

Fluor Limited Retirement Benefits Scheme (“the Scheme”)

Annual Engagement Policy Implementation Statement

Year Ending 5 April 2021

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustee has been followed during the year to 05 April 2021. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

The Trustee keeps its policies within the SIP under regular review, subject to full review at least triennially and without delay if there are relevant, material changes to the Scheme and/or the Company. The SIP was last reviewed in September 2020.

Investment objectives of the Scheme

DB Section

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the DB Section of the Scheme included in the SIP are as follows:

The Trustee’s ultimate objective is to ensure the security of the members’ benefits. In light of this objective, the Trustee has agreed to enter into a bulk annuity policy with LGAS.

LGAS is an insurance company authorised and regulated by the Prudential Regulation Authority. The policy has not been structured with expected return in mind, but instead aims to exactly match the Scheme’s benefit obligations.

The Trustee’s ultimate objective is to ensure it can meet its obligations to the beneficiaries of the Scheme. To this end, existing assets in conjunction with a balancing payment from the Company were used to fund the purchase of a bulk annuity contract. Under the contract, LGAS will provide payments to the Trustee in line with the benefits promised by the Scheme.

AVC Section

The objectives for the AVC section are as follows:

The Scheme provides a facility for members of the DB Section to pay Additional Voluntary Contributions (“AVCs”) to enhance their benefits at retirement. The Trustee wishes to give such members a reasonable degree of freedom over the investment of their AVCs. The Trustee’s objective is to provide

access to funds which the Trustee is advised by the Investment Consultant are expected to provide a suitable long-term return for members, consistent with member's reasonable expectations and risk preferences.

Review of the SIP

The Trustee formally reviewed the Scheme's SIP to reflect the new requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies in the SIP.
- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of the arrangement with the asset manager.

The revised SIP was signed on 16 September 2020.

Responsible Investment and Corporate Governance

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. With respect to the AVC investments with Prudential, the Trustee has given the Investment Manager full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments.

The Trustee does not make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by Prudential, who are in a position to engage directly with such issuers in order to improve their performance in the medium to long term.

The Trustee expects details of voting and engagement activities associate with each of the AVC funds invested in, to be available if requested. Should the need arise, the Trustee may challenge manager decisions that appear out of line with the investment fund's objectives or the objectives/policies of the Trustee.

Engagement

The Trustee requested the AVC manager to confirm compliance with the principles of the UK Stewardship Code. Prudential, as part of M&G plc, has confirmed it is a signatory of the current UK Stewardship Code.

The Trustee considers how ESG, climate change and stewardship is integrated within investment processes in monitoring existing investment managers, including reviewing ESG ratings provided by the

investment advisor of the investment managers and the funds in which the Scheme invests. During the year to 5 April 2021, the Scheme's investment performance report was reviewed by the Trustee on a quarterly basis. Manager research ratings (both general and ESG-specific) from Mercer, the investment consultant, as well as details on relevant events for the AVC mandates are reviewed by the Trustee on a semi-annual basis.

The Trustee also received details of relevant engagement activity for the year from the Scheme's AVC provider.

The Scheme's AVC provider (Prudential) engaged with companies over the year on a wide range of different issues including Environmental, Social and Governance factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those climate goals linked to the Paris agreement).

Voting Activity

The Trustee has delegated its voting rights to Prudential. As a result, the Trustee does not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee.

The key voting activity on behalf of the Trustee is detailed below. As at the time of writing, the voting activity over the year to 5 April 2021 is not available, being shown, instead, the voting activity data for the year to 31 December 2020.

• **Prudential With Profits Fund**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
Prudential With Profits Fund	2,181	28,798	82.0%	92.7%	7.2%	0.8%

Source: Prudential.

Figures subject to rounding.

Below is an example of significant votes undertaken over the year to 31 December 2020, as defined by the manager. For this consolidated return, the approach taken is to consider all of the votes provided by the manager and include those with the largest exposure.

– **Facebook, Inc., 7 July 2020 Meeting:**

- Shareholder Proposal to Report on Political Advertising. Voted against management.

Voted AGAINST management recommendation to vote down a shareholder proposal for Facebook to report on political advertising on Facebook's social media platforms and assess impact on democratic processes. The asset manager voted against management as shareholders would benefit from increased disclosures to better understand specific risks that Facebook may face as well as broader societal impact in terms of public discourse and democratic processes.

• **M&G PP Long Term Growth Passive**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP Long Term Growth Passive	2,395	31,072	59.3%	94.8%	4.5%	0.8%

Source: Prudential.

Figures subject to rounding.

Below is an example of significant votes undertaken over the year to 31 December 2020, as defined by the manager. Under the Shareholder Rights Directive II M&G is required to report on its stewardship activities including proxy voting and the identification of significant vote. M&G has therefore determined their own definition of significant votes (though for this purpose they largely disregarded their 3% shareholding criterion) following internal discussion and consideration of external guidance.

– **JPMorgan Chase & Co.**, 19 May 2020 Meeting:

- Shareholder resolution requesting that the Board issue a report "describing how JPMorgan Chase plans to respond to rising reputational risks for the Company and questions about its role in society related to involvement in Canadian oil sands production, oil sands pipeline companies, and Arctic oil and gas exploration and production.". Voted for.

Manager's view was supportive, as in their view it is in shareholders' interests.

• **M&G PP North America Equity Passive**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP North America Equity Passive	449	5920	59.2	90.6%	9.3%	0.1%

Source: Prudential.

Figures subject to rounding.

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– **Microsoft Corporation**, 2 December 2020 Meeting:

- Resolution on reporting on employee representation on the Board of Directors. Voted for management.

In the manager's view the board should effectively consult employees and it is not apparent how this is being undertaken.

• **M&G PP UK Equity Passive**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP UK Equity Passive	645	9508	99.5	97.1%	2.0%	1.0%

Source: Prudential.

Figures subject to rounding.

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- **Pearson plc.**, 18 September 2020 Meeting:
 - Resolution on the approval of remuneration policy. Voted against management.

The manager held concerns over the quantum, structure and absence of targets.

- **M&G PP UK Equity**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP UK Equity	534	7963	99.3	97.2%	1.6%	1.2%

Source: Prudential.

Figures subject to rounding.

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- **Aggreko plc.**, 23 April 2020 Meeting:
 - Resolution on the approval of remuneration report. Voted against management.

Opposition due to concern that remuneration is excessive given the dividend cut and current market conditions.

- **M&G PP International Equity**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP International Equity	1400	14791	51.3%	92.2%	6.9%	1.0%

Source: Prudential.

Figures subject to rounding.

Below is an example of significant votes undertaken over the year to 31 December 2020, as defined by the manager. The fund manager will use their own approach to determine the most significant votes. For this consolidated return, the approach taken is to consider all of the votes provided by the managers and include those with the largest exposure.

- **Advanced Micro Devices, Inc.**, 7 May 2020 Meeting:

- Resolution for Management to ratify Executive CEO's compensation. Voted against management.

A vote against management proposal to ratify executive officers' compensation as the magnitude of special performance-based equity award to chief executive officer was over twice the median total pay of peer company CEOs.

- **M&G PP Discretionary Fund**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP Discretionary Fund	1938	22685	68.0%	94.8%	4.2%	1.1%

Source: Prudential.

Figures subject to rounding.

Below is an example of significant votes undertaken over the year to 31 December 2020, as defined by the manager. The fund manager will use their own approach to determine the most significant votes. For this consolidated return, the approach taken is to consider all of the votes provided by the managers and include those with the largest exposure.

- **Comcast Corporation**, 11 March 2020 Meeting:

- Resolution to require Independent Chair. Voted against management.

The lead director was not appointed solely by the independent directors and the role was deemed not sufficiently robust by the manager. In addition, the company had a dual-class stock structure, wherein the CEO has a 34.1 percent combined voting power over both classes of voting common stock. Further, the company has exhibited concerns over executive compensation suggesting that shareholders would benefit from the most robust form of independent oversight, in the form of an independent chair.

- **M&G PP Global Equity Fund**

Fund	Meetings eligible to vote	Resolutions eligible to vote	% of resolutions voted by the manager	% Resolutions voted with management	% Resolutions voted against management	% Resolutions abstained
M&G PP Discretionary Fund	1474	19262	76.3%	94.7%	4.2%	1.1%

Source: Prudential.

Figures subject to rounding.

Below is an example of significant votes undertaken over the year to 31 December 2020, as defined by the manager. The fund manager will use their own approach to determine the most significant votes. For this consolidated return, the approach taken is to consider all of the votes provided by the managers and include those with the largest exposure.

- **BHP plc**, 15 October 2020 Meeting:

- Resolution to approve suspension of memberships of industry associations where COVID-19 related advocacy is inconsistent with Paris Agreement goals. Voted for management.

The manager deemed the resolution supportive of shareholder resolution which is in shareholders' best interests.