

Jacobs Engineering UK Limited Pension
Scheme

**Annual Implementation
Statement – Scheme year
ending 31 March 2021**

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1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Jacobs Engineering UK Limited Pension Scheme (“the Scheme”) covering the scheme year (“the Year”) to 31 March 2021.

The purpose of this statement is to:

1. Set out how, and the extent to which, in the opinion of the Trustee, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the Year; and
2. Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the Year and state any use of services of a proxy voter during that Year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement has been made available on the following website:
<https://halcrow.com/>

2. Review of and changes to the SIP

The SIP was reviewed and updated as at September 2020 in relation to new Department for Work and Pensions (“DWP”) regulations coming into force from 1 October 2020 regarding:

- how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees’ policies mentioned in sub-paragraph (b);
- how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- how the method (and time horizon) of the evaluation of the asset manager’s performance and the remuneration for asset management services are in line with the trustees’ policies mentioned in sub-paragraph (b);
- how the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range; and
- the duration of the arrangement with the asset manager.

For the purpose of assessing how the Scheme’s engagement policy has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020. All elements that were included in the previously agreed SIP remained in the September 2020 SIP.

3. Voting and engagement

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of Environmental, Social and Governance ("ESG") considerations and stewardship activities (including voting and engagement) are delegated to the Scheme's investment managers.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to Sustainable Investments ("SI") (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

Company level engagement and rights attached to investments (including voting):

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance ("ESG") and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers (including listed infrastructure and real estate) as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", the top three have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below.

Over the Year, the Scheme's equity holdings were invested across six pooled funds:

- Towers Watson Investment Management ("TWIM") Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active emerging markets equity fund
- Manager B – an active equity fund focussed on the Chinese market
- State Street Global Advisors ("SSgA") MFG Core Infrastructure Fund – a passive global equity fund focusses on equity related to infrastructure companies
- Legal and General Investment Management ("LGIM") Heitman Global Prime Property Securities – a global equity fund focussed on equity related to prime properties (disinvested in March 2021)
- Legal and General Investment Management ("LGIM") Infrastructure Equity MFG Fund – a global equity fund focusses on equity related to infrastructure companies (disinvested in September 2020)

As outlined above, the Scheme is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to Managers A and B and the underlying investment managers in the TWIM Global Equity Focus Fund. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Scheme's investment managers could impact the investment manager's ability to generate the best investment outcome for the Scheme and ultimately, the Scheme's members.

Fund	Approach to Environment, Social and Governance (“ESG”) factors
<p>TWIM Global Equity Focus Fund</p>	<p>Willis Towers Watson believes that the principles underlying sustainable investment form the cornerstone of a successful long-term investment strategy, and their equity fund looks to reflect their sustainability beliefs. Within the broad remit of sustainable investment, they have identified climate change as a critical and systemic priority.</p> <p>The global equity focus fund has banned controversial weapon companies from the portfolio in accordance with MSCI’s criteria. The underlying managers are also monitored on numerous sustainability metrics and regularly compared with industry standards.</p>
<p>Manager A – an active emerging markets equity fund.</p>	<p>The Fiduciary Manager viewed the SI approach of Manager A to be acceptable but still with potential areas for improvement.</p> <p>During the year, Manager A made improvements to its practices relating to ESG integration and engagement by upgrading their third-party research provider to Sustainalytics, developing a Stewardship Policy and enhancing their ESG Policy.</p> <p>However, the level of portfolio turnover suggested that Manager A’s average holding period for stocks is moderate, potentially limiting its ability to vote and engage with company management to direct change. In addition, the level of assets under management in this strategy potentially limits Manager A’s ability to affect change through stewardship activities.</p>
<p>Manager B – an active equity fund focussed on the Chinese market</p>	<p>The Fiduciary Manager rates this manager positively with respect to their ESG integration and engagement, and corporate engagement and asset stewardship are key parts of their investment process. The manager’s long-term investment horizon, approach of investing in companies with strong governance structures and history and experience of investing in Asian markets, including China, supports that they are well-equipped to engage with company management with a view to improving outcomes. In terms of voting, the firm’s policy is publicly disclosed annually, and it is positive that all votes are exercised where feasible.</p>
<p>Heitman Global Prime Property</p> <p>Over the year the Fund moved from accessing this asset class using LGIM to using another active manager</p>	<p>Over the year the manager introduced an ESG / Climate Risk filter and a Factor Analysis / Financial Leverage filter to the strategy, as well as the introduction of emerging Prime real estate sectors to increase the resilience and relevance of the portfolio on a forward-looking basis. These are positive developments for the portfolio and the investment process.</p>
<p>Magellan Listed Infrastructure</p> <p>Over the year the Fund moved from accessing this asset class using</p>	<p>This fund improved on passive equivalents as ESG considerations are a core part of the investment process. Many of the firms invested in have clear plans to reduce carbon emissions.</p>

LGIM to using SSGA.	
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TWIM – Global Equity Focus Fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 174</p> <p>Number of votes eligible to cast: 2,921</p> <p>Percentage of eligible votes cast: 99.0</p> <p>Percentage of votes with management: 90.4</p> <p>Percentage of votes against management: 9.5</p> <p>Percentage of votes abstained from: 0.2</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 58.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.0</p>
Use of proxy voting	<p>The underlying managers use Institutional Shareholder Services (“ISS”) ‘ProxyExchange’ electronic voting platform to electronically vote investors’ shares. As described elsewhere, TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers are ultimately responsible for the votes.</p>

Manager A – Emerging Market Equity

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 78</p> <p>Number of votes eligible to cast: 674</p> <p>Percentage of eligible votes cast: 97.0</p> <p>Percentage of votes with management: 89.0</p> <p>Percentage of votes against management: 9.0</p> <p>Percentage of votes abstained from: 2.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 33.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 0.3</p>
Use of proxy voting	<p>The manager uses the proxy voting services of Institutional Shareholder Services (ISS).</p>

Manager B – China A Shares equity

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 108</p> <p>Number of votes eligible to cast: 956</p> <p>Percentage of eligible votes cast: 100.0</p> <p>Percentage of votes with management: 99.0</p>
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	<p>Percentage of votes against management: 1.0</p> <p>Percentage of votes abstained from: 0.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 1.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 13.0</p>
Use of proxy voting	The manager uses the proxy voting services of Glass Lewis

LGIM – Heitman Global Prime Securities (the Fund disinvested during the year)

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 87</p> <p>Number of votes eligible to cast: 858</p> <p>Percentage of eligible votes cast: 98.4</p> <p>Percentage of votes with management: 85.3</p> <p>Percentage of votes against management: 14.7</p> <p>Percentage of votes abstained from: 0.1</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 54.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.4</p>
Use of proxy voting	<p>The Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by the manager and LGIM does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions</p> <p>To ensure our proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM's custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to our voting judgement. LGIM have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.</p>

LGIM Infrastructure Equity MFG Fund (the Fund disinvested during the year)

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 79</p> <p>Number of votes eligible to cast: 974</p>
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	<p>Percentage of eligible votes cast: 99.6</p> <p>Percentage of votes with management: 86.4</p> <p>Percentage of votes against management: 13.4</p> <p>Percentage of votes abstained from: 0.2</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 69.6</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.6</p>
Use of proxy voting	As per the Heitman Global Prime Securities Fund.

State Street Global Advisors MFG Core Infrastructure Fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 11</p> <p>Number of votes eligible to cast: 90</p> <p>Percentage of eligible votes cast: 100.0</p> <p>Percentage of votes with management: 44.1</p> <p>Percentage of votes against management or abstained: 55.9</p>
Use of proxy voting	The manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement and proxy voting on behalf of the fund.

In addition, the TWIM Global Equity Focus Fund and Manager B have reported on the most significant votes cast within the underlying funds managed on behalf of the Plan, including reasons from the underlying managers on why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

Coverage in portfolio	Size of holdings	Most significant votes cast
Towers Watson Global Equity Focused Fund	1.6%	<p>Company: Cigna Corporation</p> <p>Resolution: Report on Gender Pay Gap</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: We believe the disclosures requested would be very low cost to for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives.</p> <p>Rationale for being considered a significant vote: We believe it was significant both given our firmwide shareholding (as a percentage of outstanding shares) and our engagement efforts.</p> <p>Outcome of the vote: 20.8% For</p> <p>Lessons learned/ future implications: We have engaged with Cigna multiple times regarding enhancements we believe it should make to its shareholder rights and Gender Pay gap disclosures. We will continue to do so as the</p>

		company appears willing to listen but is also in need of consistent reinforcement that shareholders are interested in demonstrable progress on ESG issues.
Towers Watson Global Equity Focused Fund	<u>0.8%</u>	<p>Company: Citigroup</p> <p>Resolution: Report on Lobbying Payments and Policy</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: We are against any form of political payment</p> <p>Rationale for being considered a significant vote: size of holding</p> <p>Outcome of the vote: 13% for</p> <p>Lessons learned/ future implications: Not really. This has been a part of the manager's voting policy for a number of years</p>
Towers Watson Global Equity Focused Fund	<u>1.9%</u>	<p>Company: Alphabet Inc</p> <p>Resolution: Establish Human Rights Risk Oversight Committee</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: A vote FOR this proposal was warranted because continued controversies call into question the extent to which the existing board structure provides adequate oversight on risks the company's technologies present to human rights, which, in turn, creates risks for the company in terms of retaining high-level employees and retaining a good reputation in the eyes of users and advertisers. Rationale for being considered a significant vote: Corporate Governance</p> <p>Outcome of the vote: Rejected with c84% majority</p> <p>Lessons learned/ future implications n/a</p>

Manager B – an active Chinese equity fund	<u>2.63%</u>	<p>Company: China Telecom</p> <p>Resolution: Authority to Issue Shares w/o Pre-emptive Rights</p> <p>How the manager voted: Against</p> <p>Rationale for voting decision: Concerns about potentially excessive dilution. Company also does not need to issue new shares given a healthy balance sheet</p> <p>Rationale for being considered a significant vote: Against management</p> <p>Lessons learned/ future implications: More stringent activity on future matters in relation to governance, better communication with portfolio companies on areas for improvement</p>
Manager B – an active Chinese equity fund	<u>2.13%</u>	<p>Company: China Merchants Port</p> <p>Resolution: Appointment of Auditor and Authority to Set Fees</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: Large non-audit fees during the year were likely due to the acquisition of 10 port assets from Terminal Link and partial stake sell-down in a Brazilian port.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations.</p>

		<p>Outcome of the vote: For</p> <p>Lessons learned/ future implications: More stringent activity on future matters in relation to governance, better communication with portfolio companies on areas for improvement</p>
<p>Manager B – an active Chinese equity fund</p>	<p>3%</p>	<p>Company: <u>SF Holding</u></p> <p>Resolution: Authority to Give Guarantees for Company's Wholly-Owned Subsidiary to Issue Debt Financing Instruments Overseas</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The strong volume growth and expansion in overseas market needs the capital support. Management's track record in capital allocation management allocation is solid. The size and price discount of this equity placement is reasonable.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>

Industry wide / Public policy engagement

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which Willis Towers Watson are currently the chair. Engagement activities by EOS on public policy over the year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;
- Working closely with the Principles for Responsible Investment ("PRI"), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment ("PRI") and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change ("IIGCC"), Asian Investors Group on Climate Change ("AIGCC"), and Australasian Investors Group on Climate Change ("IGCC");
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;

Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

4. Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.