

Metaswitch Networks Plan 88

DC Implementation Statement – 6 April 2020 to 5 April 2021

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1. Introduction

This document is the Annual Implementation Statement (the “**Statement**”) for Metaswitch Networks Plan 88 (the “**Plan**”) which has been prepared by the Trustees of the Plan covering the year 6 April 2020 to 5 April 2021 (the “**Plan Year**”). The purpose of this Statement is to:

- detail any reviews of the Statement of Investment Principles (“**SIP**”) the Trustees have undertaken, and any changes made to the SIP over the Plan Year as a result of the review;
- set out the extent to which, in the opinion of the Trustees, the Plan’s SIP required under section 35 of the Pensions Act 1995 has been followed during the Plan Year; and
- describe the voting behaviour by, or on behalf of, the Trustees over the Plan Year.

A copy of this Statement has been published on a publicly accessible website and can be found at: <https://www.metaswitch.com/legal>.

2. Review and changes to the SIP

The SIP sets out the principles governing decisions about investments of the Plan.

The SIP was not reviewed during the Plan Year. The Trustees anticipate carrying out a review of its investment strategy and SIP during 2022, with special consideration of the Trustees’ approach to responsible investing (including climate change).

3. Adherence to the SIP

The Trustees are of the opinion that the Plan’s SIP has been followed during the Plan Year.

Investment strategy

The overall investment policy is to maximise the long-term investment performance of the Plan’s assets. The SIP sets out the types of investments that the Fund Managers (JP Morgan Cazenove Limited (“**Cazenove**”) and JM Finn & Co Ltd (“**JM Finn**”)) may invest the assets in; the proportion of assets in different classes of investments is determined by the Fund Managers in consultation with the Trustees.

Compliance and Monitoring

The Trustees monitor compliance with the SIP through quarterly reports provided by the Fund Managers and regular meetings with them to ensure the strategy and objectives of the SIP are complied with. During the Plan Year, the Plan yielded very strong returns (17.89% p.a.). The Trustees are satisfied that the performance of the investment funds during the Plan Year remains consistent with its aims and objectives as set out in the SIP.

The Trustees also consider the long-term performance of the funds and the Fund Managers as part of a wider investment strategy review at least on a triennial basis. The next investment strategy review is due to take place in 2022. The Trustees have discretion to replace a Fund Manager, if the Trustees’ aims and objectives as set out in the SIP are not met over the long-term.

Professional advice

The Trustees are aware of the requirement to take professional advice when setting and reviewing the investment strategy. The Trustees anticipate carrying out a review of its

investment strategy and SIP during 2022, and is in the process of appointing a professional adviser to review the Plan's investment strategy.

4. Voting policies and engagement

The Trustees do not have a policy relating to rights (including voting rights) attaching to the investments where social, environmental or governance ("ESG") considerations are taken into account in the selection, retention and realisation of investments. The Fund Managers apply their own policies in this regard and the Trustees review the Fund Manager's approach to sustainable investing, including voting policies and engagement, on an annual basis.

In this section of the Statement, the Trustees have provided information on the voting and engagement activities of the Plan's Fund Managers over the Plan Year.

JM Finn

The portfolio managed by JM Finn is essentially actively managed, with a small allocation to passive funds (8.81% in the Plan Year). JM Finn's current policy is to default to neither voting on corporate issues nor directly engaging with a firm's management unless it is a specific issue where such a potential vote may positively or negatively impact their clients. The Trustees are aware that JM Finn are in discussions with a third party exploring their services in terms of both voting and engaging with companies.

During the Plan Year, JM Finn voted on one resolution using a proxy vote. This related to Capital & Gearing Investment Trust, where JM Finn voted for an increase in the issue of new shares.

Cazenove

The Plan invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with investment managers, where the Plan's investments are pooled with other investors. Due to this structure (which is typical within a DC context), there is limited scope and ability for the Trustees to engage with and influence the managers' voting approach, and direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those underlying investment managers.

Cazenove reviews the underlying funds on a regular basis, at least once a year. These reviews include benchmarking of performance and fees, as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. Operational due diligence reviews, along with many areas, include review of the governance structure, portfolio turnover, conflicts of interest, ESG and stewardship policies (including engagement and voting policies). Along with a regular review cycle, Cazenove will review managers on an ad hoc basis if issues become apparent.

A high proportion of the Default Fund is invested in equities, held across a variety of funds and investment managers, and roughly 40% of the total assets are invested in three funds held with Vanguard Asset Management. A summary of the voting and engagement activities of the investment manager within these three funds is provided in the table below.

Further information concerning Vanguard's engagement and stewardship activities is provided in the **Appendix**, including details of the manager's key voting activities.

Fund name	Voting activity
Vanguard FTSE UK All Share Index	Total meetings eligible to vote: 556 Total resolutions eligible to vote: 5,352 % of resolutions voted on for which eligible: 99% % voted with management: 98% % voted against management: 1% % abstained: 0% % of resolutions on which voted, vote contrary to the recommendation of proxy adviser: 0%
Vanguard S&P 500 UCITS ETF	Total meetings eligible to vote: 520 Total resolutions eligible to vote: 6,698 % of resolutions voted on for which eligible: 99% % voted with management: 97% % voted against management: 2% % abstained: 0% % of resolutions on which voted, vote contrary to the recommendation of proxy adviser: 0%
Vanguard FTSE All-World UCITS ETF	Total meetings eligible to vote: 5,148 Total resolutions eligible to vote: 53,896 % of resolutions voted on for which eligible: 99% % voted with management: 94% % voted against management: 5% % abstained: 1% % of resolutions on which voted, vote contrary to the recommendation of proxy adviser: 0%

Appendix: Vanguard Asset Management

This Appendix provides additional detail on the engagement and stewardship activities of Vanguard Asset Management over the Plan Year. This information has been obtained directly from the manager.

Engagement and stewardship activities

Vanguard Investment Stewardship utilises the Institutional Shareholder Services (“ISS”) ProxyExchange platform for the execution of votes. They have developed a robust custom policy that ISS have implemented on their behalf along with rigorous controls and oversight mechanisms to ensure the accurate application of the Vanguard policy.

Vanguard do not consult with individual clients / investors before voting. They understand that people have a wide variety of deeply felt humanitarian, ethical, environmental, and social concerns, and that some may want to see their beliefs reflected in their investments. As a fiduciary and the steward of lifetime savings for more than 30 million investors worldwide, Vanguard is required to manage their funds in the best interests of shareholders and obligated to maximise returns in order to help shareholders meet their financial goals.

Vanguard Investment Stewardship team makes every effort to cast proxy votes at all meetings at which their funds are eligible to vote. Each fund advised by Vanguard has adopted a voting policy, which details the general positions of the funds on recurring proxy proposals at public companies. In some cases, country-specific guidelines for key markets are applied. An experienced team of analysts evaluates each proposal on a case-by-case basis and casts the funds’ votes in accordance with Vanguard’s voting guidelines, and based on their analysis of the impact of the proposal on long-term value.

Vanguard publishes a substantial amount of information on its engagement and stewardship activities.

Examples of Significant Voting Activity

This table below provides examples of key voting activity carried out by Vanguard over the Plan Year.

Holding name	Resolution	Voting activity	Outcome
BAE Systems Plc	Approve remuneration report.	For: Determined to be reasonable.	Pass
BHP Group Ltd	Approve the climate transition action plan.	For: Addresses material risk(s), action or change is warranted, and terms determined to be in the best long-term interest of shareholders.	Pass
BHP Group Ltd	Approve climate-related lobbying.	For: Addresses material risk(s) and an oversight or disclosure gap, is not overly prescriptive, and is determined to be in the best long-term interest of shareholders.	N/A
BP Plc	Approve shareholder resolution on climate change targets.	Against: Addresses material risk, but company has already taken sufficient actions and/or has related actions pending to address proponent request.	Fail

Glencore plc	Approve company's climate action transition plan.	For: Addresses material risk(s), action or change is warranted, and terms determined to be in the best long-term interest of shareholders.	Pass
Rio Tinto plc	Approve remuneration report for UK law purposes.	Against: Concerns with one or more of the following: pay and performance alignment, magnitude (quantum) of pay, disclosure, and/or pay structure.	Fail
Rio Tinto plc	Approve remuneration report for Australian law purposes.	Against: Concerns with one or more of the following: pay and performance alignment, magnitude (quantum) of pay, disclosure, and/or pay structure.	Fail
Royal Dutch Shell plc	Approve the Shell Energy transition strategy.	For: Addresses material risk(s), action or change is warranted, and terms determined to be in the best long-term interest of shareholders.	Pass
Royal Dutch Shell plc	Request Shell to set and publish targets for greenhouse gas (GHG) emissions.	Against: Addresses material risk, but company has already taken sufficient actions and/or has related actions pending to address proponent request.	Fail
Unilever plc	Approve climate transition action plan.	For: Addresses material risk(s), action or change is warranted, and terms determined to be in the best long-term interest of shareholders.	Pass