

P&O Princess Cruises Pension Scheme – Annual DB Section Implementation Statement

INTRODUCTION

This document is the Annual Implementation Statement (the “Statement”) prepared by the Trustee of the P&O Princess Cruises Pension Scheme covering the year 1 April 2024 to 31 March 2025 (the “Scheme year”).

This Statement:

- Relates to the Defined Benefit Section (“DB Section”) of the Scheme and excludes the Additional Voluntary Contribution benefits under the DB Section. A separate statement has been produced in relation to the Defined Contribution (“DC Section”) assets.
- Describes any review of the Statement of Investment Principles for the DB Section (“DB SIP”) undertaken during the Scheme year in accordance with regulation 2(1) of The Occupational Pension Schemes (Investment) 2005 (“Investment Regulations”) and any other review of how the DB SIP has been met;
- Sets out how, and the extent to which, in the opinion of the Trustee, the DB SIP has been followed during the Scheme year, including policies on engagement and voting;
- Explains any changes made to the DB SIP during the Scheme year and the reasons for the changes; and
- Where relevant, describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the Scheme year and states any use of the services of a proxy voter during that reporting period.

From 1 October 2022, further Department of Work and Pensions (“DWP”) guidance on the reporting of stewardship activities through Implementation Statements came into effect. This updated guidance follows the publication of the Shareholder Rights Directive II and how this guidance has been followed is detailed in this report.

The Statement is split into three sections:

1. An overview of the actions of the Trustee and highlights in the DB Section during the Scheme year;
2. The policies set out in the DB SIP and the extent to which they have been followed in the Scheme year; and
3. Commentary on any voting behaviour and engagement activities undertaken by the fund managers of the DB Section on behalf of the Scheme during the Scheme year.

A copy of this implementation statement has been made available on the following website: <https://www.pocruises.com/legal-and-privacy/pensions>

1. REVIEW OF AND CHANGES TO THE DB SIP

During the Scheme year the Trustee made the decision to move from a Fiduciary Management approach to an advisory approach. The Trustee appointed Redington Ltd as its Investment Adviser in November 2024. Following a transitional period, the Fiduciary Management arrangement was terminated in February 2025. Therefore, the evidence of adherence to the policies set out in the DB SIP is in relation to the advisory approach and the DB SIP dated February 2025.

The Trustee has made the following changes to the DB SIP over the year:

- All wording related to the Fiduciary Manager has been removed throughout. Additionally, expectations of and previously delegated responsibilities of the Fiduciary Manager have been removed and updated accordingly.
- Investment Strategy policies
 - Updating to detail the Trustee’s appointment of investment managers to manage the Scheme’s assets and appointment of an Investment Adviser to provide advisory services. The Trustee determines the balance between investments from time-to-time.
 - The Trustee will continue to monitor the assets and liabilities of the Scheme, now in conjunction with the Investment Adviser.
- Investment Manager policies
 - The Trustee previously delegated investment selection, de-selection and the ongoing management of relationships with investment managers to the Fiduciary Manager. This is updated to reflect the Trustee is responsible for this, taking advice from its Investment Adviser.
 - The Trustee considers each investment managers’ performance against their agreed objectives. As part of its oversight of the Investment Adviser, considers overall performance of the assets versus the liabilities.
 - The Investment Adviser maintains processes to ensure individual manager and Scheme-level performance, and risk is regularly assessed against measurable objectives.
 - The Investment Adviser’s Sustainable Investment specialists are expected to be utilised to aid the Trustee’s continued consideration of environmental, social and governance (“ESG”) issues.
 - The Trustee encourages and expects investment managers to sign up to local or other applicable Stewardship Codes. The Trustee also assesses the voting policies of its investment managers, previously delegated to the Fiduciary Manager.
 - The Trustee continues to consider the fee structures of its investment managers, utilising Investment Adviser assistance to review costs incurred in managing Scheme assets.
- Risk policies
 - Interest rate and inflation risk – including that the Investment Adviser will advise on the risks relating to the matching assets portfolio.

2. TRUSTEE POLICIES FOR INVESTMENT MANAGERS – DB SECTION

The Trustee is responsible for the selection and de-selection of investments, and for the management of relationships with its investment managers. The Trustee takes advice from the Investment Adviser in relation to these responsibilities.

With the exception of the Trustee Bank Account, all of the Scheme’s assets are invested in pooled investment vehicles, which are managed according to standardised fund terms. During the Scheme year, the Fiduciary Manager made a full redemption from the TWIM Core Diversified Credit Fund, moving the majority of these proceeds to the TWIM Core Diversified Fund (“TWIM CDF”). The Fiduciary Manager also made a full share class switch from the M&G Lion IV Credit Opportunities Fund to the M&G Investment Grade Asset-Backed Securities (“IG ABS”) Fund.

Additionally, as part of the transition away from Fiduciary Management, the Trustee, with advice from its Investment Adviser, instructed the movement of its LDI assets from WTW-client specific pooled funds with Insight, into Insight’s standard passively managed pooled LDI funds. The Trustee entered a direct relationship with Insight with regards to the management of the Scheme’s LDI assets.

In Q4 2024, the Trustee, with advice from its Investment Adviser, instructed a full disinvestment of the TWIM Secure Income Fund (“SIF”) to reduce risk and improve Scheme liquidity. Proceeds of this will begin to be received from January 2026 onwards. In Q1 2025 the Trustee agreed to a full disinvestment from the TWIM CDF and to invest in an actively managed diversified risk premia fund from Man Group with an ESG focus, namely the Man Proactive Diversified Risk Premia fund (“Man PDRP”). Whilst this was agreed during the Scheme year, the transaction itself took place post Scheme year-end.

The Trustee, with advice from the Investment Adviser, appoints investment managers with an expectation of a long-term partnership. The Trustee focuses on longer-term outcomes, commensurate with its position as a long-term investor. Consistent with this view, the Trustee does not expect to terminate an investment manager’s appointment based purely on short term performance but recognises that it may terminate an investment manager within a short timeframe due to other factors such as a significant change in their business structure or investment team.

For most of the Scheme’s investments, the Trustee expects to appoint investment managers with a medium to long time horizon, consistent with that of the Scheme. The Trustee expects, where feasible, the investment managers will use their engagement activity to drive improved performance over medium- to long-term periods within the wider context of long-term sustainable investment. The Trustee notes that for certain asset classes or strategies, such engagement is not deemed appropriate or possible, due to the nature of the strategy and/or the investment time horizon underlying decision making. The Trustee expects that the appropriateness of the Scheme’s allocation to such mandates is determined in the context of the Scheme’s overall objectives.

ESG and sustainable investment

The Trustee assesses that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focussing on these issues is ultimately consistent with the Trustee’s fiduciary duties and the financial security of its members. Whilst the Trustee’s policy is to delegate a number of stewardship activities to the investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee.

The Trustee, with advice from the Investment Adviser, assesses the alignment of each investment manager’s approach to sustainable investment (including engagement) with its own before making an investment. The Trustee engages with the investment managers, where appropriate, via the Investment Adviser, regarding the managers’ approach to stewardship. The Trustee, in conjunction with the Investment Adviser, reviews the investment managers’ approach to sustainable investment (including engagement) on a periodic basis and engages with the investment managers to encourage further alignment as appropriate.

Specific engagement examples by the Scheme’s investment managers are provided in Appendix 2.

Adherence to the February 2025 DB SIP

The Trustee confirms that it has acted in accordance with the policies outlined in the Scheme’s DB SIP.

Policy	Has the policy been followed?	Evidence
Policy review		

Policy	Has the policy been followed?	Evidence
<p>The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The SIP was updated and agreed in February 2025. This was primarily as a result of the Trustee moving from a Fiduciary Management arrangement to an Investment Advisory arrangement.</p>
<p>Investment objectives</p>		
<p>The Trustee has the following investment objectives:</p> <ol style="list-style-type: none"> 1. The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, the cost of current and future benefits which the Scheme provides, and to ensure the security, quality and profitability of the portfolio. 2. To limit the risk of assets failing to meet the liabilities, both over the long-term and shorter-term. 3. To minimise long-term costs of the Scheme by maximising the return on the assets whilst having regard to the objective above. 	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Scheme’s objectives are monitored and modelled by the Investment Adviser. All investment advice to the Trustee considers the effect to these objectives.</p> <p>Following the transition from the Fiduciary Management to an Investment Advisory relationship, the Trustee agreed to adopt a “holding pattern” until the initial 2025 actuarial valuation results became available post Scheme year-end.</p>
<p>Investment strategy</p>		
<p>The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee has a desire to diversify risk exposures and to manage its investments effectively.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Risk exposure is monitored and reported quarterly to the Trustee by its Investment Adviser with a view to ensuring diversification.</p> <p>The Scheme’s Investment Adviser provided investment advice relating to the disinvestment of TWIM SIF and TWIM CDF assets to the Trustee in Q4 2024.</p> <p>The Trustee agreed to the investment in the Man PDRP. This was made post- Scheme year end.</p>

Policy	Has the policy been followed?	Evidence
<p>The investment strategy makes use of three key types of investments:</p> <ol style="list-style-type: none"> 1. a range of instruments that provide a broad match to changes in liability values and cashflows to pay pensions; 2. a portfolio of secure income assets; and 3. a diversified portfolio of return-seeking assets. 	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>These types of investments were in place throughout the Scheme year. During the Scheme year, the Trustee agreed, for liquidity and risk purposes, to place an instruction to disinvest from the TWIM SIF. However, proceeds of this will not be made available to the Scheme until after January 2026.</p> <p>As at 31 March 2025, the Scheme held c.67% matching assets, c.21% secure income assets, and c.12% in return seeking assets.</p>
<p>The Trustee has appointed investment managers to manage the Scheme's assets and an Investment Adviser to provide advisory services to the Trustee. The balance within and between these investments will be determined from time-to-time by the Trustee, with the objective of maximising the probability of achieving the investment objective.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The asset allocation is kept under regular review by the Investment Adviser and presented to the Trustee at least quarterly. The Trustee's objectives are also modelled by the Investment Adviser with any strategic decisions taking these into account.</p>
<p>The Trustee will monitor the assets and liabilities of the Scheme and will regularly review, in conjunction with the Investment Adviser and the Scheme Actuary, the appropriateness of its investment strategy.</p>	<p>Yes, the Trustee is satisfied that these policies have been followed.</p>	<p>The Trustee receives investment reporting at each quarterly meeting detailing performance across a range of return and risk metrics. This ensures the Trustee understands the latest position of the Scheme against its objectives and can discuss the appropriateness of the strategy. This reporting was received at each quarterly meeting during the Scheme year.</p>
<p>The expected return of all the Scheme's investments will be monitored regularly and will be related to the Scheme's investment objective.</p>		
<p>The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the allocation of the Scheme's overall investments.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee receives reporting at each quarterly meeting which details the collateral available to the Scheme (i.e. the gilt yield rises that the Scheme can withstand). The Trustee, together with the Investment Advisor and the Scheme administrator, has a cashflow management policy in place and will hold a balance of cash to help meet benefit and other payment obligations.</p>

Policy	Has the policy been followed?	Evidence
Investment managers		
<p>The Trustee is responsible for the selection and de-selection of investments. and for the management of relationships with its investment managers. The Trustee takes advice from the Investment Adviser in relation to these responsibilities.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>At a Q4 2024 meeting, the Trustee agreed to the full disinvestment from the TWIM SIF, placing the instruction by 31 December 2024 with proceeds to be received from January 2026. In Q1 2025, the Trustee agreed to disinvest from the TWIM CDF and invest into the Man PDRP. This transaction took place post-Scheme year-end.</p>
<p>The Trustee considers each investment managers' performance against their agreed objectives. The Trustee also considers the overall performance of the assets versus the liabilities as part of its ongoing oversight of the Investment Adviser.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee reviews quarterly reporting which details the asset performance and manager performance vs a comparable benchmark over the quarter and longer periods which help the Trustee track manager performance.</p> <p>This reporting was received at each quarterly meeting during the Scheme year.</p>
<p>The Investment Adviser maintains processes to ensure that performance and risk at an individual manager level and on the Scheme's aggregate assets are assessed on a regular basis against measurable objectives.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee receives investment reporting at each quarterly meeting detailing performance across a range of return and risk metrics. This is both at the total Scheme level as well at each asset-class and each manager level.</p> <p>This reporting was received at each quarterly meeting during the Scheme year.</p>
<p>The Trustee expects to appoint investment managers with a medium to long time horizon. The Trustee expects, where feasible, the investment managers will use their engagement activity to drive improved performance over medium- to long-term periods.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee reviews quarterly reporting which details the asset performance over longer time periods. This helps the Trustee track longer-term manager performance to monitor outperformance.</p> <p>This reporting was received at each quarterly meeting during the Scheme year.</p>

Policy	Has the policy been followed?	Evidence
<p>When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations, but has identified climate, nature and health as three areas of focus.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Details of votes, including significant votes, made by the investment managers on the Trustee's behalf are included in this Statement. Several engagement examples by the investment managers are also included in Appendix 2.</p>
<p>The consideration of ESG issues is fully embedded in the investment manager selection process, with monitoring and reporting on an ongoing basis.</p> <p>The Trustee, with advice, assesses the alignment of each investment manager's approach to sustainable investment with its own before making an investment.</p> <p>The Trustee also considers a range of sustainable investment factors, such as those arising from ESG considerations, including climate change, in the context of a broader risk management framework.</p>	<p>Yes, the Trustee is satisfied that these policies have been followed.</p>	<p>ESG considerations were incorporated into the decision to invest in the Man PDRP fund. This fund has a 25% climate aware target risk exposure and incorporates ESG considerations into the strategy.</p> <p>The Trustee also receive climate stress test scenario impacts on the funding position on a quarterly basis. These scenarios are the disorderly transition, orderly transition, and hot house world.</p>
<p>The Trustee encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>All of the Scheme's investment managers are signatories of the UK Stewardship Code as at 31 March 2025.</p>
<p>The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustee assesses the voting policies of the investment managers that it appoints for consistency with its own policies.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Details of votes, including significant votes, made by the investment managers on the Trustee's behalf are included in this Statement. Several engagement examples by the investment managers are also included in Appendix 2, pertaining to the Trustee's chosen stewardship themes.</p>

Policy	Has the policy been followed?	Evidence
<p>The Trustee considers the fee structures of investment managers and the alignment of interests created by these fee structures as part of its investment decision making process, both at the initial appointment of and on an ongoing basis.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Due consideration was given to fees during the consideration of the LDI manager post-Fiduciary Manager termination. Fees were also carefully considered in the process of agreeing to disinvest from TWIM CDF and invest into Man PDRP. As noted the transaction then took place post-Scheme year-end.</p>
<p>Risk and other matters</p>		
<p>Solvency risk and mismatch risk:</p> <ul style="list-style-type: none"> • are measured through a qualitative and quantitative assessment of the expected development of the funding level. • are managed through the development of a portfolio consistent with delivering the Scheme's investment objective. 	<p>Yes, the Trustee is satisfied that these policies have been followed.</p>	<p>The Investment Advisor models and monitors the estimated funding level development over time and factors this into any pieces of strategic investment advice. This also considers the Trustee's investment objectives.</p>
<p>Investment Manager risk:</p> <ul style="list-style-type: none"> • is measured by the expected deviation of the return relative to the benchmark. • is managed by considering when to employ active versus passive management. 		<p>The Trustee receives investment reporting at each quarterly meeting detailing performance across a range of return and risk metrics. This is both at the total Scheme level as well at each asset-class and each manager level.</p> <p>Active and passive management is considered when appointing new managers. For example, the recommendation for active management was agreed for the Man PDRP investment; whereas for the Insight LDI mandate, the funds are passively managed.</p>

Policy	Has the policy been followed?	Evidence
<p>Liquidity risk:</p> <ul style="list-style-type: none"> is measured by the level of cashflow required by the Scheme over a specified period. is managed by the implementation of a currency hedging programme which reduces the impact of exchange rate movements on the Scheme's asset value. 		<p>All benefit payments were made on time throughout the Scheme year.</p> <p>The Trustee receives reporting at each quarterly meeting which details the collateral available to the Scheme. The Trustee holds a balance of cash to help meet benefit and other payment obligations.</p> <p>The Trustee invests in GBP-denominated share classes for pooled funds to mitigate currency risk.</p>
<p>Custodial risk:</p> <ul style="list-style-type: none"> is addressed through investment in pooled vehicles, with the investment managers being responsible for selection of suitable custodians. Un-invested cash balances will be swept into pooled cash funds, as appropriate. 		<p>The Trustee continues to invest all Scheme assets (excluding the Trustee Bank Account) in pooled funds.</p> <p>For example, the LDI manager holds a "liquidity fund" within the LDI solution to efficiently and effectively manage cash balances.</p>
<p>Interest rate and inflation risk:</p> <ul style="list-style-type: none"> are measured by comparing the net sensitivities of the Scheme's liabilities and assets to movements in inflation and interest rates. are managed by holding a portfolio of matching assets that enable the Scheme's assets to broadly match movements in the value of the liabilities due to inflation and interest rates. The Investment Adviser advises on the risks relating to the matching assets portfolio. 		<p>As at 31 March 2025, the Scheme held c.67% of its assets in matching assets. This included c.22% in a pooled long-term credit fund and c.46% in a pooled LDI fund.</p> <p>The Scheme aims to hedge the interest rate and inflation exposure of 100% of the Scheme assets. The purpose of which is to minimise funding level volatility as a result of interest rate or inflation changes.</p> <p>The quarterly reporting provided by the Investment Advisor monitors this hedging.</p>

Policy	Has the policy been followed?	Evidence
<p>Political risk:</p> <ul style="list-style-type: none"> is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention. is managed by regular reviews of the actual investments relative to policy and through the level of country diversification. 	Yes, the Trustee is satisfied that these policies have been followed.	The Trustee holds a diverse asset portfolio to help mitigate market concentration. The diversification of the assets is considered and incorporated into any strategic investment advice the Trustee receives.
<p>Sponsor risk:</p> <ul style="list-style-type: none"> is measured by receiving regular financial updates from the Company and periodic independent covenant assessments. is managed through an agreed contribution and funding schedule. 		The Trustee receives and evaluates information relating to the Sponsor covenant on a regular basis. The Trustee has agreed a contribution and funding schedule with the Sponsor.

3. VOTING AND ENGAGEMENT – DB SECTION

Where the Scheme holds equity investments in companies, the Trustee (or managers acting on their behalf) has the right to vote at the shareholder meetings of these companies. The DB Section of the Scheme does not hold a direct equity portfolio; however, during the Scheme year, the Scheme had equity exposure via a pooled fund, namely the TWIM CDF.

Additionally, M&G had two votes during the period for the Investment Grade Asset-Backed Securities Fund (IG ABS). There were two votes during the reporting period, which took place at one meeting on 19 December 2024.

Investment Manager	TWIM	M&G
Number of resolutions eligible to vote on	38,335	2
% of eligible resolutions voted on	98.7%	100.0%
% of eligible resolutions voted with management	86.0%	100.0%
% of eligible resolutions voted against management	14.0%	0.0%
% of eligible resolutions abstained from	0.0%	0.0%
% of eligible resolutions voted contrary to recommendation of proxy adviser	2.5%	0.0%

Details of the TWIM significant votes can be found in Appendix 1.

Manager engagements – DB Section

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments and is not restricted purely to equity investments.

Detailed examples of specific engagements can be found in Appendix 2.

APPENDIX 1 - TWIM SIGNIFICANT VOTE DETAILS

The Trustee uses the following criteria to determine the most significant votes:

1. Trustee's stewardship priorities (climate, nature, health)
2. Financial outcome for members, including size of holding
3. High profile vote

Significant Vote #1 - Alphabet

Size of holding (as a % portfolio at vote date): 1.29%

Date of vote: 7 June 2024

Summary of Resolution: Adopt targets evaluating YouTube child safety policies

Voting Recommendation/ Actual Vote: Against/ For

Rationale: Alphabet has come under scrutiny for harmful content on YouTube. The proponent cites various legislation that will affect how Alphabet monitors content. The request for additional annual information on how the company is managing risks related to child safety does not appear to be overly burdensome and would provide shareholders with additional information on its management.

Outcome: Failed

Significance Criteria: Large holdings in the portfolio. The Manager voted against the management recommendations.

Significant Vote #2 – Microsoft Corporation

Size of holding (as a % portfolio at vote date): 1.26%

Date of vote: 10 December 2024

Summary of Resolution: Report on Risks of Using Artificial Intelligence and Machine Learning Tools for Oil and Gas Development and Production

Voting Recommendation/ Actual Vote: Against/ Against

Rationale: Whilst the Manager appreciates that a number of lawsuits have been filed against Microsoft relating to data sourcing for AI models, this issue is still early and untested. The technology is still evolving, and society is still adapting to its impact. The Manager believes they should wait to see what the courts and legislature decide before pressing Microsoft to act in a particular direction. Once the courts and legislature have set out their position, it will be clearer to see what disclosure would be useful for shareholders. Pressing for a report now could prejudice the current court cases and potentially make Microsoft a target for further litigation.

Outcome: Failed

Significance Criteria: Large holdings in the portfolio.

Significant Vote #3 – Amazon.com, Inc

Size of holding (as a % portfolio at vote date): 0.84%

Date of vote: 22 May 2024

Summary of Resolution: Disclose All Material Scope 3 GHG Emissions

Voting Recommendation/ Actual Vote: Against/ For

Rationale: Shareholder proposal promotes better management of Social, Environmental and Ethical opportunities and risks.

Outcome: Failed

Significance Criteria: Large holdings in the portfolio, relating to one of the Trustee's stewardship themes. The Manager voted against the management recommendations.

Significant Vote #4 – Visa Inc

Size of holding (as a % portfolio at vote date): 0.47%

Date of vote: 28 January 2025

Summary of Resolution: Report on Gender-Based Compensation and Benefits Inequities

Voting Recommendation/ Actual Vote: Against/ Against

Rationale: Shareholder proposal promotes transparency on equal pay and benefits for equal work, regardless of gender identity or other protected characteristics.

Outcome: Failed

Significance Criteria: Large holdings in the portfolio and an engagement was associated with the vote.

Significant Vote #5 – Eli Lilly and Company

Size of holding (as a % portfolio at vote date): 0.37%

Date of vote: 6 May 2024

Summary of Resolution: Adopt a Comprehensive Human Rights Policy

Voting Recommendation/ Actual Vote: Against/ For

Rationale: Shareholder proposal promotes better management of Social, Environmental and Ethical opportunities and risks.

Outcome: Failed

Significance Criteria: Large holdings in the portfolio. The Manager voted against the management recommendations

Significant Vote #6 – Berkshire Hathaway Inc

Size of holding (as a % portfolio at vote date): 0.27%

Date of vote: 4 May 2024

Summary of Resolution: Report on Efforts to Measure, Disclose and Reduce GHG Emissions Associated with Underwriting, Insuring, and Investing

Voting Recommendation/ Actual Vote: Against/ For

Rationale: The Manager voted in support of climate risk disclosure believing the significance of leadership on this issue overrode the minor cost and inconvenience of compliance. The Manager voted against management but in line with ISS recommendations. Given the company already discloses 90% of emissions and given the company's long-earned reputation for ethical stewardship, the Manager believed awaiting SEC guidance seemed like an inadequate delayed response.

Outcome: Failed

Significance Criteria: Large holdings in the portfolio, relating to one of the Trustee's stewardship themes. The Manager voted against the management recommendations.

APPENDIX 2 – INVESTMENT MANAGER ENGAGEMENT EXAMPLES

M&G (IG ABS)

Over 12 months to 31 March 2025, M&G had 15 ESG interactions (defined as dialogue between an investor and counterparty which includes ESG content) with the IG ABS' underlying managers and 2 UNPRI aligned ESG engagements (defined as interactions between an investor and current or potential investees, conducted with the purpose of improving practice on an ESG issue, changing a sustainability outcome or improving public disclosure).

Engagement with European Leveraged Finance Association (ELFA)

- **Objective:** To launch an insights report (CLO Carbon and Climate Disclosures) via ELFA to enhance transparency from the underlying borrower level and propose a consistent methodology for reporting GHG emissions at the portfolio level for CLOs in Europe which can be implemented by European and US CLO managers.
- **Action:** M&G collaborated with other CLO investor members of ELFA to create the report and launch a press release.
- **Result:** 7 out of 61 CLO managers in Europe are reporting on Carbon Emissions with the help of this report. Going forwards, M&G will run training sessions with the CLO managers to encourage them to improve disclosures.

TWIM (CDF and SIF)

Over 12 months to 31 March 2025, TWIM engaged with the CDF's underlying managers on approximately 16 occasions and with the SIF's underlying managers on approximately 27 occasions.

Engagement with an external asset manager in the reinsurance space

- **Objective:** In February/March 2024, the research team became aware of a growing concern from climatology experts and reinsurance managers that the US hurricane season (July-November) was going to be extremely active. Asset managers do not usually act on these forecasts until closer to the hurricane season (usually around end of Q2), as they have less certainty before then. However, on this occasion, the warning signs came early and were very strong.
- **Action:** TWIM communicated with this external asset manager early and expressed a desire to protect the portfolio against extreme US hurricane loss scenarios. Engagement took place over 2-3 conversations and included the CIO and the investment team. In turn, the external asset manager consulted their climatology experts and in-house analytics team. They shared stress tests, scenario analysis etc, and worked with TWIM to determine the level of protection to put on. This is done via selling ILW contracts — in practice, these hedges meant that if a large hurricane (or numerous large hurricanes) were to hit peak US regions, causing major insured losses, the portfolio was protected against paying out losses above a fixed threshold that the Scheme otherwise would have been exposed to.
- **Result:** The US hurricane season was not as active/intense as was forecast and so the hedges were not triggered. Despite this, they were happy with the results of the engagement to reduce risk as probabilistically, TWIM believe this was the correct course of action, and in many scenarios, they would have served their purpose and protected against severe tail events.

Engagement with an external credit manager to improve reporting

- **Objective and action:** TWIM engaged with this manager on strengthening their fixed income stewardship practices to better align with fixed income investors. Specifically, TWIM have been working with this manager on producing mandate-level engagement reporting, in line with the ICSWG template.
- **Result:** This had led to the manager producing regular reports — quarterly mandate-level engagement reports in line with the ICSWG template. In addition, the manager is working on crafting a client-friendly version of these reports to add to quarterly packs, including examples with issuers flagged in TCFD and ESG reporting.

Engagement with an external credit manager to improve reporting

- **Objective and action:** This is an external asset manager who, as part of their strategy to manage financial risks, seeks to lend on buildings with strong ESG characteristics. TWIM engaged with them to report on the proportion of properties that could be considered eligible under the EU Taxonomy — which could contribute to their clients' climate goals and disclosures. This was discussed with senior leadership at the external asset manager, including the Head of the Real Estate Debt platform. TWIM also outlined that a lack of improvement may result in challenging discussions about new commitments in the future.
- **Result:** Following the engagement, the external asset manager agreed to develop a plan for how they could report on this data. They have also provided draft reporting for review. TWIM continue to engage with them on this topic as part of promoting the disclosure of data.