

Samsung Electronics Manufacturing (UK) Limited Pension and Life Assurance Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2024

Introduction

This Engagement Policy Implementation Statement (the “Statement”) sets out how, and the extent to which, the stewardship policy and policies on environmental, social and governance (“ESG”) factors and climate change, set out in the Statement of Investment Principles (the “SIP”), have been followed during the year to 5 April 2024 (the “Scheme Year”). This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, and the guidance published by the Pensions Regulator.

The Statement is based on, and should be read in conjunction with, the SIP that was in place for the Scheme Year. The latest version of the SIP can be accessed online:

<https://images.samsung.com/is/content/samsung/assets/uk/about-us/company-info/Samsung-Elect-Manu-UK-LimitedPandLAS-SIP-2023-06.pdf>

Trustee’s Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

As outlined in the SIP, the Trustee’s primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

Policy on ESG, Stewardship and Climate Change

The Trustee recognises that ESG factors can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interest that these factors are taken into account within the investment process.

The Scheme’s SIP includes the Trustee’s policies on ESG factors, stewardship and climate change. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially. The policies were last reviewed in June 2023, following a change to the Scheme’s investment strategy to de-risk the portfolio.

The Scheme’s assets are invested in pooled funds and therefore the Trustee accepts that it has very limited ability to influence the ESG policies and practices of the companies in which the investment managers invest. The Trustee therefore relies on the policies and judgement of the investment managers.

The Trustee expects the investment managers to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to investments and engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustee recognises that as a large proportion of the Scheme's assets are invested in passive pooled funds, this limits the investment managers' ability to take active decisions on whether to hold securities based on the investment managers' considerations of ESG factors, including climate change.

Nonetheless, the Trustee can confirm that they have acted in accordance with the SIP in relation to voting and engagement activities over the Scheme Year.

Scheme's Investment Structure

The Scheme's main investment is a Trustee Investment Policy ("TIP") with Mobius Life Limited ("Mobius"). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustee has no direct relationship with the Scheme's underlying investment managers. However, the Trustee has the responsibility of monitoring the pooled funds, in conjunction with advice received from its investment advisor, Mercer.

Trustee's Engagement

Over the Scheme Year, the Trustee has not directly engaged with the pooled fund investment managers on matters pertaining to ESG, stewardship or climate change. The engagement initiatives are driven by the investment managers, mainly through regular engagement meetings with the companies in which they invest.

However, the Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing a new investment manager, implementing investment strategy decisions, and monitoring the existing investment managers:

- The Trustee receives performance reports from Mercer, and these include Mercer's ratings (both the general and ESG specific ratings) for the funds in which the Scheme is invested.
- The Trustee reviews the ESG ratings of funds when undertaking an investment strategy review.
- Mercer will notify the Trustee of changes in ESG ratings of the funds in which the Scheme invests.

This enables the Trustee to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds.

Taking all the above into consideration, the Trustee is satisfied that responsible investment is embedded appropriately in the investment managers' approach to investing and are satisfied that Mercer's ESG scores for the Scheme's current holdings are satisfactory.

Voting Activity

The Scheme invests in pooled funds, hence, the Trustee therefore has no direct voting rights in relation to the Scheme's investments and has not been asked to vote on any specific matters over the Scheme Year. The Trustee has effectively delegated its voting rights to the Scheme's investment managers. As a result, the Trustee does not use the direct services of a proxy voter as this is not relevant, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the pooled funds in which the Trustee invests. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will consider industry activity in this area before the production of next year's statement.

Nevertheless, an ESG report aligned to this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) and it is available online, as is this Statement.

The summary includes information on what the investment managers consider to be a significant vote. The Trustee has no influence on the investment managers' definitions of significant votes but is satisfied that they are generally reasonable and appropriate. The Trustee is happy to align with the investment managers' views on significant votes but will keep this under review.