

# Drax 2019 Defined Benefit Pension Scheme Implementation Statement – 31 March 2025

## Why have we produced this Statement?

The Trustee of the Drax 2019 Defined Benefit Pension Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustee has complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

## What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustee's investment objectives and investment strategy.

It also explains how and why the Trustee delegates certain responsibilities to third parties and the risks the Scheme faces and the mitigated responses.

The Trustee last reviewed the SIP in October 2024.

## What is the purpose of this Statement?

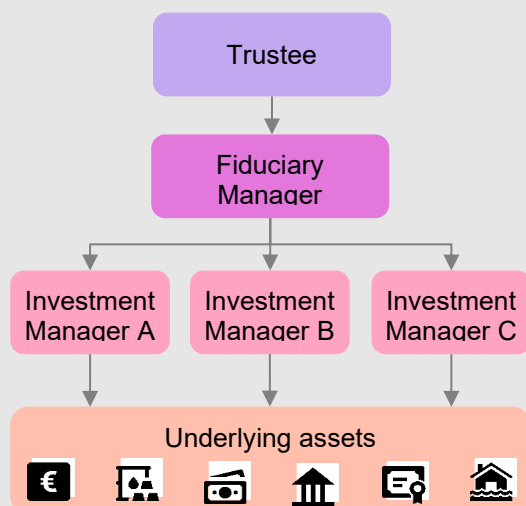
1. To explain how the Trustee's engagement policy has been applied over the year.
2. To demonstrate that the voting rights associated with the Scheme's assets have been actively exercised over the year.

## What changes have we made to the SIP?

The Trustee updated the SIP over the year to adopt a new structure following WTW's appointment as Fiduciary Manager. Key additions include:

- Identifying climate risk, and human and labour rights as the stewardship priorities
- Updating and summarising the risk factors
- Updating the investment objective to acquire suitable, liquid assets to generate income and capital growth, ensure portfolio security and profitability, limit asset-liability risk over both long and short terms, and minimize long-term costs by maximizing returns and managing investment expenses

## How are the Scheme's investments managed?



**Trustee** - The Trustee's key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustee retain overall responsibility for the Scheme's investment strategy, but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

**Fiduciary Manager (WTW)** – The Trustee employs a Fiduciary Manager to implement the Trustee's investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

**Investment managers** – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. The Fiduciary Manager will look for best in class specialist managers for each asset class.

**Underlying assets** – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

### Why does the Trustee believe voting and engagement is important?

The Trustee's view is that Environmental, Social and Governance ("ESG") factors can have a potential impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustee further believes that voting and engagement are important tools to influence these issues.

The Trustee has appointed a Fiduciary Manager who shares this view and considers and integrates ESG factors, voting and engagement in its processes.

The Trustee incorporates an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

### What is the Trustee's voting and engagement policy?

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 risk, and human and labour rights as key areas of focus for the Trustee.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustee expect the Fiduciary Manager to engage with investment managers to improve their processes.

### What training has the Trustee received over the year?

To ensure the Trustee is kept up to date with best practice in ESG considerations, voting and engagement, the Trustee received the following training over the year:

- As part of a portfolio overview of the new strategy implemented under the Fiduciary Management agreement, some of the sustainability considerations within the underlying strategies were covered.

## What are the Fiduciary Manager's policies?

### Climate change and net zero goal

The Trustee believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

### Public policy and corporate engagement

The Fiduciary Manager employs an external stewardship service provider, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustee).

Some highlights from 2024 include:

- 994 companies engaged across regions on 4,267 issues and objectives
- 62 companies in their core programme featured engagements with the CEO or chair
- Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions
- Participation in a range of global stewardship initiatives

### Industry initiatives

The Fiduciary Manager participated in a range of industry initiatives over the year to seek to exercise good stewardship practices. Please refer to their latest UK Stewardship Code for more information:

<https://www.wtwco.com/en-gb/solutions/services/sustainable-investment>.

## How does the Fiduciary Manager assess the investment managers?

**Investment manager appointment** - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2024 the Fiduciary Manager conducted engagements with over 70 managers across asset classes. They also engaged over 100 products on sustainability and stewardship. In addition, over 150 sustainability-theme strategies were researched.

**Investment manager monitoring** - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis. These reports form part of the Trustee's portfolio monitoring which the Fiduciary Manager undertakes on the Trustee's behalf. We have provided the Fiduciary Manager's ratings of the equity managers' ESG integration and stewardship capabilities in the later pages.

**Investment manager termination** - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

## Example of an engagement carried out over the year

### Money market manager General ESG issue

Issue: The Fiduciary Manager has requested the manager to include alignment reporting in their regular quarterly reports for all fund and segregated mandates.

Outcome: The engagement is currently underway.

## What are the voting statistics we provide?

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity investment managers.

A summary of voting activity over the year is provided on the following page. The Trustee used the following criteria to determine the most significant votes:

- Trustee stewardship priorities (climate risk, human and labour rights)
- Financial outcome for members, including size of holding
- High profile votes, including votes not supporting company management

The Trustee has also included the Fiduciary Managers assessment of the investment managers ESG integration and stewardship (including voting and engagement) capabilities.

## In conclusion...

The Trustee is satisfied that over the year, all SIP policies and principles were adhered to and in particular, those relating to voting and engagement.

## Multi-Asset Diversified Growth Sub-Fund

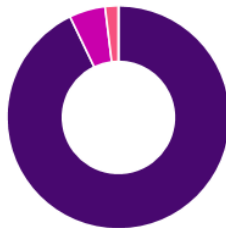
### Voting activity over the year



Fiduciary Manager's  
assessment

#### Voting activity over the year

Number of votes eligible to cast: 6,510  
Percentage of eligible to cast: 100%



■ For: (92.9%) ■ Against: (5.2%) ■ Abstain: (1.9%)

#### Significant vote

**Company:** Novo Nordisk A/S

**% Fund:** 0.2%

**Vote topic:** Approve proposal regarding regulated working conditions at construction sites

**Issue:** The proposal does not merit support as the company's disclosures related to facility safety are reasonable.

**Voting instruction:** Against shareholder resolution, for management recommendation

**Outcome:** Failed the resolution

**Why a significant vote?** Human and labour rights is one of the stewardship priorities.

**Next steps:** The manager will aim to continue the engagement with the major holdings on material risks and opportunities, including health and safety of the workforce.

#### Significant vote

**Company:** Oracle Corporation

**% Fund:** 0.2%

**Vote topic:** Report on climate risk in retirement plan options

**Issue:** This proposal does not merit support as the company's climate-related disclosures are reasonable.

**Voting instruction:** Against shareholder resolution, for management recommendation

**Outcome:** Failed the resolution

**Why a significant vote?** Climate change is one of the stewardship priorities.

**Next steps:** The manager will contact the company to explain the voting rationale and conduct further engagement.

**Voting policy:** The manager have discretionary proxy voting authority over most of the client accounts. The manager will carefully vote these proxies in the manner that will protect and promote the long-term economic value of the clients' investments. The manager's Stewardship team activities are overseen by the ESG Committee who are responsible for reviewing the stewardship strategy, engagement priorities and proxy voting guidelines, and monitors the delivery of voting objectives. In addition, the ESG Committee provides oversight of the Stewardship team, reviews departures from the proxy voting guidelines, and reviews conflicts of interest involving proxy voting.

## Multi-Asset Diversified Growth Sub-Fund

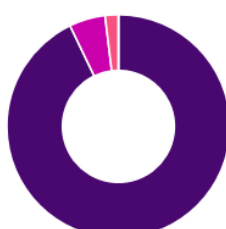
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Fiduciary Manager's  
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#### Voting activity over the year

Number of votes eligible to cast: 6,510  
Percentage of eligible to cast: 100%



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#### Significant vote

**Company:** Equinor ASA

**% Fund:** 0.02%

**Vote topic:** Making arrangements to become a leading producer of renewable energy, stop plans for electrification of Melkoya and present a plan enabling Norway to become Net-Zero by 2050

**Issue:** The proposal does not merit support as the company's climate-related disclosures are reasonable.

**Voting instruction:** Against shareholder resolution, for management recommendation

**Outcome:** Failed the resolution

**Why a significant vote?** Climate change is one of the stewardship priorities.

**Next steps:** The manager will aim to continue the engagement with the major holdings on material risks and opportunities, including those related to climate.

#### Significant vote

**Company:** Cintas Corporation

**% Fund:** 0.1%

**Vote topic:** Report on efforts to reduce greenhouse gas emissions in alignment with Paris agreement goal

**Issue:** There was no interim climate targets to accompany long-term climate ambitions

**Voting instruction:** For shareholder resolution, against management recommendation

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** Climate change is one of the stewardship priorities.

**Next steps:** The manager will aim to continue the engagement with the major holdings on material risks and opportunities.

**Voting policy:** The manager have discretionary proxy voting authority over most of the client accounts. The manager will carefully vote these proxies in the manner that will protect and promote the long-term economic value of the clients' investments. The manager's Stewardship team activities are overseen by the ESG Committee who are responsible for reviewing the stewardship strategy, engagement priorities and proxy voting guidelines, and monitors the delivery of voting objectives. In addition, the ESG Committee provides oversight of the Stewardship team, reviews departures from the proxy voting guidelines, and reviews conflicts of interest involving proxy voting.