

BIG THINKING FOR SMALL SCHEMES

Implementation Statement

Kwik-Fit Group Pension and Life Assurance Scheme

June 2023



1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach and stewardship in dealing with certain specific matters with regard to their Environmental, Social, and Governance (ESG) principles outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of the Kwik-Fit Group Pension and Life Assurance Scheme. In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

2. ESG Principles

Environmental, Social, and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social, and governance (“ESG”) policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that where index tracking pooled vehicles are employed, ESG considerations cannot be taken into account due to the nature of the investment.

In principle, the Trustees believe that ESG factors can have an impact on the performance of their investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect their fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

The Trustees believe that the stewardship responsibilities attached to the ownership of shares are important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares including across passive equity mandates. Managers are expected to be signatories to the FRC UK Stewardship Code.

Further information on the Trustees’ policies can be found in the latest SIP dated September 2020. We are currently working on updating the SIP to June 2023.

In the Trustees’ opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 30 June 2023.

The following pages illustrate how the Trustees, through their fund managers, have followed their stewardship and engagement policies.

3. Investments Attitudes to ESG

| Fund Manager/Fund | ESG Description |
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| <p data-bbox="204 331 561 365">LGIM (DB Section Only)</p> <p data-bbox="204 369 544 403"><u>Holdings as at 30 June</u></p> <p data-bbox="204 439 536 506">Self Sufficiency Credit Real Short Fund</p> <p data-bbox="204 542 568 609">Active Corporate Bond – All Stocks Fund</p> <p data-bbox="204 645 360 678">Cash Fund</p> <p data-bbox="204 714 568 853">Global Equity Index Fixed Weight 50:50 GBP Hedged Fund <i>(Fully disinvested in April 2023)</i></p> <p data-bbox="204 889 536 987">Dynamic Diversified Fund <i>(Fully disinvested in April 2023)</i></p> <p data-bbox="204 1023 558 1122">LDI Matching Core Real (Short) Fund <i>(Fully disinvested in April 2023)</i></p> | <ul style="list-style-type: none"> <li data-bbox="603 369 1398 616"> <p>Fund Manager Overview</p> <p>LGIM’s ultimate goal is to protect and enhance the investment returns generated by their clients’ assets whilst aiming to have a long-standing commitment to raising corporate governance and sustainability standards to ultimately enhance the value of the companies in which they invest.</p> <p>LGIM has publicly committed to the following three goals as part of their five-year strategic plan:</p> <ul style="list-style-type: none"> <li data-bbox="699 719 1398 786">• Influencing the transition to a low-carbon economy <li data-bbox="699 790 1398 857">• Making society more resilient with our financial solutions <li data-bbox="699 862 1398 929">• Creating new investments for the future economy <p>Further information on how they can receive these goals is publicly available on the parent company Legal & General Group plc’s reporting on corporate responsibility.</p> <li data-bbox="603 1144 1398 1671"> <p>ESG Integration</p> <p>LGIM uses a bottom-up and a top-down approach to monitoring and analysis as well as using ESG information that comes out from engagement meetings with companies. LGIM’s ESG scoring tool assesses companies in 17 different sectors on their disclosure, policies and processes for managing ESG risks. LGIM has set up three long-term thematic working groups (demographics, energy and technology) that undertake top-down research and analysis of macroeconomic issues, related to responsible investment and ESG. The direct engagement with companies is a way LGIM seek to identify ESG risks and opportunities. LGIM have an escalation policy to tackle difficult and inter-connected ESG issues that materially impact the value of assets.</p> <p>LGIM have an Active ESG View tool which forms an essential component of the overall active research process. The tool brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company. ESG risks vary across sectors and therefore the proprietary tool LGIM have developed evaluates sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporate a qualitative</p> |

approach on top of this as data alone may not tell the full story.

- **Active Ownership (1 year to 30 June 2023)**

LGIM report annually on their active ownership to 31 March, however, they provide some limited reporting on their proxy voting over the 12 months to 30 June. LGIM's Corporate Governance team casts proxy votes in a manner consistent with the interests of all clients. They direct the vote of a significant proportion of a company's shares by exercising the shareholder rights of almost all clients. LGIM acknowledges that the Scheme as one of their clients, in giving LGIM their mandate, require LGIM to vote with the shares on the behalf of the Scheme. LGIM, therefore, aim to minimise abstaining from voting, only doing so if it is technically not possible to cast a vote in any other way.

LGIM's voting decisions are made internally within the corporate governance team, and independently from the investment teams. LGIM have in place supplementary regional policies setting out their voting approaches publicly on their website however various other factors may also help them form a view on voting matters. These consist of; previous engagements, third party research (e.g. ESG reports, broker research), company performance, client feedback and LGIM's in-house views with respect to their investment teams.

Global Equity Fixed Weights 50:50 GBP Hedged Index Fund

Over the 12 months to end June 2023, LGIM were eligible to vote at 2,986 meetings and on 38,703 resolutions over the 12-month period. LGIM voted on 99.90% of resolutions. 81.79% of the votes were votes for, 18.09% were votes against and 0.12% were votes abstained from.

Dynamic Diversified Fund

Over the 12 months to end June 2023, LGIM were eligible to vote at 9,368 meetings and on 96,858 resolutions over the 12-month period. LGIM voted on 99.81% of resolutions. 77.05% of the votes were votes for, 22.57% were votes against and 0.38% were votes abstained from.

Active Corporate Bond – All Stocks Fund

LGIM screen the companies in which they hold corporate bonds for ESG factors. They review quantitative and qualitative factors as well as overall governance. LGIM has provided an ESG report up to 31 March 2023. Over the 12-month period to 31 March

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| | <p>2023, LGIM participated in a total of 91 engagements where 40 unique companies were engaged. The top 5 engagement topics were:</p> <ul style="list-style-type: none"> • Climate Change • Remuneration • Corporate Strategy • Board Composition • Inequality <p>Self Sufficiency Credit Real Short Fund LGIM screens the companies in which they hold corporate bonds for ESG factors. They review quantitative and qualitative factors as well as overall governance. LGIM aims to embed ESG where appropriate. Following a research meeting with LGIM on their LDI funds, we could expect some incorporation of green gilt(s) in LDI mandates. LGIM also considers how ESG is incorporated in their choice of counterparties, which they use by reviewing quantitative and qualitative factors as well as overall governance.</p> <ul style="list-style-type: none"> • References LGIM aims to implement best practice reporting to stakeholders including: <ul style="list-style-type: none"> ○ Quarterly ESG Impact Report |
| <p>Aviva (DC Section Only)</p> <p>Default Funds Aviva My Future Growth Fund</p> <p>Aviva My Future Consolidation Fund</p> <p>For completeness we note that self-select options are available – this report concentrates on the default as required by the regulations.</p> | <ul style="list-style-type: none"> • Fund Manager Overview Aviva Investors recognises and embraces their duty to act as responsible long-term stewards of their clients’ assets. They claim to hold a deep conviction that environmental, social and governance (ESG) factors can have a material impact on investment returns and client outcomes. They believe that being a responsible financial actor means their investment approach must support, and not undermine, the long-term sustainability of capital markets, economies and society. Aviva hold principles and governance publicly available in their document titled “Aviva Investors Responsible Investment Philosophy”. <p>Aviva are strong supporters of the UK stewardship code that embodies seven principles, which cover:</p> <ul style="list-style-type: none"> • Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities. • Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed. • Institutional investors should monitor their investee companies. |

- Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.
- Institutional investors should be willing to act collectively with other investors where appropriate.
- Institutional investors should have a clear policy on voting and disclosure of voting activity.
- Institutional investors should report periodically on their stewardship and voting activities.

Aviva explain how they ensure compliance with the Stewardship Code in their "Stewardship Statement".

- **ESG Integration**

Aviva Investments have several things in place to integrate ESG principles into practice. Firstly, they maintain a Responsible Investment Officer (RIO) Network with representatives from different asset classes and regions. The RIO Network act as ESG integration champions across the business. The Global Responsible Investment (GRI) Team facilitate internal and external training for investment teams on current and emerging ESG trends, risks and opportunities. Aviva operates a proprietary ESG data model synthesising internal and external data to provide investment teams with an assessment of ESG risks basis. Bespoke ESG integration processes have been developed for their core asset classes and fund strategies including equities, credit, sovereign, multi-asset and real assets. Their investment risk team integrate ESG indicators into portfolio risk reports wherever practicable. Performance against ESG objectives is embedded into investment teams' annual evaluation and compensation framework.

There are three levels to integrating financially material ESG risks into the credit investment process

- The research team publishes their research, including an ESG rating score, focusing on how the company performs relative to industry peers, and an ESG momentum score, which focuses on the trend in company ESG metrics on a year-on-year basis.
- Each published credit research note highlights the current MSCI ESG score for the company and analyses the company through an ESG lens.
- The final part is the integration into the portfolio where the credit portfolio managers use the quantitative ESG scores houses in Aladdin to track a portfolio's ESG score through time.

Aviva publishes annual proxy voting guidelines and UK Stewardship Code compliance statements providing

details of their responsible investment approach and outlining views on ESG best practices. Furthermore, they avoid or divest positions when unmanaged ESG factors fall outside of their risk tolerance and engagement is deemed unsuccessful. Aviva aims to push market reform by utilising their influence and insights as a large institutional investor to advocate for policy reforms that address market failures and help build more sustainable capital markets.

- **Active Ownership (1 year to 30 June 2023)**

Aviva vote globally at all shareholder meetings that they have the legal right to do so and where costs are not prohibitive. They will endeavour wherever practicable, to recall lent stock prior to contentious shareholder meetings when this is considered in clients' best interest. Extensive proactive and reactive engagement are undertaken with management and boards of issuers and borrowers to monitor ESG practices and encourage best practice. Aviva commit to transparency through timely publication of voting records and quarterly and annual reporting of their engagement activities.

The following details on active ownership apply to voting information within the Aviva My Future Growth Fund and Aviva My Future Consolidation Fund, which the Scheme is invested. Both funds have holdings allocated across the range of Aviva funds below:

- AI North American Equity Index Fund
- AI Developed European ex UK Equity Index Fund
- AI Japanese Equity Index Fund
- AI Developed Asia Pacific ex Japan Equity Index Fund
- AI UK Equity Index Fund

We have summarised the voting information in these funds below:

Over the 12 months to end June 2023:

AI North American Equity Index Fund

Aviva were eligible to vote at 634 meetings and on 8,351 resolutions over the 12-month period. Aviva voted on 99.56% of resolutions. 54.80% of votes were votes for, 44.70% were votes against management and 0.50% of resolutions were abstained from voting.

AI Developed European ex UK Equity Index Fund

Aviva were eligible to vote at 482 meetings and on 8,818 resolutions over the 12-month period. Aviva voted on 88.90% of resolutions. 70.20% of votes were votes for, 23.60% were votes against management and 6.20% of resolutions were abstained from voting.

AI Japanese Equity Index Fund

Aviva were eligible to vote at 494 meetings and on 5,816 resolutions over the 12-month period. Aviva voted on 99.97% of resolutions. 83.60% of votes were votes for, 16.20% were votes against management and 0.20% of resolutions were abstained from voting.

AI Developed Asia Pacific ex Japan Equity Index Fund

Aviva were eligible to vote at 440 meetings and on 3,062 resolutions over the 12-month period. Aviva voted on 98.04% of resolutions. 66.50% of votes were votes for, 32.50% were votes against management and 1.00% of resolutions were abstained from voting.

AI UK Equity Index Fund

Aviva were eligible to vote at 684 meetings and on 10,385 resolutions over the 12-month period. Aviva voted on 99.76% of resolutions. 93.00% of votes were votes for 6.00% were votes against management and 1.00% of resolutions were abstained from voting.

A case study by Aviva looks at their recent vote against the resolution on Unilever Plc's CEO salary. The proposed salary of EUR 1.85 million is a matter of concern as it surpasses both the previous CEO's compensation and the market rates for similar positions, including the candidate's current salary at Royal FrieslandCampina. While Unilever Plc cited European market alignment to justify the salary, Aviva remains apprehensive about the substantial disparity and potential future implications. Aviva strongly urges Unilever Plc to reevaluate the CEO's remuneration and strive for greater alignment with prevailing market standards, ensuring a more judicious and sustainable approach to executive pay practices.

Aviva, in a further case study, stands firmly behind the shareholder proposal urging McDonald's Corporation to align its practices with the World Health Organization (WHO) Guidelines on Antimicrobial Use. The company's current performance on this matter leaves room for improvement, as it has previously fallen short of related targets. In 2022, McDonald's scaled back its antibiotic use targets, replacing commitments to 'reduce use' of medically important antibiotics with less ambitious 'responsible use' targets. This is vital for addressing global challenges of antimicrobial resistance and safeguarding public health, while also mitigating regulatory and reputational risks. As responsible investors, Aviva emphasizes the need for adhering to

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| | <p>WHO guidelines and promoting sound corporate governance that prioritizes human health and environmental well-being. Supporting this proposal aligns with Aviva’s commitment to advocating for responsible business practices and contributing to a healthier world.</p> <p>Aviva presented another case study opposing the reappointment of Hiroshi Igarashi as Director of Dentsu Group due to his association with misconduct during the Tokyo 2020 Olympic and Paralympic Games. The Tokyo District Public Prosecutor's Office indicted the Dentsu Group and individuals, including a former Dentsu executive, over alleged bid rigging. Director Igarashi served on the board during the period when the collusion occurred in approximately February to July 2018. Considering the gravity of the allegations and the director's involvement during the alleged misconduct, Aviva believes that his reappointment is inappropriate.</p> <ul style="list-style-type: none">• References<p>Further information can be found in the following documents with the corresponding topics:</p><ul style="list-style-type: none">○ Aviva Investors Responsible Investment Philosophy○ Stewardship Statement Document○ Implementation Statement – AI datasheets |
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