Implementation Statement, covering 1 January 2023 to 31 December 2023

In accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee Board (the "Trustee") of the Veolia Energy Pension Scheme (the "Scheme") is required to produce an annual statement to set out:

- How, and the extent to which, the Trustee has followed the Scheme's Statement of Investment Principles ("SIPs") during the year (for this statement the period of 1 January 2023 to 31 December 2023 (the "Scheme Year");

- Details of any review of the SIPs during the Scheme Year;

- Subsequent changes made with the reasons for the changes; and

- The dates of the last review of the SIP.

Information is provided on the last reviews of the SIP in Section 1 below and on the implementation of the SIPs in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 8 below.

This Implementation Statement flows directly from and should be read in conjunction with the SIP for the Scheme (in place at the Scheme Year end and dated 10 January 2024) which is available online here.

Over the 12 month period covered by this Statement, it is the Trustee's belief that it has adhered to the policies contained within the SIP.

Statement section	Relevant sections of SIP
1. Introduction – Last review of SIPs	1. Introduction
2. Investment objectives	2. Investment objectives
3. Investment strategy	3. Policy on choosing investments
4. Considerations in setting the arrangements	3. Policy on choosing investments 4. Risk 6. Environmental, Social and governance, and Responsible Investment Policy
5. Financially material considerations	6. Environmental, Social and governance, and Responsible Investment Policy 7. Stewardship
6. Realisation of investment	5. Realisation of investment
7. Implementation of the investment arrangements	8. Arrangements with investment managers
8. Voting and engagement	6. Environmental, Social and governance, and Responsible Investment Policy 7. Stewardship
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1. Introduction – Last review of the SIP

The SIP was reviewed by the Trustee and the Trustee's investment advisors in the fourth quarter of the Scheme Year, to reflect changes to the Plan's investment strategy (described in 3. Investment strategy).

As part of this SIP update, the Scheme's sponsoring employer was consulted and confirmed that it was comfortable with the changes. The SIP is reviewed at least annually and following any significant change in investment policy.

The Trustee is satisfied that, in its opinion, the policies in the Scheme's SIPs have been followed during the Scheme Year. The following sections provide detail and commentary about how and the extent to which, in the Trustee's opinion, the SIP has been followed during the Scheme Year.

2. Investment Objectives

The Trustee's main objectives with regard to investment policy are as follows:

i. The overall objective is to ensure that there are sufficient assets to pay members' benefits as they fall due. The investment strategy is designed to provide a return which, when combined with the anticipated contributions to the Scheme, has a reasonable probability of achieving this objective.

ii. Over the long term, the Trustee's objective is for the Scheme to be fully funded on a basis which would allow the Scheme to be invested with little investment risk. To achieve this, the Trustee is prepared to take some risk in pursuit of excess investment returns above the liabilities in the medium term.

iii. Over the medium term, the objective is to meet the level of return specified in the Scheme's Deficit Recovery Plan whilst reducing the risk of requiring additional contributions arising from the funding requirement.

The Scheme began the Scheme Year with a deficit against its Technical Provisions. Following the results of the 2022 actuarial valuation, the Scheme's ended the Scheme Year with a £13m deficit against its Technical Provisions. The Trustee agreed the 2022 actuarial funding valuation in December 2023.

3. Investment strategy

The Trustee, with the help of its Fiduciary Manager, Schroders, and in consultation with the sponsoring employer, keeps the strategy for the Scheme under regular review, at least every three years following a triennial actuarial valuation and as needed from time to time to ensure that it remains consistent with the Trustee's objectives as laid out in the SIP. In addition, the Trustee has in place a trigger mechanism for the Scheme which reduces the investment risk of its investment strategy once pre-defined funding levels ("triggers") are reached. This helps to ensure that the Scheme's strategy remains aligned to the Trustee's objectives as the funding level improves.

Over the course of the Scheme Year, the following changes to investment strategy and/or trigger mechanisms were undertaken.

The Scheme invests in a portfolio of Growth Assets. Over the course of the Schem Year, Trustee reviewed the composition of the Growth Assets and the level of hedging of the liabilities. The Scheme did not meet any funding level triggers during the year.

In June, the benchmark allocation for the growth assets was reviewed to ensure that it remains consistent with the return target the Trustee has set for the Scheme and is appropriately diversified, when taking into account the latest long-term asset class return and volatility forecasts. The Trustee agreed to leave the allocation unchanged as follows:

Asset Class		Permitted range
	VEPS (revised) Cash + 2.8%	
Equities	27.0%	+/- 10%
Government Bonds	20.0%	+/- 10%
Credit	30.0%	+/- 10%
Alternatives	18.0%	+/- 5%
Cash	5.0%	+ 15% / Min 0%

In October, the Trustee reviewed the long-term investment strategy for the Scheme to reflect the completion of the 2022 triennial actuarial valuation and guidance from the Pensions Regulator (the "Regulator") regarding collateral requirements for liability driven investments ("LDI"). LDI are held in the Scheme's Matching Portfolios.

The Trustee agreed to increase the return target for the Scheme to take into account the results of the 2022 actuarial valuation. This increase was implemented in December, by allocating to two new assets alongside the Growth Assets: an illiquid asset that aims mitigate the impact of climate change and to an equity derivative overlay that provides exposure to one of the Scheme's core equity funds, which includes sustainability as part of its stock selection process. During the Scheme year, the Regulator issued guidance on the amount of collateral that pension funds are expected to have available to support LDI. This was in response to the market volatility spike in gilt yields in late 2022. The Trustee concluded that the Scheme's investment strategy satisfied the collateral requirements set out in the Regulator's guidance.

The Trustee agreed to review the Scheme's Matching Portfolio to reflect the results from the 2022 actuarial valuation and to set additional funding level triggers to target a long-term funding objective that is better funded than the Scheme's Technical Provisions in 2024.

In order to ensure that the asset allocation for the Scheme remains in line with the target strategic allocation, where appropriate, the Trustee has a rebalancing arrangement in place with Schroders. Each Business Day, Schroders will seek to review the balance of the Assets between the Growth Portfolio and the Matching Portfolio. If it determines that the allocation between the Growth Portfolio and the Matching Portfolio is not in line with the Target Allocation, Schroders may choose at its discretion to either rebalance towards the Target Allocation or take no action. However, if the allocation is more than 5% away from the Target Allocation it must seek to rebalance as soon as reasonably practicable. Schroders complied with this arrangement over the Scheme Year with rebalancing events reported and reviewed by the Trustee through the Quarterly Investment Reports.

4. Considerations in setting the investment arrangements

As reflected in Section 6 of the SIP, the Trustee believes that Environmental, Social and Governance (ESG) related risks, including climate change risks, are an important and financially material component of investment risk and that they should therefore be considered when selecting investment managers as they may be a source of better risk-adjusted returns. The Trustee also believes that markets do not necessarily fully incorporate ESG or climate risk factors appropriately when determining the price of assets. However, ESG factors are only a subset of the wider considerations the Trustee will bear in mind when making investment decisions.

The Trustee believes that ongoing monitoring (which may lead to action in certain cases) is key to ensuring investment managers take account of ESG concerns. The Trustee will work with its Fiduciary Manager and its investment advisors in order to monitor its investment managers.

- **Environmental (including climate change) factors** include biodiversity, climate change, energy efficiency, pollution, waste management and water scarcity, and other issues which affect the long-term sustainability of returns. These may take the form of rising physical losses from extreme weather in the short term, the medium-term impacts from the implementation of climate change policy, and the longer-term impacts if global temperature rises are not limited. The Trustee believes that environmental factors are a key investment consideration because they affect the ability of investors to generate future investment returns. For example, environmental degradation may generate returns in the short term but represents a longer-term risk.

- **Social factors** include community relations, diversity and inclusion, human rights, labour standards, product safety, and other issues which are likely to affect the wellbeing of stakeholders, and by extension public perception of a company. Organisations today must recognise that they operate under a social licence, and that relationships with stakeholders should reflect these obligations. The Trustee believes that social factors are a key investment consideration because companies who engage in poor social practices risk significant reputational damage which can harm returns.

- **Governance factors** include involvement in bribery and corruption, business ethics, compliance, executive remuneration, lobbying, succession planning, and other issues affecting a company's management. The Trustee believes that governance factors are a key investment consideration because companies with poor corporate governance are likely to represent a risk to performance. Poor corporate governance may lead to action taken by regulatory bodies, reputational damage and reduced profitability.

The Trustee reviewed regular reporting throughout the Scheme Year, which included both carbon emissions data and science-based temperature alignment scores. The reporting also confirmed that the following risks involved in the investments were adequately managed by the Scheme's Fiduciary Manager: interest rate and inflation risk, currency risk, credit risk and other price risk.

5. Financially material considerations and non-financial matters

In January of the Scheme Year, the Trustee received training on how Schroders seeks to mitigate climate risk associated with the corporate bonds held in the Scheme's Matching Portfolio. Schroders only considers corporate bonds issued by companies that have passed one of six climate related hurdles, such as being approved by (or committing to) the Science-based Target initiative[1]. Schroders then engages with investee companies to further strengthen their climate commitments.

It is not the Trustee's policy to take account of any non-financial factors within the Scheme's investments.

6. Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements at least once a month. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The majority of the Scheme's assets are realisable at short notice. Therefore, the Trustee is satisfied that sufficient assets held will be readily realisable to provide cash to meet payments by the Scheme.

In addition, the Trustee is satisfied that the spread of assets and the Schroders policies on investing in individual securities provide adequate diversification of investments.

7. Implementation of the investment arrangements

The Trustee implements the investment strategy for the Scheme through its Fiduciary Manager, who invests in a range of pooled funds and directly held investments in accordance with the investment strategy the Trustee has set for the Scheme and the associated Investment Management Agreement.

The Trustee has not made any changes to the fiduciary manager arrangements within the Scheme over the Scheme Year, notwithstanding the changes in investment strategy documented in Section 3.

The Trustee regularly receives investment monitoring reports and meets with Schroders at least once a quarter.

8. Voting and engagement

The Trustee, with the help of its advisers, developed its policies on voting and engagement to best reflect its beliefs mentioned elsewhere in this Statement. Details on the Trustee's approach to voting and engagement are covered in Section 8.1 below (Description of voting behaviour during the Scheme Year) and in Section 5 above (Financially material considerations and non-financial matters).

The Trustee's policy on voting and engagement as outlined in the SIP (Section 7 Stewardship) is as follows:

- The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

- The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations.

- The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

[1] Information on the Science-based Target initiative can be found at https://sciencebasedtargets.org/

- The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

- The Trustee has set six stewardship priorities (or engagement themes) and encourages its investment managers to vote and engage on all of them. The Trustee also encourages it investment managers to take account of its order of priority for these engagement themes as follows.

Engagement theme	**Engagement rationale / objective**
1st Climate	Companies urgently need to transform economy to avoid the most catastrophic effects of climate change on people and the planet and adapt to future temperature rises.
=2nd Corporate Governance	Strong governance policies and practices ensure that businesses act in the best interest of shareholders and other key stakeholders in order to drive long term sustainable value creation.
=2nd Natural Capital and Biodiversity	Natural capital and biodiversity loss could mean businesses, banks and investors face increased insurance risks, higher costs of capital and a loss of investment opportunities. Furthermore, regulatory and policy pressures could have direct revenue impacts.
4th Human Capital Management	People in an organisation are a significant source of competitive advantage. Effective human capital management is essential to drive innovation and long-term value creation.
5th Human Rights	Businesses involved in human rights controversies could face higher operational and financial risks and could suffer damages to their reputation. Respect for human rights is also an important foundation in building resilient supply chains and forging business stability.
6th Inclusion and Diversity	Diversity across multiple dimensions brings a valuable range of outlooks and opinions, and when paired with an inclusive culture, can lead to higher quality work, better decision making and problem solving, and greater team satisfaction.

A summary of voting behaviour, significant votes and engagements with investee companies is provided in Sections 8.3, 8.4 and 8.5 of this Statement.

8.1 Description of voting behaviour during the Scheme Year

Within the Scheme, all of the Trustee holdings in listed equities are within pooled funds and the Trustee, by the nature of these investment vehicles, must delegate to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to directly influence how votes are exercised, but rather seeks to appoint managers that have strong stewardship policies and processes which align with the Trustee's beliefs. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries. The Trustee itself has not used proxy voting services over the Scheme Year.

In the section 8.3 we have included voting data on the Scheme's equity fund, the Schroders Risk Controlled Global Equity Fund.

8.2 Description of the voting processes

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee considers that the policies of Schroders (its Fiduciary Manager) and the voting information contained within this section demonstrates the extent to which Schroders has been aligned to this view.

Voting policy at Schroders

As an asset manager that actively chooses which companies to invest in, Schroders recognises its responsibility to make considered use of voting rights. Schroders therefore votes on all resolutions at all AGMs/EGMs globally unless restricted from doing so (e.g. as a result of share blocking).

Schroders aims to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with its published ESG policy.

The overriding principle governing Schroders' voting is to act in the best interests of its clients. Where proposals are not consistent with the interests of shareholders and their clients, Schroders is not afraid to vote against resolutions. Schroders may abstain where mitigating circumstances apply, for example, where a company has taken steps to address shareholder issues.

Schroders evaluates voting resolutions arising at investee companies and, where Schroders has the authority to do so, votes on them in line with its fiduciary responsibilities and in what Schroders deems to be the interests of its clients. The Corporate Governance specialists assess each proposal, applying Schroders' voting policy and guidelines (as outlined in the Schroders Environmental, Social and Governance Policy) to each agenda item. In applying the policy, Schroders considers a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and Institutional Shareholder Services, and public reporting. Schroders' own research is also integral to the process; this is conducted by both financial and Sustainable Investment analysts.

8.3 Summary of voting behaviour during the Scheme Year

A summary of voting behaviour during the Scheme Year is provided in the table below.

	Scheme's equity fund
Manager name	Schroders
Fund name	Risk Controlled Global Equity
Total size of fund at end of reporting period	125,318,000
Value of Scheme assets at end of reporting period (£ / % of total assets)	22,705,000 / 14.0%
Number of holdings at end of reporting period	375
Number of meetings eligible to vote	504
Number of resolutions eligible to vote	7,334
% of resolutions voted	93.3% (6840)
Of the resolutions on which voted, % voted with management	86.1% (5889)
Of the resolutions on which voted, % voted against management	13.9% (951)
Of the resolutions on which voted, % abstained from voting	0.61% (45)
Of the meetings in which the manager voted, % with at least one vote against management	67.9% (342)
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.2% (701)

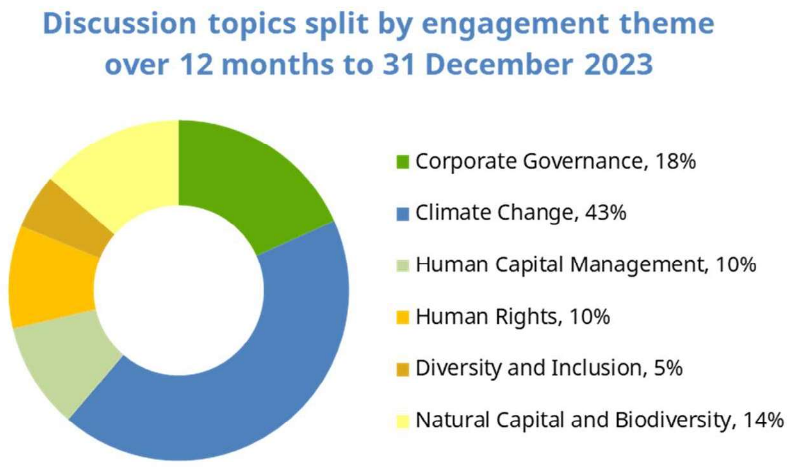
8.4 Most significant votes during the Scheme Year

Schroders considers "most significant" votes as those in respect of company management.

Schroders will vote against resolutions proposed by a company's management if it believes that doing so is in the best interests of shareholders and its clients. For example, if it believes a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and Schroders will inform the company of its intention to vote against before the meeting, along with its rationale. Where there have been ongoing and significant areas of concerns with a company's performance, Schroders may choose to vote against individuals on the company's board.

8.5 Engagement with investee companies

Investee companies are those in which the Scheme has a financial interest, which include corporate bond issuers as well as issuers of shares. The engagement activities that Schroders undertakes with investee companies include correspondence in writing and by email, phone calls, meetings with company management, collaboration with other investors, participation at events and discussions with other advisers and stakeholders. The following chart summarises the engagement themes that Schroders has undertaken on behalf of the Trustee in relation to the Scheme's investments over the Scheme Year.



Source: Schroders. This includes exposure across the following pooled fund's investments and directly invested sub portfolios: Schroder Risk Controlled Global Equity Fund and Schroder Global Corporate Bond Fund.

There was a total of 350 engagements covering 573 topics.

9. Investment governance, responsibilities, decision-making and fees

As mentioned in Section 7, the Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports it receives.

At the beginning of the Scheme Year, Schroders was reviewed by the Trustee's fiduciary management oversight consultant (Lane Clark & Peacock LLP). This review is planned to take place each year.

The performance of Schroders (as the Scheme's Fiduciary Manager) is considered on an ongoing basis by the Trustee. The Trustee has put in place formal objectives for Schroders and reviewed its performance against these objectives each quarter during the Scheme Year. The Trustee is required by legislation[2] to review these objectives at least every three years and the first review will take place no later than 7 December 2025.

10. Policy towards risk

The Scheme's risks are monitored on an ongoing basis with the help of Schroders.

The Trustee maintains a risk register which is formally reviewed annually and also discussed at quarterly meetings.

The Trustee policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of Schroders or information provided to the Trustee by the Scheme's investment managers. These include credit risk, currency risk, interest rate risk and counterparty risk.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 7, investment manager risk and excessive charges in Section 7, illiquidity/marketability risk in Section 6 and ESG risks in Sections 4 and 5.

11. Investment manager arrangements

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance, as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee incentivises Schroders (as its Fiduciary Manager) to align with its policies, as documented in the SIP, by overseeing the execution of its mandate by Schroders in accordance with these policies. Should the Trustee believe that Schroders is not aligned with these policies, it will consider making changes to its mandate with Schroders as necessary.

[2] The Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022 and The Occupational Pension Schemes (Scheme Administration) Regulations 1996

The Trustee does not have any fee arrangements in place with its investment managers that incentivise them to deviate from the Trustee's policies.