

AECOM GROUP PENSION SCHEME

IMPLEMENTATION STATEMENT - AGREED BY THE TRUSTEE ON 17 MARCH 2022

1. Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the AECOM Group Pension Scheme (the 'Scheme') in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended twice during the year ending 30 September 2021, first in March, where changes were made to some of the Scheme's Sections' return targets following a change in strategy. This SIP was amended again on 30 September 2021 to reflect the merger of some of the Scheme's underlying sections at that date.

A copy of the current SIP signed and dated 30 September 2021 can be found here: <https://aecom.com/aecom-group-pension-scheme/>

This Implementation Statement covers the Scheme year from 1 October 2020 to 30 September 2021 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A copy of this Implementation Statement is available on the following website: <https://aecom.com/aecom-group-pension-scheme/>

AECOM GROUP PENSION SCHEME

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Trustee made no changes to the voting and engagement policies contained in the SIP during the year other than those noted above but keep this under review in future years.

The Trustee has appointed Schroders IS Limited ("Schroders Solutions"), formerly known as River and Mercantile Investments Limited ("R&M") (prior to the completion of the acquisition of the R&M Solutions business by Schroders on 1 February 2022) as its Investment Manager and Adviser using its Fiduciary Management service (and is referred to as the "Fiduciary Manager" in the Implementation Statement). The Fiduciary Manager can appoint other investment managers in respect of underlying investments (referred to as "Underlying Investment Managers").

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Scheme's investments are pooled with other investors. Therefore, direct control of the process of engaging with the companies that issue the underlying securities is delegated to those Underlying Investment Managers.

A copy of the SIP has been provided to the Fiduciary Manager and the Fiduciary Manager is expected to adopt that approach to corporate governance and to other financially material considerations when providing Fiduciary Management services and/or in selecting Underlying Investment Managers.

The Trustee requires that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change when choosing new or monitoring existing Underlying Investment Managers. The Trustee believes it is appropriate to delegate such decisions to achieve an integrated and joined up approach to ESG factors, voting and engagement. The Trustee has therefore not sought to influence voting behaviours and does not intend to change its position at this time.

Over the Scheme Year, the Fiduciary Manager provided the Trustee with monitoring of the ESG characteristics including TCFD ("Taskforce for climate-related financial disclosures") carbon metrics of the portfolio on a quarterly basis. The Trustee is satisfied with the Fiduciary Manager's activity in this area.

On behalf of the Trustee, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustee and in particular the Trustee's Investment Committee with the help of the Fiduciary Manager, monitors the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly Trustee held during the Scheme Year.

In addition, the Trustee conducted an ESG beliefs survey during the Scheme Year and received extensive ESG training on topics such as Climate Risk, green gilts and the approach to ESG by the Fiduciary Manager.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

AECOM GROUP PENSION SCHEME

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

- 1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustee in line with a voting policy that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund.

- 2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security manager in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, BNYM, uses a proxy voting company called Institutional Shareholder Services ("ISS") to exercise these rights on its behalf and monitors ISS's activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, cashflow matching credit and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment manager showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The general themes of the voting and engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified.
- Within the BNYM Global Equity Fund, which makes up the majority of the Scheme's investments in return-seeking assets (across all sections), the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with an insurance company. The discussion focused largely on executive compensation and environmental efforts. This engagement with the company allowed BNYM to explain their rationale for voting against its compensation proposal and outlined their expectations for improvements going forward. In addition, the meeting also provided BNYM with a better understanding of the company's environmental goals.
- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company's ability to deliver these solutions and products globally as a positive for society that would also boost the company's credit profile.

AECOM GROUP PENSION SCHEME

- For the Cashflow Matching Credit mandate (for those sections that had an allocation), an example of the Scheme's manager's (Insight) engagement with a car manufacturer was noted. Insight has been in close contact with the company and has been monitoring the numerous steps the company has taken to improve product quality, governance and corporate structure, in particular the ESG topics. Insight engaged with the company during its ESG roadshow. The meeting was extremely thorough with the discussion covering a broad array of ESG topics. This engagement confirmed that the company is making genuine efforts towards improving their ESG profile.
- Another example of Insight's engagement with a Norwegian Oil and Gas operator (DNO) was noted. Insight questioned gas flaring with DNO several years ago. DNO has now become the first company in Kurdistan to reinject gas into reservoirs and continues to invest in gas reinjection despite initial Kurdish Government objections due to cost. Insight's active engagement meant that DNO has set an ambitious target to cap its Scope 1 and Scope 2 carbon intensity at one half of the Oil and Gas Climate Initiative (OGCI)'s figure on a five-year moving average basis through 2030.
- In relation to the liability hedging (all sections have an allocation to liability hedging assets) and structured equity mandates (for those sections that have an allocation), the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored. River and Mercantile Derivatives ('RMD') who managed the Scheme's liability hedging and structured equity mandates over the year participated in the UK Government's first "Green Gilt" syndication, and green gilts are now included in the underlying holdings behind these mandates (for each section other than the Davis Langdon section).
- River and Mercantile Investment Limited which was the legal entity of the Fiduciary Manager applicable over the Scheme Year, is a signatory to the UK Stewardship code 2020.

The Trustee is satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers are in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.

Appendix 1 – Voting statistics

1. Voting by the Fiduciary Manager (Schroders Solutions, formally known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustee and we cover these here.

Over the year to 30 September 2021, The Fiduciary Manager voted on 174 resolutions across 48 meetings. The Fiduciary Manager voted against management on 10 resolutions which was 6% of total resolutions and abstained on 5 resolutions (3% of the total resolutions).

The Fiduciary Manager Investment Research team engaged with underlying investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager voted against the reappointing of the fund board due to independence concerns and details how the Fiduciary Manager progressed the engagement over time to reach a point where they are able to support the Company's board.

The engagement related to an umbrella company domiciled in Luxembourg, run by a large global investment manager. The Fiduciary Manager first raised concern on the lack of independent fund board members in the Operational Due Diligence onsite visit in October 2018. In April 2019 and 2020, the Fiduciary Manager voted against a resolution reappointing 100% non-independent directors. In 2020 a new non-executive director was nominated for appointment, however the Fiduciary Manager again felt unable to support the resolution as they had been engaging on the basis of a minimum of 2 independent directors but the non-executive was not fully independent as they are a partner at the legal advisor to the fund. The 2021 Annual General Meeting notice included a resolution to appoint an independent director with significant regulatory experience. The Fiduciary Manager felt it appropriate to conclude that the fund had reached the minimum threshold of two independent directors given i) this new appointment, and ii) the fact that one of the current non-executive directors is now considered independent as there had been 5 years since they were an employee of the company, and was therefore able to support the board resolutions.

AECOM GROUP PENSION SCHEME

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c.30 Underlying Managers used by the Fiduciary Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	1,007	4,985
Total resolutions eligible to vote	13,438	53,584
% of resolutions did you vote on for which you were eligible?	88%	99%
% did vote with management?	89%	94%
% vote against management?	7%	5%
% abstained	0%	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%

Note:

- BNYM uses Institutional Shareholder Services, "ISS", for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

AECOM GROUP PENSION SCHEME

Most significant votes carried out by the Underlying Managers

BNYM Global Equity Fund

VUZIX CORPORATION

As of September 2020, women hold 22.6% of the board seats of the companies held in the Russell 3000. However, there are no female directors currently serving on Vuzix's board. BNYM believe the Nominating and Governance Committee Chair is responsible for ensuring board diversity. As such, BNYM withheld our vote for the director due to the board's lack of gender diversity.

WALMART, INC.

BNYM voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNYM's view Walmart does not lag its peers in the retail industry, but it lags its peers in the grocery sector. BNYM hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNYM believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, BNYM voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNYM will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

SCANDINAVIAN TOBACCO GROUP A/S

In April 2021, BNYM voted against a proposal approving a remuneration report. The report although is broadly in line with Danish best practice in terms of disclosure and content, however, given the CEO receives significant payments from the abolishment of an early-retirement scheme related to a prior contract, BNYM considered the remuneration inappropriate and voted against it.

CASSIOPEA SPA

In April 2021, BNYM voted against a proposal to fix the number of directors and approval of remuneration of directors. BNYM believe it is beneficial for directors to be elected each year. BNYM maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

ORACLE CORPORATION

BNYM withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNYM believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's stock.

ORCHID ISLAND CAPITAL INC.

BNYM voted against a director because the nominee was the CFO and Secretary but held less than 1% voting power. BNYM's policy does not support any company employee occupying a board seat unless that employee is the CEO or holds at least 1% voting power. The role of the board of directors is to ensure that the company is managed in accordance with the best interests of shareholders. The interests of a non-CEO employee who does not have a significant ownership stake may not always fully align with shareholder interests. Thus, BNYM believe in the separation of non-CEO employees without a significant ownership stake from company boards.

AECOM GROUP PENSION SCHEME

Vanguard FTSE All-World EFT Fund

ORACLE CORPORATION

Vanguard voted for both resolutions of reporting on gender pay gap and requirement of Independent Board Chair in November 2020. The resolution to report on gender pay gap was found to be a reasonable ask, and Vanguard had ongoing concerns about the issue and had engaged with the manager to check on the progress made. In addition, Vanguard had ongoing concerns with effectiveness of the board and independence of the board.

NIKE INC

At the annual meeting for NIKE Inc., a U.S.-based footwear and apparel company, the Vanguard supported a shareholder proposal seeking additional reporting related to the company's workforce diversity, equity, and inclusion (DEI) efforts. Vanguard's Investment Stewardship team regularly assesses portfolio company boards' understanding of Nike's strategy and the board's own role in identifying, mitigating, and disclosing risks, including DEI-related risks. Clear, decision-useful disclosure of material risks can encourage sound governance practices and help investors and companies make better decisions.

NEXTDC LTD

Vanguard voted against a resolution of publishing a remuneration report which it believes misaligned with the proxy voting policy. It raises concerns with pay-for-performance alignment and strategy. The resolution was ultimately passed. The vote is considered significant as Vanguard voted against the management.

NEWS CORPORATION

Vanguard voted for a resolution which adopts a simple majority vote for the shareholders. Vanguard believes the resolution was in line with the proxy voting policy which supports proposals that empower shareholders. Unfortunately, the resolution ultimately failed and a simple majority vote for the future resolutions was not adopted.

AECOM GROUP PENSION SCHEME

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Fiduciary Manager and Underlying Investment Managers can be found here (where they are available, not all underlying Investment Managers have a publicly available policy):

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders IS Limited (formerly River and Mercantile Investments Limited)	https://riverandmercantile.com/esg/voting-and-engagement/
Bank of New York Mellon	https://www.mellon.com/article/-/asset_publisher/pUiiMUpvQ4om/content/mellon-proxy-guideline-principles/264414
Vanguard	Disclosure of rationale of voting can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary
Neuberger	https://www.nb.com/en/global/esg/engagement

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