLEMENTATION STATEMENT FOR LEONARDO FUTUREPLANNER (continued)

Appendix B – ESG, Voting and Engagement Policies

Links to the voting and engagement polices for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	schroders-esg-policy.pdf 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/2022-semi-annual-proxy-voting-report.html https://www.mellon.com/insights/insights-articles/proxy-voting-report-spring-2023.html
Vanguard	https://corporate.vanguard.com/content/dam/corp/research/pdf/Global%20investment%20stewardship%20principles_final_112021.pdf
Legal and General (LGIM)	https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/active-ownership-report-2021-uk-eu-middleeast.pdf
Ninety One	https://ninetyone.com/-/media/documents/stewardship/91-stewardship-policy-and-proxy-voting-guidelines-en.pdf
BlackRock	Investment Stewardship | BlackRock
Neuberger	https://www.nb.com/en/global/esg/engagement
Marshal Wace	MW_Sustainable_Investing_and_Stewardship.pdf (mwam.com)
PIMCO	https://www.pimco.co.uk/en-gb/investments/esg-investing