Schroders solutions

Moores Furniture Group Pension and Life Assurance Scheme ('Scheme')

31 December 2022 Implementation Statement

June 2023

Schroders' Solutions Disclaimer:

The Implementation Statement is a regulatory requirement under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts the Trustee at risk of breaching your legal duties.

This is a Trustee document and the Trustee must review the Implementation Statement draft, provided by its investment adviser, and confirm that they have considered the content prepared and reviewed any associated documentation such as voting policies.

1. Introduction

The Trustees are required to make publicly available online a statement ("the Implementation Statement") covering the Moores Furniture Group Pension and Life Assurance Scheme (the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "SIP").

There were no changes to the SIP during the year ending 31 December 2022. The SIP was last reviewed in September 2021, and is expected to next be updated in 2023 to reflect the redemption of Structured Equity from the Scheme's portfolio.

The latest SIP came into force from 8 September 2021.

A copy of the current SIP can be found here https://members.pensionpal.co.uk/MooresFurniture GroupPensionScheme.

This Implementation Statement covers the Scheme year from 1 January 2022 to 31 December 2022 (the "Scheme Year"). It sets out:

- How the Trustees' policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustees during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A new set of guidance ("the Guidance") from the Department for Work and Pensions ("DWP") has been issued with a series of statutory & non-statutory requirements. They aim to encourage the Trustees of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme's SIP. This Implementation Statement has been prepared to provide the details on how the Trustees of the Scheme, with the help of the Scheme's Fiduciary Manager, have complied with the new statutory requirements set by DWP.

A copy of this Implementation Statement is available on the following website: https://members.pensionpal .co.uk/MooresFurnitureGroupPensionScheme.

2. How the Trustees' policies on exercising voting rights and engagements have been followed over the Scheme Year

The Trustees retain the Fiduciary Management[1] service of **Schroders IS Limited**, formerly known as **River and Mercantile Investments Limited**, as their Investment Manager and Adviser (it is referred to as the "**Fiduciary Manager**" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (these are referred to as "**Underlying Investment Managers**"). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then.

- Signatory to the UK Stewardship code
- A+ rating for UN Principles for Responsible Investment
- A- rating for Carbon Disclosure Project
- Advanced ESG recognition from Morningstar
- Best Investor Engagement recognition from IR Society Best Practice Award for 2021

[1] The Fiduciary Manager was acquired by Schroders Group on 1 February 2022.

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. The Trustees' policies on exercising voting rights and engagement are set out in the SIP. A copy of the Scheme's SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustees' investment policies when providing Fiduciary Management services. However, given the investments with the Underlying Investment Managers are generally made via pooled investment funds, where the Scheme's investments are pooled with those of other investors. With these funds, the direct control of the process of engaging with the companies that issue the underlying securities lies with the Underlying Investment Manager who may have different engagement priorities than the Trustees.

Therefore, the Trustees require that the Fiduciary Manager considers the stewardship activities which include voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, when choosing new or monitoring existing Underlying Investment Managers. The Trustees believe it is appropriate to delegate the decision of appointing and monitoring Underlying Investment Manager to the Fiduciary Manager who will be able to influence the Underlying Investment Manager's voting and engagement policies. Therefore, the Trustees can therefore largely exercise their stewardship policy set out in the Scheme's SIP.

During the Scheme Year, the Trustees have received training on the latest DWP Guidance. To support the Trustees in meeting the new requirements, the Trustees also received training on the Schroders' Engagement Blueprint which sets out the six engagement themes the Scheme's Fiduciary Manager believe to be most financially material. These are the themes the Fiduciary Manager will align the majority of its own engagements with underlying managers with.

The Trustees have aligned their engagement priorities with the Fiduciary Managers' given the Trustees believe the Fiduciary Manager's engagement themes are issues which are material to the long-term value of the investments. The Trustees believe that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders and by strengthening relationships with these stakeholders, business models become more sustainable, which ultimately will maximise the value addition to the Scheme's investment hence benefit the Scheme's members and beneficiaries.

Although the Trustees have yet to make changes to the voting and engagement policies contained in the SIP during the Scheme Year, they will update their stewardship policy in the next Scheme year to set out the agreed engagement priorities and how the Trustees will exercise this policy.

Over the Scheme Year, the Fiduciary Manager also provided the Trustees with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustees are satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustees, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was also carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustees with the help of the Fiduciary Manager, monitor the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustees believe that they have acted in accordance with the Statement of Investment Principles over the Scheme Year.

The Trustees have identified areas in which they can enhance their stewardship activities in the following scheme year by:

- Documenting the agreed engagement priorities in the SIP to aid in stewardship and focus engagement.
- Reviewing the Fiduciary Manager's (Schroders Solutions) ESG annual update to ensure the Fiduciary Manager is carrying out the voting and engagement activities in line with its policies.
- Continuing to review the Underlying Investment Managers on voting and engagement examples.

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights which have been aligned to the Fiduciary Manager

The Fiduciary Manager exercises voting rights with the Underlying Investment Managers on behalf of the Trustees in line with their voting policy. This policy sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund.

2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies which may have been influenced by the Fiduciary Manager.

The Trustees have considered the voting statistics and behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustees noted that:

- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers and some good progress has been achieved such that the Underlying Investment Managers' ESG credentials have improved over the Scheme Year.
- Each manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activity over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Trustees considered relevant examples in relation to its engagement priorities which has been aligned with the Fiduciary Manager's in this Implementation Statement. Examples were provided in the appendix and they were selected to demonstrate how the Fiduciary Manager & Underlying Investment Managers, on behalf of the Trustees, voted and engaged with Underlying Investment Managers and the investee companies respectively. Those engagement priorities and themes are set out below:
  - **Climate:** Climate risk and over sight, Climate alignment including decarbonising and minimising emissions, climate adaption and carbon capture and removal
  - **Natural Capital and Biodiversity:** Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
  - **Human Rights:** Overarching approach to human rights, works and communities, customers and consumers
  - **Human Capital Management:** Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
  - **Diversity and Inclusion:** Board diversity and inclusion, executive & Workforce diversity and inclusion
  - **Corporate Governance:** Board and management, executive remuneration, relationship with shareholders
- As the Trustees have determined their engagement priorities this year as mentioned in Section 2 of this Implementation Statement, the Trustees consider any votes in relation to the engagement priorities are the most significant votes.

- On behalf of the Trustees, the Scheme's Fiduciary Manager last year identified five Underlying Investment Managers who will be the engagement targets over this Scheme year. Under Schroders' Manager ESG ratings system, these five Underlying Investment Managers received 'Red-Engagement' ratings - meaning the manager is available for inclusion in the portfolios but subject to enhanced monitoring and reporting, whereby failure to improve will result in a downgrade to exclusion. The Fiduciary Manager has seen some significant progress which have resulted an increase in the Underlying Investment managers' rating in some cases.
- As a result of the Russian invasion of Ukraine in early 2022, the Fiduciary Manager has implemented a no-Russia investments policy, and had begun removing any Russia exposures from the portfolio and engaging with underlying managers who continue to hold exposures. The Trustees are supportive of this approach and receive updates from the Fiduciary Manager on the success of its engagements in this area. An example where the Fiduciary Manager has been successful with engaging with underlying managers is with a hedge fund manager within the alternatives allocation of the Fiduciary portfolio. As a result of the recent engagement with the manager seeking to maintain client investment without exposure to certain Russian assets, the fund now has no exposure to Russia and Belarus and the exclusion of cannabis companies. Additionally, all existing fund terms remain unchanged (fees, liquidity, valuation methodology).

Some details of the voting and engagement from the Scheme's Underlying Investment Managers are set out below:

- Within the Scheme's portfolio, **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in return-seeking equity assets, the Trustees noted that BNYM prioritised engagement with each of their underlying holdings on areas largely in line with Schroders Solutions' engagement themes. The BNYM semi-annual proxy voting reports (links included in Appendix) were reviewed by the Trustees. The report includes details of the significant votes and engagement examples covering a board range of underlying investment companies.
- An example would be their engagement with an American multinational food processing and commodities trading corporation. In May 2022, BNYM voted for a shareholder proposal requesting that the company report on how the company is measuring its use of pesticides that cause harm to human health and environment in its agricultural supply chains. The company does not currently provide targets on pesticide use which lagged its peers. Although the proposal did not pass, Mellon will continue to engage with the company to disclose more information on how the company is managing supply chain risks around this topic.
- For the largest mandate within the return-seeking credit assets, the Fiduciary Manager had two specific climate-related engagement meetings with the manager over 2022, focussing on net zero within the fund and engaging with top emitters. As a result of this engagement, the manager engaged with all three high emitters and implemented a plan to reduce emissions. Furthermore, they demonstrated a clear, repeatable framework for their analysts to engage with companies on climate. In 2023, the Fiduciary Manager will continue to engage with the credit manager focussing on the following:
    - Specific targets for the portfolio based on their proprietary net zero alignment indicator;
    - Specifying a portion of the portfolio to be engaged with on climate; and
    - Introducing enhanced emission reporting.
- In relation to the liability hedging and structured equity mandates, the Trustees noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

The Trustees are satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustees' policies contained in the SIP which will be further updated in the new Scheme Year.

Appendix 1 – Voting & Engagement statistics

1. Voting and engagement by the Fiduciary Manager (Schroders IS, formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustees

Most of the rights and voting regarding the Scheme's investments relate to underlying securities investment via pooled funds managed by Underlying Investment Managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustees and we cover these here.

Over the year to 31 December 2022, the Fiduciary Manager engaged with Underlying Investment Managers regarding clients' pooled fund investment on 64 resolutions during the 12 months period across 19 meetings. The Fiduciary Manager voted against management on 4 resolutions which was 6.3% of total resolutions and abstained on 4 resolutions (6.3% of the total resolutions).The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager was not satisfied with the quality of data previously provided.
- engaged with the five managers which were rated 'red-engagement' on Schroders' ESG scoring matrix. The below table outlines the engagement activities and outcomes are set out in the table below:

	Engagement themes identified	2022 Engagement	Progress over 2022
Manager A – Equity	▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes	▪ Engaged with the manager in Q4 following their decision to exit net zero asset manager initiative – engagement ongoing	▪ Overall rating and corporate pillar upgraded to **green**. Stewardship pillar upgraded to **amber** ▪ Introduction of staff ESG training programmes ▪ Evidenced a process to measure the success of their voting activities
Manager B – Alternatives	▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy	▪ Calls and meetings through 2021/2022 to discuss what initial steps can be taken and where the manager sits relative to peers ▪ Provided guidance on institutional investors requirements of managers and the direction of travel ▪ Specific discussions on UN PRI and what other standards may be applicable to the manager	▪ Overall rating remains **red engagement** but in line with expectations ▪ Engagement with the manager has been positive and they are keen to understand where they rank relative to peers and what can be improved ▪ Formed an ESG committee which includes senior management

Manager C – Alternatives	▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy	▪ Numerous meetings with senior management and ESG focused personnel to understand what changes the manager can implement ▪ Direct engagement on a number of current ESG issues including investment in Russian assets and exposures to cannabis ▪ Manager also specifically reached out to request discussion on expectations from institutional investors and best practices amongst peers	▪ Overall rating remains **red engagement** but corporate pillar upgraded to **amber** ▪ Improvements seen in both policies and procedures with a more formalised ESG committee with senior management/partner involvement ▪ New portfolio implementation mechanism designed with input from Schroders limiting exposures to specific assets.
Manager D – Alternatives	▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy	▪ A number of engagements with various people in separate ESG functions across the business to understand what progress has already been made in the last 12m and what expectations are for the future ▪ Focus on D&I and how the manager has improved its processes and increased the effectiveness of its committee structure	▪ Improved scoring across all pillars and overall rating upgraded to **amber** ▪ The manager has become a signatory to UN PRI – the first mandatory reporting is due in May 2023 ▪ A formal ESG Investment Policy and a formalised approach to ESG across all portfolios
Manager E – Alternatives	▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes	▪ A number of meetings with senior leaders in the business to understand what can be done to improve ESG integration at least within corporate functions	▪ Overall rating remains **red engagement** but in line with expectations given where the manager is in their ESG process ▪ Manager has launched an ESG statement (non-investment) with focus on DEI including an advisory council with senior business leaders involved to drive change ▪ Exploring the idea of having specific ESG resource at investment level

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustees

There are c. 22 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings that held voting rights during the period, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustees as described in section 3 above.

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	890	5,574
Total resolutions eligible to vote	11,333	58,243
% of resolutions did you vote on for which you were eligible?	100%	97%
% did vote with management?	93%	94%
% vote against management?	7%	5%
% abstained	1%	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%

Note:

- BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use the PLSA voting template. We included votes withheld in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withheld and votes abstained. BNYM also did not vote on 1% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

3. Examples of voting and engagement carried out by the Underlying Managers

Engagement Theme	Manager	Examples
Climate change	Vanguard	Caterpillar
Natural Capital & Biodiversity	BNY Mellon	Archer-Daniels-Midland
Human Rights	Vanguard	Foxconn
Human Capital Management	Vanguard	J Sainsbury Plc
Diversity & Inclusion	BNY Mellon	PNC Financial Services Group, Inc.
Corporate governance	Neuberger Berman	Boeing

Climate Change - Caterpillar

Caterpillar, a U.S.-based construction machinery company, received four shareholder proposals ahead of its 2022 annual meeting, including one that requested medium- and long-term greenhouse gas (GHG) targets aligned with the Paris Agreement's goal of maintaining the global temperature rise at 1.5 degrees Celsius and that sought disclosure of progress made toward achieving such goals.

Caterpillar has set, and revised, its GHG emissions reduction targets several times since 2006. Its most recent targets, set in 2021, are to reduce Scope 1 and 2 emissions by 30% by 2030, from a baseline year of 2018. Caterpillar says it does not currently have a Scope 3 emissions reduction target, explaining that factors affecting such emissions are largely outside the company's control. In its response to the shareholder proposal, the company indicated that its next sustainability report would clarify whether Caterpillar would set the specific targets requested by the proposal or provide a rationale for not doing so. The company also committed to including Scope 3 disclosures and using the TCFD framework in future sustainability reporting.

During two engagements leading up to the 2022 annual meeting, the Vanguard team spoke with Caterpillar executives and an independent director about the company's GHG emissions targets and sought to understand its efforts to improve future disclosure. Notably, the board recommended voting in favour of this proposal, stating that such support would demonstrate its commitment to transparency in climate accountability.

The Vanguard funds supported the board's recommendation and voted for the proposal, which other shareholders also strongly endorsed, as it garnered over 95% support.

Natural Capital & Biodiversity – Archer-Daniels-Midland

In May 2022, BNY Mellon supported a shareholder proposal requesting a report explaining if and how the company is measuring its use of pesticides that cause harm to human health and the environment in its agricultural supply chains. Archer-Daniels-Midland does not currently provide targets on pesticide use when many of their peers do. In instances where supply chain concerns could pose a material risk to a company, Mellon prefer that companies be as transparent as possible in disclosing their processes and data around managing this risk. The proposal did not pass, and the manager will continue to encourage Archer-Daniels-Midland to disclose more information on how the company is managing supply chain risks around this topic.

Human Rights - Foxconn

Hon Hai Precision Industry (trading as Foxconn) is a Taiwanese multinational contract electronics manufacturer and one of the world's largest electronics producers.

For many years, the company has faced controversies over labour and human rights issues ranging from excessive overtime to worker suicides and allegations of forced labour. In February 2022, Vanguard followed up on an earlier engagement with the company, focusing on the board's risk oversight role, particularly on social issues, where it seemed that the company had made progress in how it monitors those risk.

The company was candid in discussing challenges stemming from its complex supply chains and from operating in regions with low labour standards and/or a lack of legal protection for workers. The adoption of Foxconn's Code of Conduct by downstream suppliers has been limited in certain areas, and the company has had to adapt its code to different cultural norms. But the company expressed confidence that it now has structures in place to promote best practices across its global operations and to address potential problems. It reiterated that Foxconn's chairman is spearheading the company's environmental, social, and governance efforts and that the company is committed to communicating openly with investors about these issues, much more than in the past.

Foxconn identified areas that need improvement, including more robust disclosure of its policies on managing risks related to social issues in both the company's own operations and its supply chain. The company also explained that it intends to set targets for addressing social risks, similar to its recently set environmental targets that include the ambition to reach net zero emissions by 2050. Foxconn explained that it did not identify any forced labour issues on its sites. The company also shared an example of how it identified some workforce issues through its risk oversight processes and what it had done to remedy them.

Vanguard recognize the complexity of monitoring the treatment of over a million employees and a complex supply chain, so they appreciated learning about the evolution of Foxconn's corporate culture and its approach to discussing with investors the risks associated with working conditions. The manager welcomed the company's frank communication about the challenges it faces and the improvements it seeks to make, and they look forward to seeing how Foxconn demonstrates its ambitions through increased disclosure of social risks and by operationalizing its new policies and practices to manage those risks.

Human Capital Management - J Sainsbury Plc

At the annual meeting on 7 July 2022, Vanguard funds did not support a shareholder proposal directing the company to become accredited by the Living Wage Foundation, an organisation that sets out a framework for pay linked to a regional cost-of-living assessment. The proposal received 17% support from shareholders.

Vanguard has engaged over several years with the Sainsbury's board and executive management. Vanguard's recent discussions included the board's oversight of HCM and its role in navigating the cost-of-living crisis with respect to stakeholders, including its workforce and customers. The proposal in question directed the company to be accredited as a Living Wage Employer by July 2023. The resolution further asked the company to conduct an analysis (also by July 2023) of third-party contractors that earn below the real Living Wage and to work with external partners to increase all subcontracted workers to the real Living Wage rate by 2026. In assessing this shareholder proposal, Vanguard sought to understand the company's current practices, including its disclosure of the board's oversight framework for these issues. Vanguard observed that Sainsbury's pay practices met or were above the real Living Wage. In addition, a majority of its outsourced employees were paid a living wage. Beyond direct pay, Sainsbury's reviewed and improved other employee benefits.

Vanguard reviewed the implications of signing up to an independent external pay benchmark when Sainsbury's has already made commitments involving wages that include factoring in the real Living Wage, the National Living Wage, and benchmarking pay competitively to peers annually. The company operates in a sector where margins are low and workforce pay is a key cost consideration. Vanguard determined that the proposal's requests (which were binding) were too prescriptive and that the setting of wages should fall under the company's operational decisions, which are best left to the board and executive management. Additionally, through ongoing dialogue with the company, Vanguard did not conclude that the proposal addressed a material gap or failure of oversight by the board.

Diversity & Inclusion – The PNC Financial Services Group, Inc.

In August 2022, BNY Mellon met with representatives of The PNC Financial Services Group, Inc., including the SVP for Stakeholder Engagement for ESG, the Deputy General Counsel of Corporate Governance, and Investor Relations.

PNC has hired its first Chief Corporate Responsibility Officer with a future goal of eliminating systemic racism. As a result of the 2021 Banco Bilbao Vizcaya Argentaria (BBVA) acquisition, the company's original financial commitment to this goal has turned into a much larger commitment. The PNC Financial Services Group is committed to affordable housing action, enhanced community development and support for minority-owned small businesses. During this engagement, the manager encouraged PNC to continue to maintain annual updates on the ongoing monetary commitment made to these areas.

Corporate Governance – Boeing

Neuberger Berman, one of our credit managers have spent 4 years engaging with Boeing following MSCI assigned the company a Very Severe Controversy Flag which put Boeing in the manager's engagement priority list. Neuberger Berman communicated with the issuer on concerns related to product safety of its 737 Max aircraft following two disasters that resulted in the deaths of passengers and crew and engaged with the company on their internal risk controls, oversight procedures, and governance structure given the revelation of design flaws with the 737 Max and inadequate attempts by the company to address the issue.

The engagement process was led by credit analyst within the team and included 13 discussions over a period of 4 years with the senior management including the CFO, Treasurer, and Investor Relations team. The issues raised included Boing's risk controls, lack of oversight and inadequate governance structure. While the initial actions taken by Boeing were not always adequate, through manager's continued engagements, Boeing has addressed our concerns regarding its governance and risk controls.

Neuberger Berman consider this engagement was a successful example as Boeing made the following changes:

- Boeing Improved its safety oversight standards through the creation of the independently managed "Aerospace Safety Committee" with responsibility to oversee and ensure the safe design, development, manufacture, production, operation, maintenance and delivery of aerospace products and services.
- Implemented an enterprise-wide Safety Management System "SMS" and established a Quality Management System "QMS" to fully embed safety and quality across total production process -Named a new chief aerospace safety officer with accountability to Boeing's Aerospace Safety Committee and created 4 operations councils overseeing all BA manufacturing, quality, supply chain and program management teams.
- Executive compensation changed with an increased focus on operational performance tied to product safety, employee safety, quality along with climate area.

Neuberger Berman will continue future engagements to address additional improvements that can and should strengthen BA's product safety and risk oversight systems. While the manager has and will continue to raise concerns regarding greater risk oversight procedures, ultimately the changes implemented by Boeing along with design improvements allowed the 737 Max to be recertified globally.

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement polices for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2022-semi-annual-proxy-voting-report.html https://www.mellon.com/insights/insights-articles/proxy-voting-report-spring-2023.html
Vanguard	Disclosure of rationale of voting can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf