

Engagement Policy Implementation Statement for the Year Ended 31 March 2024

Fujitsu (FTS) Pension Scheme (“the Scheme”)

1. INTRODUCTION

The Engagement Policy Implementation Statement (known as the Statement) presents the Trustee's assessment of their adherence to their engagement policy and their policy concerning the exercise of rights (including voting rights) attaching to the Scheme's investments throughout the one-year period ending 31 March 2024 (the “Scheme Year”). The Trustee's policies are outlined in their Statement of Investment Principles (SIP). The SIP was last reviewed in September 2023 in order to reflect). A copy of the Trustee's SIP is available [online](#).

This Statement has been prepared in accordance with the *Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019* and the guidance published by the Department for Work and Pensions.

Over the year the Scheme entered into a bulk-annuity policy with Aviva that covered all the liabilities of the Scheme. Therefore, at the Scheme year-end the majority of the Scheme's assets are held in this policy, with the additional (“Surplus”) assets held in a UK investment grade corporate bond fund. In their assessment of bulk annuity providers' the Trustee considered provider's ESG and stewardship policies and are therefore comfortable that due consideration to these factors is given by Aviva. Aviva's sustainability policies and reports are available on their [website](#). However, having entered into the bulk-annuity policy the Trustee accepts that they have very limited scope to influence and no scope to directly carryout engagement and voting activities with respect to this policy. As such the remainder of this statement considers the Surplus assets of the Scheme.

With respect to the Surplus asses, the Trustee has appointed Mercer Limited (Mercer) as the discretionary investment manager and as such they are invested in a specialised pooled fund(s) (known as the Mercer Funds). The management of each of the Mercer Fund's assets is carried out by a Mercer affiliate, namely Mercer Global Investments Europe Limited (MGIE).

The relevant Mercer affiliate is responsible for the appointment and monitoring of a suitably diversified portfolio of specialist third party investment managers for the assets of each Mercer Fund.

Under these arrangements, the Trustee acknowledges that they do not possess direct authority over the engagement or voting policies and arrangements of the Mercer Funds' managers. Mercer's publicly available [Sustainability Policy](#) outlines how it addresses sustainability risks and opportunities, incorporating Environmental, Social and Corporate Governance (ESG) factors into the decision making across process. The [Stewardship Policy](#) provides further details on Mercer's beliefs and implementation of stewardship practices.

Mercer's Client Engagement Survey aims to integrate the Trustee's perspectives on specific themes by evaluating the alignment between Mercer's engagement priority areas and those of the Trustee. Additionally, the survey highlights areas of focus that hold importance to the Trustee. The Trustee regularly reviews reports from Mercer regarding the engagement and voting activities conducted within the Mercer Funds to assess the alignment of these with their own.

Section 2 of this Statement outlines the Trustee's engagement policy and evaluates the extent to which it has been followed during the Scheme Year.

Section 3 sets out the Trustee's policy regarding the exercising of rights (including voting rights) attached to the Scheme's investments. None of the Scheme's assets had any voting rights and therefore no voting activity was undertaken by the Trustee's or their appointed third-party investment managers over the Scheme Year.

Considering the analysis presented in Sections 2 to 3, the Trustee believes that their policies with regard to engagement and the exercise of rights attaching to investments have been successfully followed during the Scheme Year.

2. TRUSTEE'S POLICY ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) ISSUES, INCLUDING CLIMATE CHANGE

Policy Summary

The Trustee's ESG beliefs are outlined in Section 8 of the Scheme's SIP.

The Trustee regularly reviews Stewardship and Sustainability policies noted above. If the Trustee find that the relevant policies of Mercer, MGIE or the third party asset managers do not align with their own beliefs they will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds. They may also seek to renegotiate commercial terms with Mercer.

The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to have effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities. This requirement is aligned with the Task Force on Climate-related Disclosures (TCFD) framework. The TCFD framework is a set of recommendations developed by an international task force established by the Financial Stability Board (FSB). The framework provides guidance for organizations to disclose climate-related financial information in a consistent and decision-useful manner

How the Policy has been implemented over the Scheme Year

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change.

Policy Updates	Climate Change Reporting and Carbon Foot-printing	Mercer Ratings
<p>The Trustee reviews how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers within the Mercer Funds, in the monitoring process. Mercer, and MGIE, provide reporting to the Trustee on a regular basis.</p> <p>The Mercer <u>Sustainability Policy</u> is reviewed regularly. In August 2023 the governance section was updated, and the climate scenario modelling section is now detailed in the standalone Task Force on Climate Related Financial Disclosures (TCFD) report.</p> <p>In line with the requirements of the EU Shareholder Rights Directive II (SRD II), Mercer has implemented a standalone <u>Stewardship Policy</u> to specifically address the requirements of SRD II. SRD II is a regulatory framework aimed at enhancing shareholder rights and improving corporate governance within the European Union.</p> <p>The most recent <u>UN Principles of Responsible Investment</u> results (based on 2022 activity) awarded Mercer with 4 out of 5 stars for Policy Governance and Strategy. The United Nations Principles for Responsible Investment (UN PRI) is a global initiative that provides a framework for incorporating environmental, social, and</p>	<p>Mercer and the Trustee believes climate change poses a systemic risk, with financial impacts driven by two key sources of change:</p> <ol style="list-style-type: none">1. The physical damages expected from an increase in average global temperatures2. The associated transition to a low-carbon economy <p>Each of these changes presents both risks and opportunities to investors. Mercer therefore considers the potential financial impacts at a diversified portfolio level, in portfolio construction within asset classes, and in investment manager selection and monitoring processes.</p> <p>The Trustee reviews the carbon intensity of their Tailored Credit Fund I allocation, which makes up the Surplus assets, and note that over the year to 31 March 2024 the carbon intensity of the fund reduced by 6%.</p>	<p>Stewardship and active ownership form an important part of Mercer's ratings framework applied during the manager research process.</p> <p>Mercer's ratings include an assessment of the extent to which ESG factors are incorporated in a strategy's investment process as well as the manager's approach to stewardship.</p> <p>Across most asset classes, Mercer ratings are reviewed during quarterly monitoring by the portfolio management teams with a more comprehensive review performed annually. In these reviews, Mercer seek evidence of positive momentum on managers' ESG integration.</p> <p>These ratings assigned by Mercer are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustee.</p>

governance (ESG) factors into investment practices.

The Financial Reporting Council confirmed in February 2024 that MGIE continues to meet the expected standard of reporting and will remain a signatory to the UK Stewardship Code, which represents best practice in stewardship.

Approach to Exclusions

Mercer and MGIE's preference is to emphasise integration and stewardship approaches, however, in a limited number of instances, exclusions of certain investments may be necessary based on Mercer's Investment Exclusions Framework. Controversial weapons and civilian firearms are excluded from fixed income funds. In addition, tobacco companies and nuclear weapons are excluded from fixed income funds.

In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, labour, environmental and corruption issues.

Diversity

Mercer's ambition to promote diversity extends beyond its own business through to the managers it appoints. This is partly assessed within the manager research process and documented in a dedicated section within research reports.

Mercer considers broader forms of diversity in decision-making, but currently report on gender diversity. As of 1 April 2023, 35% of the Key Decision Makers (KDM's) within Mercer Investment Solutions team are non-male, and Mercer's long term target is 50%.

Within the Fixed Income universe, the average fund has 13% non-male KDM's. Figures relating to Mercer Fixed Income is currently slightly ahead at 15%.

In Q3 2022, MGIE became a signatory of the UK Chapter of the 30% Club and helped to establish the Irish Chapter over 2023. The 30% Club is a business-led initiative that aims to increase gender diversity on corporate boards and in senior leadership positions

Engagement

Engagement is an important aspect of Mercer's stewardship activities on behalf of the Trustee. [The 2023 Stewardship Report](#) highlights the engagement objectives which have been set, examples of engagement and the escalation process. Mercer also participates in collaborative initiatives related to stewardship.

Mercer conducts an annual Global Manager Engagement Survey on sustainability and stewardship topics. The survey was distributed to over 200 managers appointed by the Mercer Funds. The survey aims to gather information on managers' broad approach to stewardship as part of their investment integration. It also seeks insights and examples of voting and engagement activities. The results from the survey serve as an important source of information for tracking and measuring the managers' stewardship efforts, assessing effectiveness and identifying potential areas for improvement.

The results and insights from the survey will be shared in Mercer's Annual Stewardship Report. This report is reviewed by the **Trustee** providing them with valuable information on the managers' stewardship activities and their alignment with Mercer's objectives.

3. TRUSTEE'S POLICY ON EXERCISE OF RIGHTS (INCLUDING VOTING RIGHTS) ATTACHING TO Scheme INVESTMENTS

The Trustee's policy is as follows:

- **Delegation of Investment Management:** The Trustee delegates responsibility for the discretionary investment management of Scheme's Surplus assets to Mercer.
- **Reporting of Engagement and Voting:** In order for the Trustee to fulfil their obligations regarding voting and engagement, they require reporting on the engagement and voting activities undertaken within the Mercer Funds. This reporting helps the Trustee assess whether the policies align with their own delegation of Voting Rights: Voting rights that apply to the underlying investments attached to the Mercer Funds are ultimately delegated to the third-party investment managers appointed by MGIE. MGIE accepts that these managers are typically best placed to exercise voting rights and prioritise particular engagement topics, given their detailed knowledge of the governance and operations of the invested companies. However, Mercer plays a pivotal role in monitoring the stewardship activities of those managers and promoting more effective stewardship practices, including attention to more strategic themes and topics.
- **Proxy Voting Responsibility:** Proxy voting responsibility is given to listed equity investment managers with the expectation that all shares are voted¹ in a timely manner and in a manner deemed most likely to protect and enhance long-term value. Mercer and MGIE carefully evaluates each sub-investment manager's capability in ESG engagement and proxy voting as part of the selection process, ensuring alignment with Mercer's commitment to good governance and the integration of sustainability considerations. Managers are expected to take account of

current best practice such as the UK Stewardship Code, to which Mercer is a signatory. As such the Trustee does not use the direct services of a proxy voter.

A summary of the voting activity for a range of Mercer Funds in which the Scheme's assets are invested in is provided for the year ending 31 March 2024. This may include information in relation to funds that the Scheme's assets were no longer invested in at the year end. The statistics are drawn from the Glass Lewis system (via the custodian of the Mercer Funds). Glass Lewis is a leading provider of governance and proxy voting services.

Significant Votes: The Trustee has based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer's Global Engagement Priority themes, The *most* significant proposals reported below relate to the three companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

None of the Scheme's assets had any voting rights and therefore no voting activity was undertaken by the Trustee's or their appointed third-party investment managers over the Scheme Year.