KB Refrigeration Limited Retirement Benefits Plan
Implementation Statement for the year ended 30 April 2021

Purpose

This Implementation statement provides information on how, and the extent to which, the Trustees of the KB Refrigeration Limited Retirement Benefits Plan ("the Plan") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Plan's investments, and engagement activities have been followed during the year ended 30 April 2021 ("the reporting year"). This statement relates to the Defined Benefit ("DB") Section, and the Defined Contribution ("DC") Section of the Plan. In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

Although not required to produce a SIP due to having fewer than 100 members, the Plan has one in place for good governance purposes. During the reporting year, the Plan's SIP was reviewed and amended in September 2020. This review was initiated by the introduction of regulations that required Trustees to update the SIP to address stewardship and manager arrangements in more detail. Specifically, Trustees outlined in the SIP the incentives used to encourage investment managers to align the investment strategy with the Trustees' policies and to ensure that decisions are based on long-term performance. The SIP was drafted whilst the DB and DC sections of the Plan were combined, and so the policies stated in the SIP apply to both sections.

The previous version of the SIP had been in existence since November 2019, meaning both versions of the SIP were relevant during different parts of the reporting year.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

How the SIP has been followed during the year

DB & DC Sections

During the reporting year the Trustees are satisfied that they followed the investment policies within the DB & DC Sections in the following ways:

- Kinds of investments to be held. The Trustees acknowledge the constraints within the investment choices given the historic nature of the Plan, and so adopted a strategy that is pragmatic and workable within the constraints. The Trustees' policy is to acquire assets of appropriate liquidity which will generate income and capital growth.

  The funds held by the DB Section incorporate assets of appropriate income and liquidity to meet the Trustees' overall investment objectives and to aim to ensure members' benefits can be paid as they fall due.

  For the DC Section, the Trustees seek to provide access to a fund, the characteristics of which are such that it is reasonable for members to expect to achieve rates of return over the long term in excess of salary inflation. The fund is also similar in direction and magnitude to changes in the prices of annuities and offer protection of the capital value of members' investments.

  Following the separation of DB and DC benefits to sections within the Plan, Trustees will be reviewing DB Section investment strategy as well as options to improve value for members and governance of DC Section. This work has commenced in 2021 and is expected to be finalised in 2022.

- **Balance between different investments.** The historic arrangement of the Plan means there is no benchmark allocation for the Plan's assets.

  Although no benchmark allocation is in place, the Trustees intend to meet the investment objectives of the DB Section by investing in a diversified portfolio of return-seeking assets within two pooled funds. In line with the SIP, the Trustees can utilise a wide range of pooled funds including (but not limited to): asset or funds primarily used to outperform the liabilities over the long-term including equity, private markets, hedge funds, commodities, bonds and other forms of credit, assets or funds primarily used to provide immediate liquidity such as cash or cash instruments.

  For the DC Section, the Trustees intend to meet the investment objective by providing members with an appropriate range of investment options to enable them to reasonably expect to meet their retirement aspirations. Until recent separation of DB and DC benefits, the Trustees had limited investment freedom due to the dislocation of the Plan's services that result from the disaggregation of these services.

- **Risks (measurement and management).** For the DB Section, the Trustees receive strategic investment advice from the Investment Consultant that includes risk modelling and quantification (e.g., Value at Risk) whenever strategic changes are considered. The Trustees consider each Investment Manager's role and approach to managing risk as part of such strategy reviews and particularly when selecting a new Investment Manager.

  For the DC Section, these risks are measured and managed by the Trustees through monitoring of the Plan's investments and delegation of the management of some of these risks to the Investment Managers and utilising custodian relationships.

  As the Plan holds all assets in the pooled funds, the Trustees have an indirect relationship with custodians managed by the Investment Managers.

- **Meeting the expected level of investment return.** The Trustees' policy is to invest in a mixture of assets targeting a return in excess of that assumed in the liability valuation. This return, along with Sponsor contributions, is expected to cover the cost of benefits the DB Section provides.

  For the DC Section, the Trustees offer an investment fund to members that is expected to achieve the Plan's objectives as set out in the SIP.

- **Realisation of investments.** The Trustees recognise that assets may need to be realised to meet the Plan's obligations and will ensure that an appropriate amount of readily realisable assets are held at all times, and this will be part of the assessment for including new investments within the strategy. The Trustees maintain a proportion of the investments in sufficiently liquid investments in order to meet short term benefit payments as required. Advice on the realisation of investments to meet benefit payments is provided by the Investment Consultant as and when required. The decision over which specific underlying investments will be realised within a mandate is delegated to the Investment Manager.

- **Ongoing governance of the Plan's investment strategy.** The Trustees, with the assistance of the Investment Consultant, monitor the processes and operational behaviour of the Investment Managers throughout the reporting year, to ensure they remain appropriate and in line with the Trustees' requirements.

- **ESG (including climate change).** The Trustees' policy is to delegate the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's Investment Managers. Therefore, the Trustees monitor how ESG and climate change considerations are integrated within the investment processes adopted by its Investment Managers and consider these issues as part of the criteria when appointing new Investment Managers.

- **Non-financial matters.** The Trustees' policy is to act in the best interests of the beneficiaries of the Plan when selecting, retaining or realising investments. It has neither sought nor taken into account beneficiaries' views on risks including (but not limited to) ethical, social and environmental issues. The Trustees seek professional advice in relation to the management of the assets of the Plan to ensure that the decisions are made in the best interests of Plan's beneficiaries.

- **Voting rights.** The Trustees have delegated responsibility for the exercise of rights attached to the Plan's investments to the Investment Managers. The Trustees are satisfied that the Investment Managers' policies on corporate governance and exercising of voting rights reflect the Trustees' policies. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees at least annually and further detail is contained below on these significant votes.
- **Stewardship.** The Trustees encourage Investment Managers to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments. The Investment Managers are expected to vote in accordance with their internal voting policies, and so the Trustees monitor how stewardship is integrated within the investment processes adopted by the Investment Managers and consider this when appointing new Investment Managers.
- **Arrangements with Investment Managers.** The Trustees, with the assistance of the Investment Consultant, monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the SIP. The Trustees are a long-term investor and is not seeking to change investment arrangements on a frequent basis unless there is a strategic change to the investment strategy that no longer requires exposure to a particular asset class or manager.
- **Portfolio costs.** The investment managers are remunerated as an annual management charge ("AMC") in keeping with market practice plus any additional charges. Manager's remuneration is taken into consideration during manager selection exercises, to ensure the Plan is not paying excessive fees that would detract from the Plan's return.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from their investment advisor on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises for either the DB or DC sections. However, given the commencement of DB and DC strategy reviews, it is envisaged that manager selection exercises will be undertaken in 2022.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Voting activity

The voting activity of the Plan over the reporting year is in relation to the funds the Plan was invested into throughout the period.

The main asset class where the investment managers will have voting rights is equities, as it represents the equity ownership and shareholder's stake within the underlying business. There's likely to be no voting rights for credit-based assets or funds that invest into them.

The DB and DC sections may not have direct investments in equity funds, but equities will form part of the strategy for all of the funds the sections were invested into over the reporting period. For the DB Section, these funds were the Baillie Gifford Multi Asset Growth and Aviva Secure Growth Funds. Similarly, the DC Section will have exposure to equities through the investments in the same Aviva Secure Growth Fund.

Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is given below. Please note that some managers only report their voting activity on a quarterly or yearly basis, and so the voting period may not align with the Plans reporting year. The voting period of the fund is given below.

Based on this summary, the Trustees concluded that the investment managers have exercised their delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard. The voting activity does not cover the AVC investments, as these are not considered significant in relation to the overall investments of the Plan.

The Aviva Secure Growth Fund is a "fund of funds", where the fund itself will own units of another fund. In this kind of circumstance, the Plan's Investment Managers do not hold equities directly and they may not have voting rights. Therefore, the voting activity listed for this fund is that of the underlying fund's holdings.

DB Section

Manager	Baillie Gifford
Voting activity date range:	30/06/20 – 30/06/21
Fund name	Multi Asset Growth
Number of company meetings the manager was eligible to vote at over the year	114
Number of resolutions the manager was eligible to vote on over the year	1,296
Percentage of resolutions the manager voted on	98.2%
Percentage of resolutions the manager abstained from	1.0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	94.3%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	4.7%
Manager's policy on consulting with clients before voting All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. Baillie Gifford do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then Baillie Gifford will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.	
How has the manager made use of the proxy voting services Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), Baillie Gifford do not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information.	
What process manager follows for determining "most significant" votes The list below is not exhaustive, but exemplifies potentially significant voting situations: — Baillie Gifford's holding had a material impact on the outcome of the meeting — The resolution received 20% or more opposition and Baillie Gifford opposed — Egregious remuneration — Controversial equity issuance — Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders — Where there has been a significant audit failing — Where Baillie Gifford have opposed mergers and acquisitions — Where Baillie Gifford have opposed the financial statements/annual report — Where Baillie Gifford have opposed the election of directors and executives.	

XPS Investment

Baillie Gifford Multi Asset Growth Fund Significant Votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Merlin Properties Socimi S.A.	ADO Properties S.A.	Rio Tinto Plc	Vonovia SE	
Date of Vote	16/06/2020	29/09/2020	09/04/2021	16/04/2021	
Summary of the resolution	Remuneration - Report	Amendment of Share Capital	Remuneration - Report	2 Resolutions for the Amendment of Share Capital	
How the manager voted	Against management	Against management	Against management	Against management	
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	No	No	Yes	
Implications of the outcome	Baillie Gifford have been opposing remuneration at the company since 2017 and engaging with the company on the issue. In 2020, there were significant improvements in the company's remuneration policy which is a positive outcome.	Baillie Gifford sold out of the stock following the pass of the request to increase authorised capital which would permit share issuance without pre-emptive rights, given shares were trading at a high discount to NAV and there was no NAV commitment, which Baillie Gifford were against.	Baillie Gifford engaged with the company to communicate their concerns. Whilst not supporting the backwards looking remuneration report, Baillie Gifford supported the forward looking policy. Baillie Gifford continue to be focussed on having good open communication with the leadership team.	In advance of the AGM, Baillie Gifford contacted the company to see if they could provide an assurance they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance therefore, Baillie Gifford did not feel it was in investors interest to support the two equity issuance resolutions. Baillie Gifford continue to encourage the company to provide this additional assurance to consider supporting the company in the future.	
Criteria on which the vote is considered "significant"	This resolution is significant because Baillie Gifford opposed the company reports.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because it received greater than 20% opposition.	

DB and DC Section

Manager	Aviva	
Voting activity date range	01/04/2020 – 31/03/2021	
Fund name	Secure Growth Fund	
Underlying manager and fund name	Schroders Strategic Global Equity Fund	Schroders UK Listed Equity ex Tobacco Fund
Number of company meetings the manager was eligible to vote at over the year	509	48
Number of resolutions the manager was eligible to vote on over the year	6574	859
Percentage of resolutions the manager voted on	100%	100%
Percentage of resolutions the manager abstained from	0.1%	0.2%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	90.2%	99.2%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	9.4%	0.8%

Manager's policy on consulting with clients before voting

For pooled fund, such as the Secure Growth Fund, Aviva votes according to its policies.

In order to maintain the necessary flexibility to meet client needs, local offices of underlying manager (Schroders) may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether or not this is available for the type of investment(s) they hold with Schroders.

How has the manager made use of the proxy voting services

The underlying manager of the Aviva Secure Growth Fund (Schroders) receives research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings. However, this is only one component that feeds into their voting decisions. In addition to relying on their policies they will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that their own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

The underlying managers continues to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led them to raise the bar on what they consider 'good governance practice'.

What process manager follows for determining "most significant" votes

The underlying manager of the Aviva Secure Growth Fund (Schroders) considers "most significant" votes as those against company management.

The manger will oppose management if they believe that doing so is in the best interests of shareholders and clients. For example, if they believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and the manager will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance the manager may choose to vote against individuals on the board.

However, the manager usually looks to support the management of the companies that they invest in. Where they do not do this the manager classifies the vote as significant and will disclose the reason behind this to the company and the public

For simplicity, XPS have filtered these significant votes and only listed below the most significant votes related to sales of shares or the company, transactions, remuneration policy, director appointments, ESG, change in company's rules or mergers and acquisitions.

Schroders Strategic Global Equity Fund Significant Votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Polyus PJSC	PT Bank Central Asia Tbk	Bouygues SA	CVC Brasil Operadore e Agencia de Viagens SA	Qualicorp Consultoria e Corretora de Seguros SA
Date of Vote	22/06/2020	30/07/2020	04/09/2020	16/12/2020	21/12/2020
Summary of the resolution	Approve Increase in Share Capital through Issuance of 3,130,000 Ordinary Shares via Closed Subscription	Approve Acquisition Plan in Connection with the Acquisition of the Shares in PT Bank Rabobank International Indonesia	Approve Remuneration Policy of Corporate Officers	Approve Long-Term Incentive Plan	Re-Ratify Remuneration of Company's Management Approved at the April 30, 2020 AGM
How the manager voted	Against management	Against management	Against management	Against management	Against management
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	N/A				
Implications of the outcome	The manager voted against management because no details were provided regarding the underlying LTOP Plan.	The manager voted against management due to a lack of information regarding the acquisition of shares in PT Bank Rabobank International Indonesia.	The manager voted against management due to the lowering of performance thresholds would have meant there would have been much higher payouts for below target performance.	The manager voted against management because they didn't deem the performance targets were stretching enough.	The manager voted against management due to a lack of disclosure around extensive severance payments and changes to the accounting of equity compensation.
Criteria on which the vote is considered "significant"	Vote related to shares of the company	Vote related to acquisition	Votes related to remuneration policy		

Schroders UK Listed Equity ex Tobacco Fund Significant Votes	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company Name	Royal Dutch Shell Plc	Tesco Plc	Whitbread Plc	FirstGroup Plc	BHP Group Plc
Date of Vote	19/05/2020	26/06/2020	07/07/2020	15/09/2020	15/10/2020
Summary of the resolution	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Approve Remuneration Report	Approve Remuneration Report	Re-elect Matthew Gregory as Director	Amend Constitution of BHP Group Limited
How the manager voted	Against management	Against management	Against management	Against management	Against management
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	N/A				
Implications of the outcome	N/A	The manager voted against management due to retesting of historical PSP targets.	The manager voted against management due to restricted share plan not in line with best practice.	The manager voted against management because they didn't deem it to be in companies and shareholders best interests to support.	N/A
Criteria on which the vote is considered "significant"	Vote related to ESG practices	Votes related to remuneration policy		Vote related to director appointments	Vote related to the company's rules

Adopted on behalf of the Trustees on 24 November 2021