

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 June 2021

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Scheme’s Statement of Investment Principles (SIP) produced by the Trustees, has been followed during the year to 30 June 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

Investment Objective of the Scheme

The Trustees’ primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme’s SIP includes the Trustees’ policies on ESG factors, stewardship and Climate Change. The policies were last reviewed in September 2020. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Scheme’s Investment Structure

The majority of the Scheme’s investments are held in a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. The exception to this is the holding in the Mercer Private Investment Partners Private Markets Fund.

As such, the Trustees have no direct relationship with the Scheme’s underlying investments managers held on the Mobius Platform. The Trustees have asked Mercer Private Investment Partners to manage the Scheme’s private debt mandate. As this is a pooled investment vehicle, the Trustees accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates have been selected to align with the overall investment strategy and the investment manager is incentivised to meet these objectives as not doing could potentially result in investors disinvesting assets.

Trustee Engagement

In the relevant year the Trustees have not engaged with either Mobius, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

The Trustees work with Mercer to consider actions that can be taken to engage with the underlying fund managers going forward. For example, ESG specific ratings are now included within performance reporting (with ratings derived by the investment consultant) and this will help to determine whether further action should be taken in respect of specific funds.

The Trustees engage with Mercer regularly, and reviews its performance on an annual basis.

Voting Activity

As noted earlier, the Trustees have no direct relationship with the pooled funds the Scheme is ultimately invested in, and therefore no voting rights in relation to the Scheme’s investments. The Trustees have therefore effectively delegated their voting rights to the managers of the funds the Scheme’s investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme’s assets are ultimately invested. These votes were cast by the underlying fund managers. A fund manager may not always cast a vote when eligible to do so. An example of a reason for not casting a vote when eligible is a lack of sufficient detail on the issue being voted on.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

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| | | | | | change) and significant corporate transactions. | based instruments without conventional performance conditions. |
| Legal and General 50:50 Global Fixed Weight Equity Index | ISS – for research purposes. IVIS – for research purposes. | 38,302 | Of the 38,302 LGIM was eligible to vote on, c.16.48% were against management. | Of the 38,302 LGIM was eligible to vote on, c.0.14% were abstentions. | Significant votes are determined using the PLSA criteria, these include but is not limited to votes of high profile where there is a degree of controversy, there is significant client interest or the vote is linked to an LGIM engagement campaign. | <p>Visa Inc – Voted for the proposal to provide right to act by written consent. The manager supported this proposal because it would enhance shareholders rights. The proposal was rejected.</p> <p>Makita Corp – a vote ‘against’ Resolution 3.1 Elect Director Goto, Masahiko. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance and following a campaign on gender diversity in Japan in 2019, they decided to escalate our voting policy. In 2020, they announced they would be voting against all companies in the large-cap TOPIX 100 index that do not have at least one woman on their board. In 2021, they expanded the scope of their policy to vote against TOPIX Mid 400 companies that do not have at least one woman on the board. The vote was passed with 87.4% of shareholders supporting the resolution. LGIM will continue to engage with their investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p> |
| | but do not apply the ISS default recommendation. | | | | political interest, those of a thematic nature (i.e. climate | company is replacing performance shares with restricted shares, with the latter being time- |

Notes: ISS = Institutional Shareholder Services Inc.
IVIS = Institutional Voting Information Service