

Groupama UK 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. Groupama UK Pension 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 Groupama UK Pension Scheme (the “Scheme”) during the accounting year.

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 1 January 2023 to 31 December 2023.

The statement is publicly available at <https://pensioninformation.aon.com/groupama/documents.aspx>.

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 their regular interactions with them.

We monitor the voting and engagement activity of the Scheme’s investment managers, and, through our 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 their assessments once a quarter.

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 our members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected 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 require the Fiduciary Manager to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers, in accordance with the policies in this Statement. 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, and to carry out other appropriate engagement activities.”

In terms of implementing our policy we considered investment managers’ compliance, in accordance with the latest code.

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with the Scheme’s 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 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 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?

Fund structuring

The Trustee does not hold any investments directly. All of the shares, bonds and other assets that we own are held through pooled vehicles that are managed by investment managers appointed by our Fiduciary Manager. The reason we do this is:

- It provides a broader range of investment opportunities than would be possible if we were to own the assets directly, particularly given our size;
- This can improve the overall diversification of our investments and help manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers and our Fiduciary Manager act consistently with the Scheme's Stewardship Policy.

For example, in 2023 our Fiduciary Manager replaced some of our equity market exposures with a global fund that included explicit sustainability (as well as financial) performance targets. This enhanced the level of engagement possible with the companies we invest in and more actively aligned these efforts to our specific priorities.

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, these are noted below.



Engagement beliefs

The development of engagement beliefs is an important responsibility for the Trustee. 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 engagements, perhaps even most engagements, 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. The Trustee focuses its efforts on any managers where voting and engagement is material.

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 shareholder voting 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.

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: the managers included 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 addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations.

AKO Global Long Only Fund

| | Manager response |
|---|------------------|
| Number of meetings the manager was eligible to vote at over the year | 40 |
| Number of resolutions the manager was eligible to vote on over the year | 701 |
| % of eligible resolutions the manager voted on | 97% |
| % of votes with management | 90% |
| % of votes against management | 8% |
| % of resolutions the manager abstained from | 2% |

Cardano Global Sustainable Equity Fund

| | Manager response |
|---|------------------|
| Number of meetings the manager was eligible to vote at over the year | 833 |
| Number of resolutions the manager was eligible to vote on over the year | 9146 |
| % of eligible resolutions the manager voted on | 99% |
| % of votes with management | 85% |
| % of votes against management | 15% |
| % of resolutions the manager abstained from | 0% |

Egerton Capital Equity Fund

| | 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 | 493 |
| % 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 Capital Fund

| | 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% |

MI Metropolis Value Fund

| | Manager response |
|---|------------------|
| Number of meetings the manager was eligible to vote at over the year | 23 |
| Number of resolutions the manager was eligible to vote on over the year | 392 |
| % of eligible resolutions the manager voted on | 100% |
| % of votes with management | 96% |
| % of votes against management | 4% |
| % of resolutions the manager abstained from | 0% |

Polar Capital Biotechnology Fund

| | Manager response |
|---|------------------|
| Number of meetings the manager was eligible to vote at over the year | 62 |
| Number of resolutions the manager was eligible to vote on over the year | 634 |

| | |
|---|-----|
| % of eligible resolutions the manager voted on | 95% |
| % of votes with management | 88% |
| % of votes against management | 12% |
| % of resolutions the manager abstained from | 0% |

Sands Emerging Markets Growth Fund

| | Manager response |
|--|-------------------------|
| Number of meetings the manager was eligible to vote at over the year | 62 |
| Number of resolutions the manager was eligible to vote on over the year | 490 |
| % of eligible resolutions the manager voted on | 100% |
| % of votes with management | 96% |
| % of votes against management | 3% |
| % of resolutions the manager abstained from | 1% |

Sunriver Fund Ltd

| | Manager response |
|--|-------------------------|
| Number of meetings the manager was eligible to vote at over the year | 17 |
| Number of resolutions the manager was eligible to vote on over the year | 157 |
| % of eligible resolutions the manager voted on | 82% |
| % of votes with management | 91% |
| % of votes against management | 4% |
| % of resolutions the manager abstained from | 5% |

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 Fiduciary Manager 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 where voting is deemed to be of material importance.

| Manager | Use of proxy voting service |
|--|--|
| AKO Capital | N/A |
| Cardano Global Sustainable Equity Fund | Glass Lewis |
| Egerton | Utilise Broadridge Proxy Edge and Proxy Vote tools to cast votes |
| Kadensa | Appointed proxy adviser |
| MI Metropolis | ISS |
| Polar | ISS |
| Sands | ISS, Glass Lewis and SES (for India holdings) |
| Sunriver | 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.

Cardano Global Sustainable Equity Fund

| Company Name | Date of Vote | Summary of the resolution | How the manager voted | Rationale / Outcome | Relevant engagement themes |
|--------------|--------------|---|-----------------------|---------------------|----------------------------|
| Equinor | 10/05/2023 | Shareholder proposal which requested company to set targets and implement measures to reduce greenhouse gas emissions over a short- and long-term period in line with the target to limit global warming to 1.5 °C, and report to shareholders on progress against these targets. | For | For | Climate Crisis |

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 |

Kadensa

| Company Name | Date of Vote | Summary of the resolution | How the manager voted | Rationale / Outcome | Relevant engagement themes |
|-----------------------|--------------|--|-----------------------|---------------------|----------------------------|
| Apple | 10/03/2023 | Report on median gender / racial pay gap | For | Against | Human Rights |
| Meta Platforms | 31/05/2023 | Report on human rights impact assessment of targeted advertising | For | Against | Human Rights |
| Meta Platforms | 31/05/2023 | Report on framework to assess company lobbying alignment with climate goals | For | Against | Climate Crisis |
| Oracle Corporation | 15/11/2023 | Report on median and adjusted gender / racial pay gaps | For | Against | Human Rights |
| Microsoft Corporation | 07/12/2023 | Report on risks of operating in countries with significant human rights concerns | For | Against | Human Rights |

MI Metropolis

| Company Name | Date of Vote | Summary of the resolution | How the manager voted | Rationale / Outcome | Relevant engagement themes |
|--------------------|--------------|---|-----------------------|---------------------|----------------------------|
| Berkshire Hathaway | 06/05/2023 | Report on physical and transitional climate-related risks and opportunities | For | Against | 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 overleaf provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Barings

| Key points | Engagement activity |
|--|---|
| <p>Engagement Theme: Climate Change</p> <p>Industry: Banks</p> <p>Outcome:</p> <ul style="list-style-type: none"> Positive responses from banks in completing the questionnaire and engaging in follow-up dialogue | <p>Engaged with senior management of emerging markets banks, including in Slovenia and South Africa, based on their response to the climate risk questionnaire. This has included conversations related to reporting their financed emissions disclosure and setting up credible SBTi vetted targets for reduction in the carbon footprint disclosed.</p> <p>Going forward, Barings will work with the EMIA Financial Sector Working Group to increase scope of banks engaged, to encourage improved data collection on carbon footprint, as well as evidence of building climate risk analysis into its new loan underwriting in order to pursue engagement objectives. Barings will also continue to engage with banks on an individual basis (outside of the EMIA platform).</p> |

Cardano Global Sustainable Equity Fund

| Key points | Engagement activity |
|--|---|
| <p>Engagement Theme: Living Wages</p> <p>Industry: Retail</p> <p>Outcome:</p> <ul style="list-style-type: none"> During engagement discussions, Sainsbury's announced a rise in its hourly rates for London based employees and all direct employees were receiving, at a minimum, the real living wage rates for year | <p>Cardano co-filed a resolution to encourage Sainsbury's to pay their employees a real living wage. The resolution was co-filed with the ShareAction Good Work Coalition, which engages companies to push for better working practices.</p> <p>There is a strong business case to say that companies with strong labour rights, policies and practices, including the provision of a real living wage have a competitive advantage to attract and keep skilled employees.</p> <p>The resolution gathered 17% of shareholder support at the AGM and the announcement to pay all direct Sainsbury's employees a real live wage meant a pay rise for around 19,000 workers.</p> |

Kadensa

| Key points | Engagement activity |
|---|--|
| <p>Engagement Theme: Climate Crisis</p> <p>Industry: Manufacturing</p> <p>Outcome:</p> <ul style="list-style-type: none"> The company has engaged with ESG rating agencies to seek to improve upon their low ESG Rating | <p>Following on from a low ESG rating, Kadensa have engaged with the senior management of an underlying company to assess the management's plan and commitment to address their low rating and track progress.</p> <p>The underlying company had received a low ESG rating despite efforts to integrate ESG within their business. Over recent years, management had focussed on increasing ESG integration through initiatives at product level (launched EV and hybrid options), factory level (renewable energy installation), and staff level (encouraging employees to commute more sustainably)</p> <p>Through repeated meetings, Kadensa have confirmed with the company that they will connect with relevant ESG rating agencies to communicate their ESG efforts and understand the rating agencies' best practices.</p> <p>Most recently the company have confirmed that they have invited the ESG ratings agencies to visit their factory to learn about their ESG initiatives to the hopes to improve their rating</p> |

Wellington

| Key points | Engagement activity |
|---|--|
| <p>Engagement Theme: Climate change</p> <p>Industry: Agriculture</p> <p>Outcome: Wellington will continue to meet with the company regularly to measure their development in ESG initiatives</p> | <p>Wellington continued to engage with a holding company who are one of the largest protein producers in the world, headquartered in Brazil, and recently noted at the top levels of management a focus on environmental, social and governance factors.</p> <p>Given the nature of the business and its geographical location, some of the most pressing issues in this space relate to deforestation of the Amazon and governance issues related to previous corruption issues.</p> <p>One aspect of addressing and moving forward with this issue is through tracking suppliers. Currently, the company track 100% of direct suppliers, and are aiming to track all indirect suppliers by 2025.</p> |

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