

Engagement Policy Implementation Statement (“EPIS”)

Ferrero UK Limited Pension & Life Assurance Scheme (the “Scheme”)

Scheme Year End – 31 March 2023

The purpose of the EPIS is for us, the Trustee of the Ferrero UK Limited Pension & Life Assurance Scheme, to explain what we have done during the year ending 31 March 2023 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity we have undertaken during the year; we believe that the policies set out in the SIP have been implemented effectively.

In our view, the Scheme’s material investment managers were able to disclose adequate evidence of voting and/or engagement activity, and the activities completed by our managers align with our stewardship expectations, and that our voting policy has been implemented effectively in practice.

Our investment managers provided us with engagement information that was sufficient for us to deduce that the policies in our SIP had been implemented effectively, however, there are areas where we would like to see additional details, as set out in our engagement action plan.

Whilst neither manager provided all the engagement information requested, the information they did provide was high-quality and sufficient for us to believe that our voting policy has been implemented effectively on our behalf.

This report does not include commentary on the Scheme’s liability driven investments or cash because of the limited materiality of stewardship to these asset classes.

How voting and engagement policies have been followed

The Scheme is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers. We reviewed the stewardship activity of the material investment managers carried out over the Scheme year and in our view, most of the investment managers were able to disclose good evidence of voting and/or engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Scheme's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly Environmental, Social and Governance ("ESG") ratings from Aon for the funds the Scheme is invested in where available.

During the year, we received training on ESG and stewardship topics, and agreed our policies in relation to these.

Each year, we review the voting and engagement policies of the Scheme's investment managers to ensure they align with our own policies for the Scheme and help us to achieve them.

The Scheme's stewardship policy can be found in the SIP: <https://www.psgovernance.com/communications/Ferrero-UKLimited.html>

Our Engagement Action Plan

Based on the work we have done for the EPIS; we have decided to take the following steps over the next 12 months:

1. While LGIM and BlackRock provided a comprehensive list of fund-level engagement, which we find encouraging, these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group ("ICSWG") industry standard. Our investment adviser, Aon, will meet with these managers to better understand their engagement practices and discuss the areas which are behind those of their peers.
2. We will invite each of our investment managers to a meeting to get a better understanding of their voting and engagement practices, and how these help us fulfil our Responsible Investment policies.
3. Investment monitoring takes place on a biannual basis with monitoring reports being provided to the Trustee by Aon. The reports include ESG ratings and highlight any areas of concern, or where action is required.
4. We will undertake an annual review of our investment managers' Responsible Investment policies to ensure they are in line with our own.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 March 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
BlackRock - Dynamic Diversified Growth Fund	11,775	92.0%	5.0%	1.0%
LGIM All Equity Index Funds - World Equity Index (MSCI) Fund - GBP Currency Hedged	38,823	99.9%	20.5%	0.7%
LGIM Alternative Equity Indexation Funds - (MSCI) World Minimum Volatility Index Fund	5,610	99.6%	22.7%	0.1%
LGIM All Equity Index Funds - World Emerging Markets Equity Index Fund	36,506	99.9%	18.4%	2.1%

Source: Managers

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Description of use of proxy voting adviser(s)

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Blackrock

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

LGIM

LGIM's Investment Stewardship team uses ISS 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
BlackRock - Dynamic Diversified Growth Fund	693	3,886	Environment - Climate Risk Management Social - Human Capital Management, Social Risks and Opportunities Governance - Board Composition and Effectiveness, Corporate Strategy, Remuneration
LGIM All Equity Index Funds - World Equity Index (MSCI) Fund - GBP Currency Hedged	591	1,224	Environment - Climate Change Social - Human Capital Management (e.g. inclusion and diversity, employee terms, safety) Governance - Board Effectiveness, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/Purpose and others
LGIM Alternative Equity Indexation Funds - (MSCI) World Minimum Volatility Index Fund	165	1,224	Environment - Climate change, Social - Inequality, Public health, Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, and others.
LGIM All Equity Index Funds - World Emerging Markets Equity Index Fund	196	1,224	Environment - Climate change, Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Strategy/purpose, and others.
LGIM UK Passive Bond Funds - Investment Grade Corporate Bond Over 15 Year Index Fund	79	1,224	Environment - Climate Change Social – Public health Governance - Board Effectiveness, Diversity, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting)

Source: Managers.

Data limitations

At the time of writing, LGIM and BlackRock provided fund-level engagement information but not in the industry standard ICSWG template.

This report does not include commentary on the Scheme's investment in gilts or cash because of the limited materiality of stewardship associated with these asset classes. Further this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Scheme's assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers, in their own words. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below

BlackRock Dynamic Diversified Growth Fund	Company name	Alphabet Inc.
	Date of vote	1 June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Report on Metrics and Efforts to Reduce Water Related Risk
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	We endeavour to communicate to companies when we intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. We publish our voting guidelines to help clients and companies understand our thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. Our voting decisions reflect our analysis of company disclosures, third party research and, where relevant, insights from recent and past company engagement and our active investment colleagues.
	Rationale for the voting decision	BIS supported this shareholder proposal because, in our assessment, shareholders would benefit from more information on the company's approach to water dependencies and impact.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. Our Global Principles describe our philosophy on stewardship, including how we monitor and engage with companies. These high-level principles are the framework for our more detailed, market-specific voting guidelines. We do not see engagement as one conversation. We have ongoing direct dialogue with companies to explain our views and how we evaluate their actions on relevant ESG issues over time. Where we have concerns that are not addressed by these conversations, we may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, we monitor developments and assess whether the company has addressed our concerns.
	On which criteria have you assessed this vote to be "most significant"?	BIS believes that water management is a material risk for Alphabet given the significant volumes of water used to cool data centres.
LGIM All Equity Index Funds World Equity Index (MSCI) Fund - GBP Currency Hedged	Company name	Exxon Mobil Corporation
	Date of vote	25 May 2022

Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.6%
Summary of the resolution	Set GHG Emissions Reduction targets Consistent with Paris Agreement Goal
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Outcome of the vote	Fail
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
LGIM Alternative Equity Indexation Funds (MSCI) World Minimum Volatility Index Fund	
Company name	Mitsubishi Corp.
Date of vote	24 June 2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.4%
Summary of the resolution	Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	Fail
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

	On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.
LGIM All Equity Index Funds - World Emerging Markets Equity Index Fund	Company name	BB Seguridade Participacoes SA (Brazilian-based insurance company)
	Date of vote	29 April 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.1%
	Summary of the resolution	Accept Financial Statements and Statutory Reports for Fiscal Year Ended Dec. 31, 2021
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
		On which criteria have you assessed this vote to be "most significant"?

Source: Managers