

Fujitsu Telecommunications Pension Plan Implementation Statement

1. Introduction

The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Fujitsu Telecommunications Pension Plan (the ‘Plan’) in relation to the Plan’s Statement of Investment Principles (the “SIP”).

The SIP was amended once during the year ending 31 March 2021, and the changes made were predominantly for regulatory changes relating to ESG factors, corporate governance and voting. This SIP came into force from 8th September 2020.

A copy of the current SIP signed and dated 8th September 2020 can be found here [SIP_FTEL_2020.pdf \(pensiondetails.co.uk\)](#).

This Implementation Statement covers the Plan Year from 1 April 2020 to 31 March 2021 (the “Plan Year”). It sets out:

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

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

The Plan’s SIP sets out the Trustee’s policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Trustee is ultimately responsible for the investment of the Plan assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Plan’s assets, within pre-defined constraints to professional investment managers.

The Trustee has appointed River and Mercantile Investments Limited (“R&M”) as its Investment Manager using its Fiduciary Management service (and is referred to as the “Fiduciary Manager” in the Implementation Statement). R&M can appoint other investment managers in respect of underlying investments (referred to as “Underlying Investment Managers”).

The Plan invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Plan’s investments are pooled with other investors. Therefore, direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those Underlying Investment Managers. The Fiduciary Manager appoints those Underlying Investment Managers. A copy of the SIP has been provided to the Fiduciary Manager and the Fiduciary Manager is expected to adopt that approach to corporate governance and to other financially material considerations when providing Fiduciary Management services and/or in selecting Underlying Investment Managers.

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 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. The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

Over the Plan Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics of the portfolio and stewardship activity carried out by the Fiduciary Manager 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 Plan'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 quarterly Trustee meetings held during the Plan Year.

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

3. Voting and Engagement Summary

The exercise of voting rights is delegated to the Fiduciary Manager and the Fiduciary Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. The Trustee made no changes to the voting and engagement policies contained in the SIP this Plan Year but this will be kept under review in future years.

River and Mercantile Group, of which the Fiduciary Manager is a division, are a PRI signatory and were rated A+ by PRI in 2019 for their Strategy and Governance.

References to "ISS" relate to Institutional Shareholder Services, a proxy voting company used by the Underlying Investment Manager, BNYM.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Plan 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.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.

- The general themes of engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified.
- Within the BNYM Global Equity Fund, which makes up the majority of the Plan's investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and Diversity and Inclusion. An example would be their engagement with an S&P500 Real Estate Company. BNYM discussed the company's diversity and inclusion efforts, as well as its ongoing compensation policy enhancements. In addition, they outlined the areas where they would like to see improvements going forward.
- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company's ability to deliver these solutions and products globally as a positive for society that would also boost the company's credit profile.
- In relation to the liability hedging and structured equity mandate(s), 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 Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers are 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 – Voting statistics

1. Voting in relation to underlying pooled funds, on behalf of the Trustee

Most of the rights and voting relating to the Plan's investments relate to underlying securities investment in through 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 31 March 2021, The Fiduciary Manager voted on 206 resolutions across 52 meetings. The Fiduciary Manager voted against management on 10 resolutions which was 5% of total resolutions and abstained on 8 resolutions (4% of the total resolutions).

44 engagements were carried out in relation to the Fiduciary Manager's due diligence and voting activities, and within these 44, the Fiduciary Manager engaged on 8 separate areas on 70 occasions. The engagement topics covered a range of areas including executive board composition, Stewardship and ESG policy, auditor tenure and fund costs.

2. Underlying Managers' voting on securities, on behalf of the Trustee

There are c. 30 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity. 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 reviewed by the Trustee.

Summary of voting activity – BNYM Global Equity Fund

	BNYM (River and Mercantile) Global Equity Fund
Total meetings eligible to vote	1124
Total resolutions eligible to vote	14052
% of resolutions did you vote on for which you were eligible?	98%
% did vote with management?	89%
% vote against management?	9%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Plan holds.

Most significant votes carried out by the Underlying Managers

BNYM Global Equity Fund

WALMART, INC.

BNYM voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNYM’s view Walmart does not lag its peers in the retail industry, but it lags its peers in the grocery sector. BNYM hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNYM believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, BNYM voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNYM will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

RIO TINTO LIMITED

In May 2020, BNYM voted for a proposal approving emission targets for Rio Tinto. BNYM believe this resolution will provide shareholders with increased transparency, allowing them to understand how the company is addressing climate change and mitigating these risks.

KELLOGG COMPANY

In an effort to promote accountability, BNYM voted for a shareholder proposal in April 2020 to declassify Kellogg's board of directors. BNYM believe it is beneficial for directors to be elected each year. BNYM maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

VISA, INC.

In January 2020, BNYM voted against the election of a director to Visa's board as the individual was serving on five boards. Generally, if an individual serves on more than five boards, BNYM vote against electing them to an additional board. BNYM expect the board members they elect to focus on their current board memberships, which BNYM believe is difficult to accomplish beyond our threshold of five boards.

ORACLE CORPORATION

BNYM withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNYM believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's stock