

Implementation Statement

The Costain Pension Scheme (“the Scheme”)

Purpose of the Implementation Statement

The Implementation Statement has been prepared by Costain Pension Scheme Trustee Limited (“the Trustee”) as Trustee of The Costain Pension Scheme, and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement activities, as set out in the Scheme’s Statement of Investment Principles (“SIP”), have been followed over the year to 31 March 2025; and
- The voting activity undertaken by the Scheme’s investment managers on behalf of the Trustee, including information regarding the most significant votes, over the year to 31 March 2025.

The Trustee implemented the new strategy in May 2024 which includes; a full disinvestment from the Baillie Gifford Multi-Asset Growth Fund; a switch out from the L&G All World Equity Index to invest fully in ESG-tilted equities via the existing L&G Future Equity Index; and an introduction to the L&G Buy and Maintain Credit Funds. Given the Scheme was only invested in the Baillie Gifford Multi-Asset Growth Fund and the L&G All World Equity Index (both GBP Hedged and Unhedged share classes) for a small part of the year, the information for these funds has not been shown in this Implementation Statement.

Stewardship policy

The SIP describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in June 2025 has been made available online here:

<https://www2.myworkpension.co.uk/SchemeNoticesCOST>

The stewardship policy was updated over the year to include the Scheme’s stewardship priorities (as set out below). The Trustee has delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme’s investment managers.

The Trustee has selected three key stewardship priorities for investment manager engagement to improve alignment with its policies as well as to enhance disclosure. The Trustee has chosen these priorities given they are linked to the UN Sustainable Development Goals and are consistent with aiming to improve the responsible investment characteristics within the portfolio whilst ultimately deliver better outcomes to the Scheme’s members. The Trustee’s stewardship priorities are:

- Climate Crisis
- Environmental Impact
- Human Rights

When considering climate change-related risks within the portfolio, the Scheme’s investment consultant evaluates the following time horizons when performing climate scenario analysis:

- Short-term: 3 to 5 years

- Medium-term: 5 to 15 years
- Long-term: 15 years through to 2050

Given the profile of the Scheme's membership, and the time periods over which the assets are invested, the Trustee believes that these time periods are appropriate to evaluate the impact of climate change-related risks and opportunities within the portfolio.

A long-term time horizon of 2050 is consistent with the UK Government's own ambitions and prevailing legislation and is also consistent with the aims of the Paris Climate Agreement.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such, delegates responsibility for carrying out voting and engagement activities in these funds to the fund managers.

The Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Trustee, with input from their investment consultant, annually receives and reviews (through their Implementation Statement), the voting information and engagement policies of their investment managers to ensure alignment with their own policies. The findings of the Trustee's review are reported in this Implementation Statement which will also be included in the Scheme's Annual Report and Accounts for the year to 31 March 2025.
- From time to time, the Trustee obtains training on ESG considerations in order to understand fully how ESG factors, including climate change, could impact the Scheme and its investments.
- Through their annual sustainability monitoring report, the Trustee reviews the stewardship and engagement activities of the managers to understand whether there are any concerns or actions required. Based on their 2024 sustainability monitoring report, the Trustee found that most of the Scheme's funds are engaging in line with expectations, and the Trustee does not have any serious concerns with the ESG and stewardship activities of the Scheme's holdings.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee uses Sustainability / ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies as set out in the Scheme's Statement of Investment Principles.

**Prepared by the Trustee of The Costain Pension Scheme
June 2025**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's growth portfolio on behalf of the Trustee over the year to 31 March 2025.

The Scheme's holdings in the L&G Liability Driven Investment ("LDI") portfolio, the L&G Absolute Return Bond Fund, the L&G Buy and Maintain Credit Funds, the Janus Henderson MAC Fund, the TwentyFour Strategic Income Fund, the Partners Group MAC Fund and the HSBC Sterling Liquidity Fund hold no, or negligible amounts of, assets with voting rights given the nature of the mandates.

The Schroders Diversified Growth Fund invests across a diverse range of asset classes; therefore, it has been included in the table below as the equity holdings carry voting rights.

Manager	L&G	Schroders
Fund name	Future World Global Equity Index Fund (GBP Hedged and Unhedged)	Diversified Growth Fund
Structure	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
Number of company meetings the manager was eligible to vote at over the year	5,515	1,297
Number of resolutions the manager was eligible to vote on over the year	55,096	16,606
Percentage of resolutions the manager voted on	99.8%	96.4%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	81.0%	89.5%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	17.9%	10.4%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on*	1.1%	0.1%
Proxy voting advisor employed	Institutional Shareholder Service	Glass Lewis
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	9.7%	9.4%

Source: L&G, Schroders.

*Where the manager made an active decision to abstain in order to vote against management.

Proxy Voting

The below summarises how the investment managers utilise their proxy voting services.

L&G

L&G's Investment Stewardship team uses Institutional Shareholder Service's (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with L&G's position on ESG, L&G have put in place a custom voting policy with specific voting instructions. L&G review their custom voting policy with ISS annually and take into account feedback from their investors.

Schroders

Glass Lewis (GL) act as Schroders' one service provider for the processing of all proxy votes in all markets. GL delivers vote processing through its internet-based platform Viewpoint. Schroders receives recommendations from GL in line with their own bespoke guidelines, in addition, they receive GL's benchmark research. This is complemented with analysis by Schroders' in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

GL automatically votes on all of Schroders' holdings of which they own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in their voting decisions as well as creating a more formalised approach to their voting process.

Significant votes

As noted above, the Trustee has recently set stewardship priorities for the Scheme. The investment managers have provided a selection of votes which they believe to be significant. In the interest of concise reporting, the tables below show three of the most significant votes for each fund which relate to the stewardship priorities of the Scheme where possible. Further information on other significant votes is available upon request.

L&G Future World Global Equity Index Fund (GBP Hedged and Unhedged)

	Vote 1	Vote 2	Vote 3
Company name	Walmart	Unilever	Anjoy Foods Group
Date of vote	5 June 2024	1 May 2024	20 May 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.3%	0.2%	0.1%
Summary of the resolution	Establish a Company Compensation Policy of Paying a Living Wage	Approve Climate Transition Action Plan	Approve Environmental, Social and Corporate Governance (ESG) Report
How the manager voted	For	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	L&G publicly communicate its vote instructions on its website with the rationale for all votes against management. They note it is their policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	A vote in favour is applied as L&G would encourage the company to establish a compensation policy that ensures employees earn a living wage. This is because paying a living wage may reduce the potential negative financial impacts that stem from low worker morale, poor health, absenteeism, high staff turnover, etc.	A vote in favour is applied as the Climate Transition Action Plan meets L&G's minimum expectations. This includes the disclosure of greenhouse gases emissions and the reduction targets being consistent with the Paris Agreement.	A vote against is applied as the company is deemed to not meet minimum standards with regard to L&G's deforestation policy.
Outcome of the vote	Fail	Pass	Pass
Implications of the outcome	L&G will continue to engage with their investee companies, publicly advocate their position on these issues and monitor company and market-level progress.		
Criteria on which the vote is considered "significant" (provided by the manager)	L&G consider this vote to be significant as they have been engaging with Walmart on the topic of living wages for	L&G consider this vote to be significant given the high-profile nature of such votes.	L&G consider this vote to be significant as it is applied under their engagement program on deforestation,

	Vote 1	Vote 2	Vote 3
	several years, and in 2023 L&G launched their income inequality engagement campaign which targeted 15 of the largest global food retailers (including Walmart) asking them to set out their policy on living wages for workers within their own operations and their supply chain.		targeting companies in high-risk sectors.
Relevant stewardship priority	Human Rights	Climate Crisis	Environmental Impact

Schroders Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Bank Of Canada	Lennar	Goldman Sachs
Date of vote	11 April 2024	10 April 2024	24 April 2024
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided*		
Summary of the resolution	Shareholder Proposal Regarding Say on Climate	Shareholder Proposal Regarding Report on LGBTQ Equity and Inclusion Efforts	Shareholder Proposal Regarding Environmental Justice Impact Assessment
How the manager voted	For	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Schroders may tell the company of their intention to vote against the recommendations of the board before voting, in particular if they are large shareholders or if they have an active engagement on the issue. Schroders always inform companies after voting against any of the board's recommendations.		
Rationale for the voting decision	Schroders believe that shareholders would benefit from an annual say on the company's climate strategy to better assess how the company is managing the salient risks related to climate change and how it is making sufficient progress towards achieving its near and long-term goals.	Schroders believe that shareholders would benefit from more disclosure around how the company's human capital and diversity & inclusion strategies are ensuring inclusivity of the LGBTQ community in its workforce.	Schroders believe that, given the company provides a significant level of financing to fossil fuel companies, an assessment of the justice impact of these activities would help shareholders to better understand the related risks.
Outcome of the vote	Fail	Fail	Fail

	Vote 1	Vote 2	Vote 3
Implications of the outcome	Schroders monitor voting outcomes particularly if they are large shareholders or if they have an active engagement on the issue. If they think that the company is not sufficiently responsive to a vote or their other engagement work, Schroders may escalate their concerns by starting, continuing or intensifying an engagement. As part of this activity Schroders may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.		
Criteria on which the vote is considered "significant" (provided by the manager)	Schroders classify a significant vote as any vote where they vote against management.		
Relevant stewardship priority	Climate Crisis	Human Rights	Environmental Impact

**Similar to last year, Schroders were unable to provide this information. The Trustee, through its investment consultant, has fed this back to Schroders to seek clarification on the missing data and to improve on this where possible.*

Engagement data

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI portfolio held with L&G and the HSBC Sterling Liquidity Fund due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	L&G				
Fund name	Future World Global Equity Index Fund (GBP Hedged and Unhedged)	Absolute Return Bond Fund	Buy and Maintain Credit Fund	Maturing Buy and Maintain Credit Fund 2025-2029	Maturing Buy and Maintain Credit Fund 2030-2034
Number of entities engaged on behalf of the holdings in this fund in the year	1,274	179	181	151	161
Number of engagements undertaken on behalf of the holdings in this fund in the year	1,944	355	331	279	285
Number of engagements undertaken at a firm level in the year			4,459		

Manager	Schroders*	Janus Henderson	TwentyFour	Partners Group*
Fund name	Diversified Growth Fund	Multi Asset Credit Fund	Strategic Income Fund	Multi-Asset Credit VI Fund
Number of entities engaged on behalf of the holdings in this fund in the year	373	37	170	10
Number of engagements undertaken on behalf of the holdings in this fund in the year	1,550	47	185	10
Number of engagements undertaken at a firm level in the year	4,713	699	400	Data not provided

Source: Investment managers. *Schroders report on engagement annually, while Partners Group report semi-annually. As such, the data shown is for the year to 31 December 2024.

Examples of engagement activity undertaken over the year to 31 March 2025

Manager and Fund(s)	Examples of engagement and relevant stewardship priority (where relevant)
Pemex – Climate Crisis	
<p>L&G</p> <p>Future World Global Equity Index Fund (GBP Hedged and Unhedged)</p> <p>Absolute Return Bond Fund</p> <p>Buy and Maintain Credit Funds</p>	<p>Pemex, based in Mexico, is one of the largest oil and gas companies by refining capacity. L&G believe that Pemex has significant influence over the decarbonisation of the oil and gas industry and the realisation of financial opportunities from the energy transition.</p> <p>L&G have contributed to the Climate Action 100+ engagements with Pemex since 2023, encouraging the company to take a number of steps towards clear disclosures, oversight of climate risk at board level, and the setting of ambitious but achievable climate targets.</p> <p>Following these engagements, the company published its first sustainability plan, setting out clear targets for emissions reduction, enhanced disclosures, allocation of capital towards achieving climate goals, and addressing methane emissions within their operations. L&G will continue with the collaborative engagement with Climate Action 100+.</p>
Meta – Human Rights	
<p>Schroders</p> <p>Diversified Growth Fund</p>	<p>In May 2024, Schroders attended Meta’s annual general meeting and queried how Meta measures the concentration of harm amongst users and disclosure of key metrics split by geography. Schroders did not receive a response at the time. In November 2024, Schroders participated in another group call with the company’s human rights experts, secretary, and the investor relations team. Topics discussed on the call included conflicts between human rights policies and business objectives, crisis protocols in at-risk countries, links between compensation and human rights, targeted advertising, and responsible use of Artificial Intelligence (AI).</p> <p>Schroders highlighted that they appreciate the company’s willingness to engage and look forward to further progress on content moderation and disclosure. Schroders look forward to monitoring what Meta as well as other companies in the sector do in relation to the responsible use of AI.</p>
Herbalife – Environmental Impact	
<p>Janus Henderson</p> <p>Multi Asset Credit Fund</p>	<p>Janus Henderson engaged with Herbalife to gain an understanding of the company’s approach to ESG issues. In particular, Janus Henderson were interested in obtaining insights into the company’s sustainable sourcing initiatives, water stress management and compliance readiness for the EU Regulation on Deforestation-free Products (EUDR) in 2025.</p> <p>Herbalife has made progress in its sustainable sourcing programme since its inception in 2022, and has also taken steps to optimise its water usage at corporate offices and manufacturing facilities.</p> <p>The EUDR requires companies importing certain raw materials, such as soy, beef and cocoa, to prove that their supply chains are not linked to deforestation. Although Herbalife has significant exposure to soy and cocoa for its products, the company was not able to provide a specific number of products affected by this regulation. However, Herbalife has started a task force to determine which of its products are subjected to the regulation.</p> <p>The first meeting with the ESG team provided Janus Henderson with deeper insights into Herbalife’s priorities as well as its progress towards them. Going forward, Janus Henderson will continue to monitor the company’s progress towards achieving its sustainable sourcing initiatives and compliance readiness for the EUDR. Janus Henderson will also continue to assess any water stress issues that may arise with its suppliers.</p>

Manager and Fund(s)

Examples of engagement and relevant stewardship priority (where relevant)

TwentyFour

Strategic Income Fund

JP Morgan – Climate Crisis

Following JP Morgan’s departure from the Net Zero Banking Alliance (NZBA), TwentyFour engaged with the bank (and other US banks) to determine whether this marks any change to their net zero targets and fossil fuel policies set under the alliance.

JP Morgan confirmed that its net-zero targets and broader climate strategy remain unchanged following its departure from the NZBA. The company emphasised that its decision to exit was unrelated to the current US administration, noting that internal discussions had been underway prior to the recent administration. They stated that they make long-term strategic decisions that are not influenced by the presidential term. While the NZBA initially played a valuable role in developing sectoral guidance in collaboration with other global banks at a time (back in 2021 when decarbonisation strategies across the sector were still unclear), JP Morgan has since built its own dedicated climate team and now believes it has the internal expertise to independently drive its transition strategy and no longer sees the benefits of the alliance’s partnership and guidance.

On fossil fuels, JP Morgan clarified that: they will not finance any new coal-fired power plants; oil & gas clients must meet internal thresholds and demonstrate progress over time though there is no formal phase-out plan; and future financing decisions will be shaped by market demand and government policy. They reiterated the importance of energy security and the ongoing role of fossil fuels in the overall energy mix. However, TwentyFour believe that the absence of a phase-out plan raises questions about the credibility of the bank’s net-zero targets.

TwentyFour do not believe the company’s comments that their decision to exit the alliance was not influenced by the US administration, however TwentyFour believe this has to be a message from a marketing perspective. Fossil fuel phase out plans remain weak like much of the US banking sector. TwentyFour were encouraged that the company’s targets set under the alliance remain in place, however TwentyFour acknowledge that it is early days, therefore they must monitor published lending data to observe any change in lending patterns to fossil fuel companies and also whether there are any changes to their net zero targets or fossil fuel lending policies.

Partners Group

Multi-Asset Credit VI Fund

Partners Group haven’t provided any meaningful engagement example. As such, we have outlined their approach to engagement below.

For every engagement, Partner’s Group discuss their commitment to ESG and ambition for the company with company management teams. They then align with company management and Industry Value Creation teams on the ESG topics most relevant to the company or asset’s business and stakeholders, identify key ESG improvement opportunities, and define the vision and strategy for the company or asset’s ESG engagement with Partners Group.
