

# QinetiQ Pension Scheme - Implementation Statement for the year ending 30 June 2023

**Welcome to the Trustee's Statement of how they implemented the policies and practices in the Scheme's Statement of Investment Principles (SIP) during the year ending 30 June 2023.**

## Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) Regulations 2019 (as amended). This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 July 2022 to 30 June 2023 and other policies and practices within the Statement of Investment Principles.

## Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on a periodic basis in line with the Scheme's SIP review which was last completed in November 2021. This report covers the SIP that was signed on 15 November 2021. The SIP was reviewed and implemented in October 2023, post year-end, which next year's implementation statement will assess.

There were no changes made to the Stewardship policy during the period.

You can review the Scheme's latest Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, last updated in October 2023, at <https://www.qinetiq.com/-/media/f43df36bedac4d5d8564841b4e705986.ashx>

Due to the nature of the Trustee's investments, the Trustee does not hold any mandates which carry voting rights. Therefore, voting data for the period reviewed has not been provided.

The Trustee's own engagement activity is focused on their dialogue with the investment managers which is undertaken in conjunction with the investment adviser. The Trustee meets regularly with its managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by the investment adviser.

The Trustee also monitors their compliance with its Stewardship Policy on a regular basis and is satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

The following sections set out how the Trustee has complied with the Scheme's Stewardship Policy over the year to 30 June 2023, meeting with the Scheme's investment managers, and monitoring their key engagement activities during the period, details of which can be found in Tables 1 and 2. The Trustee does not believe any information is missing.

## Engagement activity

The Trustee holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail, in particular engagement of the investment managers with key stakeholders relating to

their respective investments. Over the last 12 months, the Trustee held six engagement meetings and the issues discussed over the course of the year are described in Table 1.

**Table 1: The Trustee’s engagement activity with their investment managers over the year to 30 June 2023**

Date	Fund manager	Subject discussed	Outcome
8 September 2022	DRC	<ul style="list-style-type: none"> <li>• Manager investment strategy and team structure</li> <li>• Market conditions and impact on capital deployment</li> <li>• ESG reporting and challenges</li> <li>• Evolution of reporting to meet TCFD requirements</li> <li>• Update on portfolio and pipeline investments</li> <li>• Forward looking expectations</li> </ul>	<p>The Trustee was satisfied with the presentation provided by DRC. The Trustee requested further information on how the manager identifies, assesses and quantifies different ESG risks and what steps they are taking to improve ESG reporting. From an ESG reporting perspective, the Trustee requested further information on what DRC can provide from an emissions data perspective to help the Scheme fulfil its TCFD requirements.</p> <p>The Trustee requested that Hymans Robertson monitor DRC’s progress on their pipeline investments and provide frequent updates on DRC’s capital call forecast.</p>
14 September 2022	M&G	<ul style="list-style-type: none"> <li>• Fund’s ESG journey, ESG and climate-related risks</li> <li>• Cyber risks and security</li> <li>• Composition of real estate finance leadership team</li> <li>• Update on watchlist investments</li> <li>• Capital calls and distributions forecasts</li> </ul>	<p>The Trustee was satisfied with the presentation provided by M&amp;G. All intended objectives of the session were discussed. This included increasing the Trustee understanding on carbon emissions within CRE Debt, collaboration initiatives with different industry groups and engagement framework</p> <p>The Trustee asked M&amp;G to notify the Trustee on any changes to their projected drawdowns.</p>
8 March 2023	Partners Group	<ul style="list-style-type: none"> <li>• Market overview and portfolio update</li> <li>• Cashflow forecast</li> <li>• Watchlist positions</li> <li>• Sustainability linked loans</li> <li>• Climate risk reporting</li> <li>• Board diversity</li> <li>• Sustainable Finance Disclosure Regulation (SFDR) indicators</li> </ul>	<p>The Trustee was satisfied with the presentation provided by Partners Group</p> <p>The manager presented their sustainability-linked loan offering within newer vintages. The Trustee asked the manager to provide climate-related information for the Scheme’s Task Force on Climate Related Financial Disclosures (TCFD) requirements on an annual basis, based on calendar year information, going forward.</p>

Date	Fund manager	Subject discussed	Outcome
14 March 2023	DRC	<ul style="list-style-type: none"> <li>• Update on the existing investments within the portfolio</li> <li>• Pipeline projects and cashflow forecast</li> <li>• Emission data availability</li> <li>• Building certification</li> <li>• Energy efficiency</li> </ul>	<p>The Trustee was satisfied with the presentation provided by DRC. All intended objectives of the session were discussed.</p> <p>The Trustee asked the manager to provide frequent updates on their pipeline investments so that they can plan for future capital call notices. The Trustee also requested DRC outline current best practice and latest guidance from an emissions reporting perspective..</p>
16 May 2023	Insight	<ul style="list-style-type: none"> <li>• Refresher on the current portfolio of assets</li> <li>• Training on structured equity</li> <li>• Synthetic equity, synthetic credit market and LDI portfolio update</li> <li>• Emissions reporting for equity derivatives</li> <li>• Latest guidance issued by industry bodies</li> </ul>	<p>The Trustee was satisfied with the presentation provided by Insight. All intended objectives of the session were discussed.</p> <p>The Trustee asked Insight to provide the average credit rating exposure of the two synthetic credit indices used (CDX and ITraxx). In addition, the Trustee requested further information on the latest guidance with respect to emissions reporting for derivatives.</p> <p>The Trustee also instructed Hymans Robertson to perform a review of the structured equity solution that is currently implemented, assess the suitability of the existing solution and the attractiveness of restructuring the solution prior to maturity.</p>
25 May 2023	M&G	<ul style="list-style-type: none"> <li>• Overview of current portfolio</li> <li>• Update on watchlist positions</li> <li>• Partnership for Carbon Accounting Financials (PCAF) database output</li> <li>• Dwelling versus floor methodology</li> <li>• Energy Performance Certificates (EPCs) and building certification</li> </ul>	<p>The manager presented the composition of the portfolio, the challenges it faces and how well they are positioned to navigate these challenges.</p> <p>The Trustee was satisfied with the presentation provided by M&amp;G. All intended objectives of the session were discussed. M&amp;G outlined the difficulty in obtaining data from an emissions perspective and their focus on monitoring EPCs and green building certifications.</p>

### Summary of manager engagement activity

Table 2 summarises the key engagement activity for the 12-month period ending 30 June 2023 unless stated otherwise. Where fund specific data is not available, data on a firmwide level has been used.

**Table 2: Summary of management activity**

Manager: Fund	Number of engagements	Topic engaged on
Goldman Sachs Private Equity	The Private Markets team has met with over 500 managers annually. From 1 January 2023 - 30 June 2023, the team has met with 370 managers.	Due diligence on new funds, received performance and portfolio updates from existing fund commitments.
Adam Street Private Equity	The manager had in excess of 900 interactions with General Partners included in the QinetiQ portfolio for the 12-month period to 30 June 2023	Topics include portfolio updates, organisation updates, ESG, industry trends, recent exits, outlook for the underlying companies, Covid-19 considerations and various macro events
Aegon Property	There were 10 engagements with the underlying funds in which the Scheme invests in.	Property sales, redemptions, LTV cover and cost and ESG
Partners Group: Multi Asset Credit 2017	Partners Group do not have any voting rights within the MAC 2017 vintage. Given the private markets nature of MAC 2017 and the long-term investment horizons of the individual investments, Partners Group provide engagement reports twice a year.  The manager does not currently track every engagement within the portfolio but has provided us with 7 examples over the period.	Exit announcements, repayment and refinancing, restructuring progress, trading updates and the performance of the businesses.
HPS: Specialty Loan Fund 2016 & Speciality Loan Fund V	Engagements per fund:  SLF 16: 20+  SLF V: 50+	ESG data collection, portfolio company approach to ESG and ESG reporting, HPS's internal ESG rating methodology and portfolio company risk management
M&G: Real Estate Debt Finance VI	The manager has informed us of 4 ESG-specific engagements over the period.	Green building certification and improving the monitoring of environmental data of properties, environmental performance, ESG data disclosure

Manager: Fund	Number of engagements	Topic engaged on
DRC: UK Whole Loan Fund II	The manager advised they took part in 15-20 engagements over the period.	Strategy/purpose, financial performance, capital allocation, ESG factors
Insight segregated portfolio (LDI, synthetic equity and synthetic credit)	There are no voting rights within the segregated mandate, Within the portfolio, Insight carried out 30 interactions with 16 counterparties. Insight engaged with 75% of the counterparties on ESG dialogue.	RPI reform, climate change, water supply, diversity & inclusion, ESG-linked remuneration, environmental issues, social issues, governance, financial and reporting issues.
Insight Asset Backed Securities (Liquid ABS fund, High Grade ABS fund, and Global ABS fund)	The manager advised they took part in 75-100 total engagements over the period across their ABS platform. Of these, around 30 were meaningful engagements.	Provision of data, reporting of market level ESG data, ESG considerations in their loan origination, environmental, governance and social issues, climate change, water management, diversity and inclusion

Source: Investment Managers

### Review of policies

The Trustee has committed to reviewing the managers' RI policies on a periodic basis. The latest review in the reporting period was undertaken by the Trustee in August 2022. The review considered managers' broader approach to responsible investment issues, a summary of the managers' adherence to relevant Codes and Initiatives, and key climate related risks and opportunities facing each manager.