

# DUNHAM-BUSH RETIREMENT BENEFITS PLAN

## Engagement Policy Implementation Statement

Financial Year Ending 5<sup>th</sup> April 2021

### Introduction

This statement, written for the benefit of the Scheme's members, sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles<sup>1</sup> ('SIP') produced by the Trustees, has been followed during the year to 5<sup>th</sup> April 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 Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are as follows:

- 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 also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

### Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change, which also sets out the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees have considered financially material factors such as ESG issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Plan for members. They believe that ESG factors are implicitly reflected in the expected risk and return profile of the asset classes they are investing in and it is therefore in members' best interests to account for these factors within the investment process.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that it cannot directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are reviewed regularly for existing managers with the help of the investment consultant. The Trustees will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustees will monitor financially material considerations through the following means:

---

<sup>1</sup> A statement of Investment Principles describes the way in which the Trustees are seeking to manage the assets of the Scheme.

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.
- Use ESG ratings information provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues; and
- Request that all of the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant

The following sections set out how the Trustees' engagement and voting policies were followed and implemented during the year.

## Engagement

### Monitoring

- The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers. Over the year, no changes were made to the Plan's strategic asset allocation and no new investment managers were appointed by the Trustees.
- Managers will be expected to report on their own ESG policies as and when requested by the Trustees.
- The Plan's investment performance report is reviewed by the Trustees on an annual basis – this includes ratings from the investment adviser. These ratings include an indication of Mercer's conviction in the ability of a manager to deliver its performance objectives. Deteriorations in these ratings may prompt the Trustees to consider terminating certain managers. The investment performance report includes details of how each investment manager is delivering against their specific mandates.
- The Trustees also received details of relevant engagement activity for the year to 5 April 2020 from each of the Plan's investment managers, covering a wide range of different issues, including ESG factors. Examples of this are given below:
  - **Investec** engaged with management of companies with regard to climate change issues, remuneration policies, board independence and board structure, capital management, reporting and disclosure issues, among other topics.
  - **Payden** bases its engagement with investee companies on the SASB ("Sustainability Accountability Standards Board") Engagement Guide, a standardized, industry-specific framework aimed at driving issuer transparency. This engagement includes in person and conference call meetings, as well as through meeting with management through conference.
  - **Baillie Gifford** engaged with management of companies on a number of topics including climate change, company culture, board independence, executive remuneration, shareholder right, audit matters, among other.
  - **Columbia Threadneedle** engaged with companies on a number of issues, including environment sustainability, climate change, social risk management, corporate governance and responsibility among others.
  - **Morgan Stanley** has participated in a collaborative engagement effort with the Sustainability Accounting Standards Board ("SASB") to encourage companies to report environmental and social metrics against industry standards.
  - **JPMorgan** engaged with portfolio companies on a number of areas, including governance, strategy alignment with long term goals, human capital management, stakeholder engagement and climate risks.
  - **BMO** engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom we have the greatest exposure and to companies whom we feel have the greatest ESG deficiencies) and in terms of progress monitoring against predefined milestones.

### Stewardship

- Over the year, the Trustees requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Plan investment managers have confirmed that they are signatories of the current UK Stewardship Code and plan submitted the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.
- Over the period, the Trustees did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

### **Voting Activity**

The Trustees have delegated their voting rights to the investment managers.

The Trustees did not use the direct services of a proxy voter over the year.

Over the last 12 months, the key voting activity on behalf of the Trustees was as follows:

#### *Investec - Global Total Return Credit*

Although Investec engages with its corporate bond holdings within the strategy where appropriate, given the Global Total Return Credit is a fixed income bond fund the manager did not provide voting details.

#### *Payden - Absolute Return Bond*

Given the nature of the Absolute Return Bond Fund being fixed income rather than equity securities, the manager did not provide voting activity details.

#### *Baillie Gifford - Multi Asset Growth*

Baillie Gifford does not delegate or outsource any of its stewardship activities or follow or rely upon recommendations when deciding how to vote on clients' shares. All client voting decisions are made in-house in line with in-house policy and not with the proxy voting providers' policies.

A summary of the voting undertaken over the year to 5 April 2021 is provided below:

- There have been 69 votable meetings over the year, of which Baillie Gifford has voted in 97% of these meetings on behalf of the Trustees. In these meetings, there were a total of 749 votable proposals and in 93% of the cases Baillie Gifford voted in accordance of the companies' management proposal, while voting against around 7% of the proposals.

#### *Morgan Stanley - Global Quality*

Morgan Stanley votes on their own shares and does not rely on proxy advisory services for voting recommendations. Morgan Stanley votes all proxies based on its own proxy voting policies in the best interests of each client. In addition to research, Morgan Stanley retains Institutional Shareholder Services ("ISS") to provide vote execution, reporting and recordkeeping services. For Morgan Stanley 'significant votes' include votes against a management recommendation on non-routine items such as pay, shareholder resolutions and board members.

A summary of the voting undertaken over the year to 31 March 2021 is provided below:

- There have been 4 votable meetings over the year and Morgan Stanley has voted in all of these meetings on behalf of the Trustees. In these meetings, there were a total of 631 votable proposals and in 89% of the cases Morgan Stanley voted in accordance of the companies' management proposal, while voting against around 11% of the proposals.

#### *JPMorgan - Emerging Markets Opportunities*

JPMorgan uses ISS to receive meetings notifications, provide company research and process its votes.

JP Morgan defines 'significant votes' as votes where it is a major shareholder in their portfolios, where the vote is likely to be close or contentious or where there may be potential material consequences for clients.

A summary of the voting undertaken over the year to 31 March 2021 is provided below:

- There have been 115 votable meetings and JPMorgan voted on 99% of these meeting on behalf of the Trustees. In these meeting, there were 1,047 votes casted of which JP Morgan indicated its support to the companies' managements in 95% of the times, while voting against in 5% of the proposals.

#### *Columbia Threadneedle - Multi Asset Fund*

Threadneedle uses the proxy voting research of ISS and Glass Lewis & Co. Final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, Institutional Voting Information Service ("IVIS") and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS.

Threadneedle defines 'significant votes' as any dissenting vote i.e. where a vote is cast against (or where the manager abstained/withholds from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management.

A summary of the voting undertaken over the year to 31 March 2021 is provided below:

- There have been 601 votable meetings and Threadneedle voted on 99% of these meeting on behalf of the Trustees. In these meeting, there were 6,988 votes casted of which Threadneedle indicated its support to the companies' managements in 90% of the times, while voting against in 6% of the proposals and abstaining 4% of the times.

#### *BMO - Nominal/Real/Equity-Linked Dynamic LDI*

The manager did not provide voting activity details as these are predominantly fixed income portfolios that do not have voting rights.