Runwood Homes Retirement Benefit Scheme
Annual Implementation Statement – Year ending 30th September 2022

Introduction and purpose to this statement

This document is the Annual Implementation Statement (the Statement) prepared by the Trustees of the Runwood Homes Retirement Benefits Scheme (the Scheme) covering the scheme year to 30 September 2022.

The purpose of this Statement is to:

- set out the extent to which, in the opinion of the Trustees, the engagement policy under the scheme's **Statement of Investment Principles (SIP)** has been followed during the year.
- Describe the voting behaviour, or on behalf of, the Trustees over the year.

A copy of the Statement will be made available on the Runwood Homes Limited website whose address is www.runwoodhomes.co.uk and included in the Trustees' Annual Report and Financial Statements for the year ending 30 September 2022.

Review of, and changes to the SIP

The SIP has not been reviewed since changes were agreed by the Trustees to the SIP dated the 31st of July 2020. The SIP was then updated to reflect new regulations which came into force on the 1st of October which required Trustees to set out their policy in relation to their arrangements with asset managers, including:

- Policies relating to engagement activities in respect of investments held within the scheme.
- The extent, if at all, to which non-financial matters are considered in the selection, retention, and realisation of investments.

Adherence to the SIP

Scheme Objectives

- To ensure sufficient income and investment return is available to meet benefit payments due, after allowing for scheme contributions from scheme members and the employer.
- To minimise the risk of the scheme's assets failing to meet liabilities over the long term.

Voting and Engagement Policy

The trustees invest in pooled funds in which the scheme's investments are pooled with those of other investors, the trustees have given the investment managers full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights, investee capital structure, management of conflicts of interest and other stewardship obligations attributed to the investments, in accordance with their own corporate governance policies and current best practice. The managers are expected to report at least annually on ESG considerations and engagement activities.

The trustees have reviewed the engagement activities of their investment managers during the year and are satisfied that the policies followed by the managers were reasonable and broadly consistent with the trustees' own policies.

The trustees and their investment consultant are working with the fund managers to improve the availability and quality of information included in future Implementation Statements.

Investment Sustainability

The trustees believe that Environmental, Social and Governance (ESG) factors may have a material impact on investment returns and risk, particularly given the long-term nature of the scheme's liabilities. The extent to which these factors are considered by the investment managers in the selection, retention and realisation of investments is considered by the trustees as part of the process of selecting investment managers with which to invest. As part of their regular review of investment managers, the trustees consider how ESG factors are integrated into their investment process.

When considering potential investments, it is expected that considerations of responsible investment (RI) will form an integral part of manager's process and that firms are sufficiently resourced to have achieved this. The trustees have the requirement that managers are signatories of the UN Principles of Responsible Investment and comply with the UK Stewardship Code. Managers are expected to report at least annually on ESG considerations and engagement activities.

The trustees do not consider the views of the members of the scheme (including their ethical views, their views in relation to social and environmental impact matters, and on future quality of life considerations) in the selection, retention, and realisation of investments.

Exercising of Voting Rights

Voting only applies to equities held in the portfolio. The plan's equity investments are held in pooled equity funds. The use of pooled funds means that there is limited scope for the trustees to influence voting, which is carried out by the fund managers on behalf of the trustees.

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

Fund	Votes Available	Votes Cast in Favour	Votes Cast Against	Votes Abstained/Withheld	Total Votes Cast
Allianz UK Listed Equity Income C	1079	1050	16	13	100.00%
Baillie Gifford Emerging Markets Leading Company B	613	577	20	16	100.00%
Fundsmith Equity Class I	487	442	44	1	100.00%
IFSL Marlborough European Special Situations P	1653	1327	31	1	82.21%
Invesco UK Opportunities Z	928	914	12	2	100.00%
JPMorgan US Equity Income C	1416	1337	44	0	97.53%
JPMorgan US Select Class C	746	680	45	0	97.18%
Royal London Global Equity Select M	563	482	69	12	100.00%
Slater Growth P	884	633	251	0	100.00%
SVM UK Growth B	1239	1166	10	1	95.00%
TB Evenlode Income B	728	720	8	0	100.00%
	564	439	71	3	90.96%

TB Guinness Global Equity Income Y					
UBS US Growth Class C	509	361	148	0	100.00%
Vanguard FTSE Developed Europe ex-UK Equity Index	9049	8121	649	0	96.92%

Significant Engagements/Votes

Allianz UK Listed Equity Income C

<u>Scor SE:</u>

Vote against the amendment of the Article 14 of Bylaws Re: Age Limit of Chairman of the Board (2022 AGM item 30). In our many engagements with the Secretary of the Board and the CEO, we made it clear that we understood the role of Denis Kessler as Chairman as transitory in order to ensure a smooth transition, for the firm and bring comfort to the ACPR and the credit rating agencies. As such, it was important for the CEO and the Board to work on the succession for Mr. Kessler rather than assume that shareholders will support amending the company's bylaws to allow Mr. Denis Kessler to remain until the end of his mandate by 2024 (bylaw set age limit of chair at 70).

If this resolution were to be rejected by the shareholders, Mr. Kessler would be deemed to have resigned, and Board would meet at the end of the shareholders' meeting, under the chairmanship of the vice-chairman, in order to appoint a new board chairman, acting on the recommendation of the nomination committee but this would not mean Mr. Kessler leaving the Board of directors altogether as the age limit for directors is 77 years old. In our most recent engagement, it was clear that we were not heard but a vote AGAINST should not come as a surprise for the Company. As a reminder, a majority of two thirds of the votes cast is required.

<u>BP Plc:</u>

Vote for Approve Net Zero - From Ambition to Action Report (2022 AGM item 3). BP is a high emitting company; we have engaged BP on climate before the AGM to inform our vote. We then supported bp's Say on Climate. Although we recognize there are a number of areas for improvement, on balance, we consider there to be sufficient progress/ambition to warrant support at this time.

Aspects that supported our for votes include: net zero targets by 2050 across Scope 1, 2 and 3 in respect of operations, production and sales, accompanied by clear descriptions of the intended actions to achieve them; No reliance on carbon offsets for their ST and MT targets; Aligning capital expenditures towards a LC economy; clear climate governance, incorporated climate into executive compensation; Advocating for government policies which support low carbon; supporting just transition etc.

We will keep engaging with the company to encourage further improvements (e.g. disclosing scope 3 in their entirety, working with initiative like SBTi to build industry framework for climate) as well as monitor the progress as outlined in the targets and strategy.

Baillie Gifford Emerging Markets Leading Company B:

<u>Taiwan Semiconductor Manufacturing Company Limited:</u>

We had a wide-ranging discussion with the IR at TSMC. We discussed the company's thoughts on the long-term growth opportunities, including the prospects for continued market share expansion. We also discussed TSMC's capital allocation, including the planned expansion in the US and Japan. Finally, we learnt more about TSMC's decarbonization strategy, which we expressed our support.

Samsung Electronics Co Ltd:

We engaged directly with members of the company's ESG team and were delighted to hear that Samsung became a signatory to the United Nations Global Compact earlier this year. The business is also in the process of finalising its carbon targets, and we reiterated encouragement for these to be published as soon as practically possible. The number of employees working in the central ESG team has quadrupled in size in the past 12 months and is continuing to grow - emphasising the investment Samsung is making to embed its sustainability strategy. A new chairman was recently appointed, and we are planning to meet in person in October.

Fundsmith Equity Class I

Nike Inc:

Vote against to approve executive compensation by an advisory vote. The structure of the remuneration policy fails to adequately incentivise long-term, sustainable growth.

LVMH:

Vote against approval of the compensation policy for the Chairman and Chief Executive Officer. The structure of the remuneration policy fails to adequately incentivise long-term, sustainable growth.

Invesco UK Opportunities Z

Coats Plc:

The 2021 AGM vote was an important vote. We had previously engaged with the Board regarding one of their Non-Executive Director’s, Anne Fahy who chaired the Audit Committee. She had previously served as NED of Interserve since 2018 and was chair of its Audit Committee throughout her tenure. She also served as a NED of the beleaguered Nyrstar and Chaired their Audit Committee. We were concerned that she had been in a key position in each of these companies that had both undergone significant audit controversies. We believed it would be prudent for her not to Chair the Audit Committee at Coats. We voted against her re-election at the 2021 AGM. We continued to raise this as a concern with the Board and informed them ahead of their 2022 AGM, that we had voted against her re-election again. The Company put out a RNS ahead of the AGM confirming Anne Fahy’s intention not to stand for re-election at the 2022 AGM and as a result the resolution for her re-election was withdrawn.

Mitchells & Butlers Plc:

The 2022 AGM vote for Mitchells & Butler was an important vote. We voted against the Remuneration Report resolution as we did not agree with the Remuneration Committee’s decision to override the maximum Restricted Share Plan award size for the Chief Financial Officer. We did not believe the company had provided compelling rationale for us to support this award. We also had concerns with the structure of board following the board changes announced in 2021. As a result we voted against the re-election of Eddie Irwin and Josh Levy as Non-Executive Directors. Eddie Irwin and Josh Levy represent Odyzean Limited. We think it is a reasonable for them to sit on the Board but Josh Levy also sits on the Remuneration Committee which we believe should be fully independent in line with the UK Corporate Governance Code (the “Code”) and Eddie Irwin sits on the

Nomination Committee which we believe should be entirely independent (notwithstanding the Code only requires this committee to be majority independent). We also voted against the Board Chair, Bob Ivell who we felt was ultimately responsible for the corporate governance standards of the Board. He is also Chair of the Nomination Committee and less than 33 percent of the Board currently consists of women, which is not in line with the recommendation of the Hampton-Alexander Review. Further, there was no firm commitment that gender diversity will be further incorporated into the Board. He has also served on the Board for 10 years, and no succession plan has been indicated by the Company. Since the AGM, Amanda Brown has been appointed as a Non-Executive Director.

Royal London Global Equity Select M

Amazon Plc:

Re-election of Jeff Bezos. Although RLAM would prefer the appointment of an independent non-executive chair of the board, for the first time we supported Bezos' re-appointment given the separation of the CEO and chair roles, and appointment of an independent senior independent director.

Board directors. We opposed the re-election of all members of Amazon's leadership, development, and compensation committee, because of significant scrutiny and controversy in recent years related to Amazon's human capital management practices, particularly in regard to workplace conditions and worker safety.

Aligning climate goals with employee retirement options (shareholder proposal). This proposal was filed at several US companies in 2022. While we agree with the sentiment of aligning employee pensions with Amazon's stated climate goals, we are satisfied with Amazon's current approach. Employees can direct their pensions to many available options, including those aligned with climate ambitions. We believe this decision should be down to the individual rather than mandated by the employer.

Apple Plc:

Executive compensation. This year, the board asked shareholders to approve a grant of close to $100m to the CEO in equity awards with very limited performance conditions. Apple has a history of granting exceptionally high awards to executives and this year was no exception. However, we could not support the award due to both the scale and lack of sufficient performance conditions.

App removals (shareholder proposal). We supported the request for increased disclosure from the company on the frequency and nature of App removal requests from the Chinese government and the associated impact on freedom of expression.

Effectiveness of supply chain policies on forced labour (shareholder proposal). The company appears to have strong policies around managing their supply chain, however given the significant reputational risks posed by their global supply chain we are supportive of this request for increased disclosure.

Slater Growth P

Future plc:

Engagement with company Boards concerning executive remuneration, as always, features heavily in the work of the ESG Committee. At Future plc's Annual General Meeting in February of 2022, 55% of the votes received were against the remuneration report. This report was based on a policy which the

ESG Committee had engaged heavily with the Board on before its implementation and SIL did not believe that the initial vision materialised. SIL engaged with the Chair of the Remuneration Committee ahead of their designing a new remuneration policy, which will come into effect at the end of the current policy's life in February 2023. These discussions were productive, and at this stage the policy appears to be taking shape more in line with SIL's policies.

R&Q Insurance Holdings Ltd:

One of SIL's main engagements during the year was to lead collaborative engagement with other shareholders to prevent a recommended cash acquisition of R&Q Insurance Holdings Ltd (previously Randall & Quilter Investments Holdings Ltd) ("RQIH"), which SIL was ultimately successful in doing. In SIL's view this was fundamentally a good business, and the offer did not represent good value for shareholders. Management had been impressive prior to the event, however, the ESG Committee felt management had let themselves down through the course of this process. As for the terms of the acquisition itself, the company was significantly undervalued on a sum of its parts basis, so it was not surprising when a private equity style approach was made. However, the Board should have been more robust. The acquisition was not backed by cash but instead the parties adopted an approach more consistent with US market practice which relied on contractual protection, and not of the format seen under the Takeover Code. It was surprising so many other institutional investors could not grasp this.

Subsequently, in July 2022, SIL partook in RQIH's ensuing equity fundraise (the "Fundraise"). The net proceeds of the Fundraise were to be used by the company to strengthen its balance sheet, fund collateral requirements, and pay down debt. The Fundraise has resulted in SIL now having an 11.73% holding in the company. SIL further publicly supported the company following the requisition of a special general meeting in August 2022 by a fellow shareholder to remove the Chairman as a director of the company and to appoint a successor. However, SIL was pleased with the company's appointment of a new Senior Independent Director to the board and its intention to appoint a new Non-Executive Chairman, which SIL believed was the best way to address the governance of the company. SIL therefore voted against the tabled resolutions, which ultimately did not pass. SIL believes the company has now emerged from a difficult period and is in a strong position to move forward.

SVM UK Growth B

Essensys PLC:

Votes were cast against the re-election of 4 directors at Essensys PLC as all 4 directors were in receipt of share options. We engaged with the CFO of the company expressing our concern that the award of share-based compensation to board members has the potential to cloud long-term thinking and strategy decisions. While a commitment was made to no longer enter into such arrangements with either current or future directors, no action was taken to resolve the position of those already in receipt of the awards. As a result, the decision was taken to continue with our vote against the directors' re-election and our actions were fully explained to the company.

Impax Asset Management PLC

We voted against both the remuneration report and the re-election of a director at the Impax Asset Management PLC AGM. The vote against the remuneration report was a reaction to the lack of disclosure regarding the CEO's reward package. Engagement with the company revealed that for the coming years an external global remuneration consultant would be appointed to ensure the company meets best practice. While we were encouraged by this news, we remained concerned that both the company's remuneration and audit committees lacked sufficient independence. In particular, the Chair of the audit committee, and member of the remuneration committee, was not deemed independent as a result of his serving on the board concurrently with the company's CEO for a period of 12 years. This failure in governance, when combined with the lack of disclosure, neither of which we believed were properly explained by the company, resulted in us voting against both items.

TB Evenlode Income B

<u>SGS PLC:</u>

We voted against management on the re-election of a particular director who sits on the board and the remuneration committee of a holding which is in our UK Income and Global Equity funds. He was one of the controlling shareholders on the board, holding a large percentage of voting rights through a holding company. We wanted to see more independent oversight on the remuneration committee and therefore preferred him to not stand for re-election.

<u>AB Inbev:</u>

Evenlode voted AGAINST the re-appointment of the Chair due to non-independence in the absence of a Lead Independent Director, and, like last year, AGAINST the re-appointment of director Santo Domingo due to concerns around over boarding.

As in last year's AGM, we voted AGAINST the remuneration report and 2021 remuneration policy as there have been no improvements and no response regarding the concerns we highlighted in our engagement letter to the company last year. These issues include a lack of disclosure around STIP targets and achievement levels. While the financial metrics are good, there is a lack of non-financial strategic measures. The LTIP consists of RSUs and PSUs, the latter being only subject to an rTSR underpin. We would prefer to see relevant metrics beyond rTSR and the shift to an exclusively performance based LTIP. We would also like to see a clawback provision.

There are only minor changes to the remuneration policy, including a decrease in the ratio of matching shares granted from 3:1 to 1.5:1. From FY2022 onwards, executives can receive a limited portion of their bonus if they meet their individual target hurdles even if company or business unit target hurdles are not met. Previously, they would have received no bonus in this case. We view this as a positive move. However, we view the shift from a vesting period of 3 years for half the share awards and 5 years for the other to 3 years for all as a step back in the absence of a holding period of a further 2 years.

TB Guinness Global Equity Income Y

<u>Texas Instruments:</u>

<u>Vote against</u> the advisory vote on executive compensation. Texas Instruments is a 'trailing-edge' semiconductor designer and manufacturer, with a focus on analog and embedded processors. Using our remuneration scorecard, we identified a number of key areas within the firm's executive compensation package that were below satisfactory, in our view. The majority of the short-term incentive plan was based on a 'Performance Bonus' – a cash bonus awarded purely on a discretionary basis, with no disclosed upper limit. We prefer to see a formulaic approach with transparent targets and weights, alongside a disclosed upper limit to mitigate against excessive compensation. In addition, the firm did not have a performance based long-term incentive plan in place. Instead, the firm attempted to align performance through paying out a pre-determined number of Stock Options and RSUs, the quantum of which was calculated on a discretionary basis (although the committee targets the median level of equity compensation in a comparator group). These are paid out regardless of company performance. In our view, this compensation package was unsatisfactory. The use of discretion within the package meant not just low transparency into how the quantum of compensation was calculated but created unnecessary upside risk to excessive pay-outs. In addition, the design of the long-term incentive plan (in the sense that it was time-based, rather than performance-based) did not adequately align executive interests with those of the long-term interests of shareholders, in our view – particularly as very little of the plan was truly 'at risk'. As a result, we voted against for the 'advisory vote on executive compensation', and also expressed our concerns via email later in the year. This is an ongoing engagement, and we will continue to use proxy votes and direct communication to encourage better governance.

UBS US Growth C

Microsoft Corporation:

Votes for the Report on Effectiveness of Workplace Sexual Harassment Policies. Rational for the voting decision was the sexual harassment and gender discrimination policies requested by this proposal would allow shareholders to better assess how the company is addressing associated risk. The vote passed with 78% of votes cast were in support of this shareholder proposal. We shall be monitoring the response from the company, given the significant support.

Apple Inc:

Votes for Report on Civil Rights Audit. Rational for the voting decision was the request for additional reporting is reasonable and would enable shareholders to have a better understanding of the company's approach, leading to us supporting the proposal. The vote passed and following the strong support for this shareholder proposal we will be engaging with the Company on this topic.

Conclusion

Based on the information set out above, the Trustees consider that all SIP policies and principles were adhered to during the year.

The Trustees of the Runwood Homes Retirement Benefit Scheme
September 2022