

Harris Systems Limited Pension Plan

**Annual Implementation
Statement – Plan year
ending 30 April 2024**

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Section 1: Introduction

Introduction and purpose to this statement

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Harris Systems Limited Pension Plan (“the Plan”) covering the Plan year (“the year”) from 1 May 2023 to 30 April 2024.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustee, the Trustee’s policies on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) have been adhered to during the year; and
- A description of voting behaviour undertaken on the shares the Plan held (including the most significant votes made on behalf of the Trustee) and any use of a proxy voter during the year.

A copy of this implementation statement will be made available on the following website <https://www.harrissystemspension.co.uk/> and included in the Trustee’s annual report and plan accounts for the year ending 30 April 2024.

Review of the SIP and changes made during the Plan year

The SIP is a document which outlines the Trustee’s policies with respect to various aspects related to investing and managing the Plan’s assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here:

https://harrissystemspension.co.uk/wp-content/uploads/2024/01/Statement-of-Investment-Principles_November_2023_unsigned.pdf This statement reflects the Plan year 1 May 2023 to 30 April 2024. The SIP linked above reflects the latest version of the SIP which is dated November 2023. The Plan updated their investment strategy during the year and updated its Statement of Investment Principles twice during the Plan year once in June 2023 and once in November 2023. The Plan underwent multiple rounds of de-risking during the Plan year, selling all of its liquid assets in order to finance a bulk annuity transaction which it entered on 13 October 2023 with effect from 17 October 2023. The Plan’s assets are now predominantly made-up of bulk annuity insurance policy and some minimal cash holdings in the Plan’s bank account to cover residual liabilities..

Section 2: How the Trustee has adhered to its engagement and voting policies

The Plan's investment managers are signed up to the UK FRC Stewardship Code and the Trustee, prior to the bulk annuity transaction monitored the Plan's investment managers' adherence to the Code through reviewing WTW's annual sustainable investment performance report on its managers.

During the Plan year, the Trustee took several actions in relation to the engagement and voting policies in the SIP.

In particular, the Trustee

- reviewed the manager's performance on sustainable investments, voting and engagement as part of its annual monitoring process in May. This revealed certain findings which the Trustee considered and discussed whether any actions would be necessary as a result of these findings;
- reviewed regularly the managers' performance against the long-term target the Plan has set as part of quarterly investment monitoring;
- used Environmental Social and Governance ("ESG") characteristics as one of the criteria in their decision making process of which bulk annuity insurance provider to use
- reviewed the cost and charges incurred by the Plan's investment managers over the calendar period 2023 including the transaction costs incurred and also reviewed the portfolio turnover;

The Trustee believes that the Plan's engagement policy as outlined in the SIP has been adhered to over the Plan year. In light of the fact the great majority of the Plan's assets are now in a bulk annuity insurance transaction which the Trustee has no control over their investment with the remaining very small holding in cash, the Trustee recognises the extent to which it can consider engagement and ESG is extremely limited in the future.

Section 3: Voting information

The return-seeking assets of the Plan during the Plan year were all held in two Diversified Growth Funds (DGFs) until the Plan entered the insurance transaction apart from a temporary short period when some of the proceeds were held in a cash fund. Therefore, the Trustee's focus on voting information in this implementation statement is on these DGFs. Voting information on the Plan's LDI funds is not provided since the vast majority of debt securities do not come with voting rights.

The Plan was invested in a diverse range of asset classes. This document focusses on the underlying equity investments of the DGFs which have voting rights attached.

The Plan's equity holdings during the Plan year were held in pooled investment funds. As set out in the SIP, the Trustee's policy was to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Plan's investment managers. This section sets out the voting activities of the Plan's equity investment managers over the year, including details of the investment managers' use of proxy voting. For both of the funds the voting information during only the period of the Plan's investment was not readily available and although the Trustees asked for the information from both managers, the investment managers provided yearly information as it would be very difficult to extract this information for a part year. On the basis most voting takes place during the months the Plan held the investments and in light of the fact the Plan's liabilities are now almost entirely secured with an insurer the Trustee decided to report on the voting during the period 1 April 2023 – 31 March 2024 instead consistently with prior years. Both fund managers have their own voting policies that determine their approach to voting and the principles they follow when voting on investors' behalf.

- *Manager 1:* The fund of manager 1 is a fund of funds and therefore the investment manager delegates the voting to the underlying investment managers. However, the investment manager implements a further level of oversight and engagement at the Fund level, including specialised ratings on the underlying managers' integration of ESG factors of which voting (where applicable) is a critical component. These ratings, and adherence to wider ESG factors, also form part of the manager selection process including in decisions of whether to continue the appointment of specific managers. Manager 1 also uses EOS at Federated Hermes to provide voting recommendations to the managers of one of the four parts of the equity portfolio in the fund to enhance engagement and achieve responsible ownership. The manager in the second part of the portfolio uses Glass Lewis and a bespoke voting policy was created. The managers in the third part of the equity portfolio use a variety of platforms (ISS, Glass Jones, SES and Broadridge Proxy) for voting information and to facilitate voting while the managers in the fourth part of the portfolio use ISS to provide corporate research and facilitate the voting process. Manager 1 will also proactively engage with industry groups and the Regulator and collaborate to provide thought leadership on stewardship.
- *Manager 2:* Manager 2 has a set of voting policies used which drive the voting decisions as well as Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. These policies and documents are reviewed annually and take into account client feedback. The manager uses ISS's 'ProxyExchange' electronic voting platform to electronically vote on clients' shares. All voting decisions are made by the manager and they do not outsource any part of the strategic decisions. The use of ISS recommendations is purely to augment the manager's own research and proprietary ESG assessment tools. ISS is used as a proxy for the voting, but the voting is based on the manager's custom voting policy with specific voting instructions. Moreover, the manager retains the ability in all markets to override any vote decisions, for example where the manager has had engagement with a specific company that revealed additional information that allows the manager to apply a qualitative overlay to their voting judgement. Manager 2 will proactively engage with peers industry groups and the Regulator to provide its views on ESG and try to tackle systemic issues.

The below table sets out the voting activity of the Plan's equity investment managers, on behalf of the Trustee, over the 12 months to 31 March 2024.

Manager and strategy	Portfolio structure	Voting activity
Manager 1	Fund of funds	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 1,896 • Number of resolutions on which manager was eligible to vote: 25,823 • Percentage of resolutions on which the manager voted (out of those resolutions where the manager was eligible to vote): 94.9% • Percentage of votes with management: 86.9% • Percentage of votes against management: 12.8% • Percentage of votes abstained from: 0.4% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 61.1% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 3.5%
Manager 2	Fund of funds	<ul style="list-style-type: none"> • Number of meetings at which the manager was eligible to vote: 8,997 • Number of resolutions on which manager was eligible to vote: 93,090 • Percentage of resolutions on which the manager voted (out of those resolutions where the manager was eligible to vote): 99.79% • Percentage of votes with management: 76.58% • Percentage of votes against management: 23.13% • Percentage of votes abstained from: 0.29% • Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 73.61% • Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy advisor: 14.47%

*Voting statistics are out of total eligible votes and are sourced from the investment managers.

The following table outlines a number of significant votes cast by the Plan's investment managers on the Trustee's behalf which the Trustee consider to be some of the most significant cast on their behalf based on the criteria the Trustee considered in arriving at the most significant votes.

Significant votes cast

Company: Alphabet Inc.

Meeting date: 2 June 2023

Shareholder Resolution:

Report on Risks of Doing Business in Countries with Significant Human Rights Concerns

How the manager voted: For

Outcome: Fail (in excess of 30% of votes were for the resolution)

More details: This resolution asked shareholders to provide increased transparency on doing business in those countries with significant human right concerns. The manager believes transparency on country risk is a non controversial proposal and serves both social and governance interest and the Trustee agrees with this view.

Company: Gelncore Plc

Meeting date: 26 May 2023

Shareholder resolution: "Resolution in Respect of the Next Climate Action Transition Plan"

How the managers voted: For (manager 1) and Against (manager 2)

Outcome: Fail (29.2% of votes were for the resolution)

More details: The Shareholders including Manager 2 provided the resolution in respect of the next climate action plan. Manager 1 voted against this shareholder resolution and supported management on the basis the manager felt content with the Company's climate transition plan and associated disclosure and is of the view in this instance behind the scenes engagement is far more productive than debating issues at a public AGM. Manager 2 co-filed this resolution as an escalation to their multi-year engagement on the climate transition plan so as to push for more disclosure on how the Company will align to the Paris target. The Trustees support both managers' active engagement on this topic including escalations at appropriate junctures.

Company: Amazon.com,Inc

Meeting date: 24 May 2023

Shareholder resolution: Commission a Third Party Audit on Working Conditions

How the manager voted: For

Outcome: Fail

More details: The shareholders wanted a resolution on Third Party Audit as this promotes transparency on warehouse working conditions. This is an important social issue and the Trustee supports holding management more accountable on such issues.

Company: Berkshire Hathaway Inc.

Meeting date: 6 May 2023

Shareholder resolution: Climate risk disclosure

How the manager voted: For

Outcome: Fail **More details:** This shareholder proposal was for climate risk disclosure as manager voted in support of audit committee for climate risk disclosure because of significance of leadership on this issue overcoming the minor cost and inconvenience of compliance. The high profile reputation of the Company would act as an example to others in the financial services industry. This resolution was not approved but the manager was disappointed from the voting outcome and engaged further with the Company by writing to the CEO encouraging them to take faster action rather than wait for policy guidance. The Trustee supports the active engagement and voting against management on this topic.

Company: Shell Plc

Meeting date: 23 May 2023

Management Resolution: Company's board requesting approval of its energy transition progress report

How manager 2 voted for the resolution: Against (against management recommendation)

Outcome: Pass (80% votes supported the resolution)

More details: The manager acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, the manager remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both are key areas to demonstrate alignment with the 1.5C trajectory. The manager is publicly supportive of so called "Say on Climate" votes. The manager expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, the manager deem such votes to be significant, particularly when the manager votes against the transition plan and the Trustee shares this view.

Company: Total Energies SE

Meeting date: 26 May 2023

Shareholder resolution: Approve the Company's Sustainable Development and Energy Transition Plan

How the manager voted: Manager 1: Against Manager 2: Against

Outcome: Fail

More details: Both managers recognise the progress the company has made with respect to its net zero commitment. However, manager 2 remained concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory. Manager 2 voted against the management resolution for this reason and manager 1 voted against as a means of escalation on engagement.

Company: NIKE, Inc.

Meeting date: 12 September 2023

Resolution: Report on median gender/racial pay gap

How manager 2 voted for the resolution: For (against management)

Outcome: Fail (30% votes were for the resolution)

More details: The manager views gender diversity as a financially material issue, with implications for the assets managed and the vote aims to apply pressure to the Company to disclose more meaningful information on its gender pay gap. The Trustee agrees with this view.

Company: Toyota Motor Corp.

Meeting date: 14 June 2023

Resolution: Amend articles to report on corporate climate lobbying aligned with Paris Agreement

How manager 2 voted for the resolution: For (against management recommendation)

Outcome: Fail (15.1% of votes were for the resolution)

More details: The manager believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability. In addition, there is an expectation for companies to be transparent in their disclosures of their lobbying activities and internal review processes involved as well as alignment their lobbying with their own actions. Despite the Company making progress on climate disclosures in the recent past, the manager voted against management to further increase accountability.

Manager 2 shared a very large number of votes (2,254 in total) it cast that it viewed as significant. The Trustee analysed the rationale for these votes to consider whether the allocation of these significant votes are consistent with the themes the Trustee would expect and this is shown below

Theme and rationale for vote	Number of significant votes cast	Proportion of significant votes cast
Diversity and Inclusion	1,113	49.4%
Investor rights	79	3.5%
Climate change	349	15.5%
Board Governance, Independence and Pay	711	31.5%
Other Social issues	2	0.1%
Total	2,254	