

Mothercare Staff Pension Scheme: Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 March 2025. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and subsequent amendments, and the guidance published by the Pensions Regulator.

Changes to the investment arrangements during the year:

Following a review of the investment strategy in February 2024, the Trustee agreed to increase the interest rate and inflation hedge ratios to 80%. These changes were implemented in April 2024.

During the year, the Trustee agreed to change the underlying split within the Diversified Growth allocation and move to a 50/50 split between the two managers. This was implemented in July 2024.

This statement is based on the relevant version of the SIP that was in place during the Scheme year, which was the SIP dated June 2023.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objectives of the Scheme are as follows:

To restore and then maintain a funding level of or in excess of 100% on a technical provisions basis through the adoption of a prudent funding and investment strategy. The aim will be to take on investment risk in a controlled way, and target a return consistent with the assumptions made in determining the Scheme's technical provisions funding basis and recovery plan.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee believes that environmental, social, and corporate governance factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee recognises that some of the Scheme's current investment arrangements are implemented on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change considerations.

The Scheme also has allocations to credit assets where, whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behaviour compared to equity holdings, although, where relevant, managers are encouraged to use their position as lenders of capital to engage with companies.

The Trustee has given the appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

This policy was updated in July 2020 and subsequently reviewed as part of updates made to the SIP, although no material changes were made to the policy.

The Trustee believes that having an explicit statement of investment beliefs is a matter of good governance, which can lead to better investment decision-making and thus potentially better investment outcomes. In March 2021, the Trustee attended an Investment Beliefs workshop and, as a result, adopted a set of investment beliefs that included beliefs in respect of the impact of ESG factors on investments.

The following sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

Monitoring

- The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers.
- As part of the monitoring process, the Trustee considers the research ratings provided by Mercer which include consideration of ESG matters. Such ratings are provided on a quarterly basis as part of the Scheme's investment and funding report. A change in rating (or lack of rating) does not mean that the fund will be removed or replaced automatically but the Trustee will discuss rating changes and decide if any action should be taken. There were no downgrades or upgrades to the ratings of any of the Scheme's investment managers over the year.
- Managers will be expected to report on their own ESG policies as and when requested by the Trustee; over the year, the Trustee asked the Scheme's investment managers to summarise their approach to ESG when presenting at Trustee meetings.
- The Trustee's investment consultant had requested, on behalf of the Trustee, details of relevant engagement activity for the year to 31 March 2025 from each of the Scheme's investment managers, covering a wide range of different issues, including ESG factors.

Examples of this are given below:

- **Ruffer** focused its engagement activities on climate change and reducing real-world emissions, human labour rights, and corporate governance themes.

- **Janus Henderson** engaged with companies on issues centered on climate change and climate risk analysis, reporting, human and labour rights, among others.
- **Insight** engaged with companies and originators on several topics including climate change, capital allocation, strategy/purpose, financial performance, reporting and risk management, among others.

Stewardship

- Over the year, the Trustee requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Scheme's investment managers confirmed that they are signatories of the UK Stewardship Code 2020.
- Over the period, the Trustee did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Voting Activity

The Trustee has considered its own definition of a "significant vote". The Trustee has defined a "significant vote" as any vote relating to a company that represented at least 1% of the fund or portfolio invested in by the Scheme as at the date of the vote. The Trustee will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustee did not inform managers of what it considered to be a 'significant vote' in advance of voting.

Investment managers are expected to provide voting summary reporting when requested by the Trustee. The Trustee did not use the direct services of a proxy voter over the year.

Over the year to 31 March 2025, the voting activity on behalf of the Trustee was as follows:

Ruffer – Diversified Beta / Absolute Return

Ruffer have the ability to allocate to a number of different asset classes, including equity market investments, which had a 28% allocation as at 31 March 2025.

Ruffer use Institutional Shareholder Services ("ISS") to process votes and provide proxy voting research and advice.

A summary of the voting undertaken over the year to 31 March 2025 is provided below:

- There have been 68 votable meetings over the year. In these meetings, there were a total of 1,079 votable proposals;
- Ruffer have participated in the vote of 100% of all the votable proposals. In around 99% of these votes, Ruffer have indicated their support to the companies' managements, while voting against around 1% of the proposals and abstaining or withholding less than 1% of the time. In around 15% of votable meetings, Ruffer voted at least once against management.

Ruffer define 'significant votes' as any vote against management or against an ISS recommendation, in breach of criteria included in Ruffer's internal voting guidelines, any shareholder resolution, any climate related resolution, any management-proposed climate-

related resolution or dissident shareholder slate (US only). The Trustee has reviewed the significant voting information provided by Ruffer and over the year to 31 March 2025, there were no votes that met the Trustee's criteria of significant votes as none of the companies that the votes related to represented at least 1% of the Ruffer fund.

Insight – Broad Opportunities Fund

As part of the fund's management Insight have the ability to allocate to a number of different asset classes, including equity market investments, which had a 28% allocation as at 31 March 2025. Equity market exposure is typically implemented via derivatives however, which generally do not have voting rights attached.

The strategy does invest in listed closed-end investment companies with a focus on cash-generative investments in social and public, renewable energy and economic infrastructure sectors. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities and as a result the number of significant votes in any given year is lower.

Insight use Minerva as a proxy voting provider to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable.

A summary of the voting undertaken for the fund over the year to 31 March 2025 is provided below:

- There have been 11 votable meetings over the year. In these meetings, there were a total of 143 votable proposals;
- Insight have participated in the vote of 100% of all the votable proposals and have indicated their support to the companies' managements proposal 100% of the time.

The Trustee has reviewed the significant voting information provided by Insight and views the below vote as the only one that meets the Trustee's significant vote definition.

Holding details	Resolution details	Why the vote was considered to be 'significant'	Manager voting decision	If against management, was the intent communicated ahead of the vote?	Rationale for voting decision	Outcome of the vote and any relevant next steps
Company name: Greencoat UK Wind plc Approximate size of holding as at date of the vote: 1.1%	Summary of resolution: To approve that the Company cease to continue its business as a closed-ended investment company Date of vote: 18/04/2024	>1% of the fund at the date of vote.	Against (Supported Management)	n/a	Insight voted against the proposal for the following reasons - the company was formed in 2013 to deliver long term shareholder returns through the ownership of UK wind assets. It has consistently met its objectives of providing dividend growth and NAV preservation, both in real terms. The strategy remains valid and attractive in the longer term. In response to higher interest rates, the company has responded by increasing the return to shareholders through higher portfolio discount rate, increasing dividends from underlying cash flows and implementing NAV accretive share buybacks.	The resolution failed with 88.69% votes against the resolution. A vote in favour of discontinuation, would require the company's Board to forward proposals for the restructuring or reorganisation of the company. Insight plans to maintain regular discussions with the company, its board and advisers in order to monitor the appropriateness of the strategy in its portfolios.

Janus Henderson - Multi-Asset Credit and Insight - Secured Finance / Liability Driven Investment

The managers did not provide voting activity details as these are fixed income portfolios that do not have voting rights.