

## Engagement Policy Implementation Statement

The Trustee has followed its Statement of Investment Principles' approach to voting and engagement over the year to 5 April 2020 and expects this to have positively contributed to the Plan's performance. The Trustee has delegated day-to-day investment of the Plan's assets to professional investment managers (non-discretionary assets) and appointed River and Mercantile Investments Limited ("RAMIL") as fiduciary manager to the Plan's discretionary assets. River and Mercantile Group, of which RAMIL are a division, are a PRI signatory and were rated A+ by PRI in 2019 for their Strategy and Governance. To ensure all relevant voting and engagement is covered, this statement includes information on both the fiduciary manager's voting and engagement record as well as those of the underlying managers. Where proxy voting agents have been used, this has been included in the voting information.

Due to constraints around underlying management reporting periods which are compiled at quarter end, this statement of implementation has been completed over the year to 31<sup>st</sup> March 2020 and where applicable, underlying managers have provided examples of engagement.

References to "ISS" relate to Institutional Shareholder Services, a proxy voting company.

### ***Discretionary Fund Portfolio:***

As there are c. 30 managers in the discretionary portfolio, RAMIL have only included allocations which are c.2.5% of Discretionary Fund assets or higher as at 31 March 2020. RAMIL have listed out the funds we have considered in detail below, but have requested information from all the underlying managers in the portfolio:

Asset class	Manager and Fund name	Allocation
Equity	Morgan Stanley Investment Management – Global Brands Fund	3.1%
Equity	Ninety One Fund Managers UK Limited – Global Strategy Fund – Global Franchise Fund	3.5%
Equity	Fundsmith LLP – Equity Fund	4.4%
Equity	BNY Mellon Investment Management – Equity Strategy	27.5%
Hedge Funds	Hudson Bay Capital Management – Hudson Bay International Fund Ltd	2.6%
Mortality Risk	Leadenhall Capital Partners LLP – Life Insurance Linked Investment Fund	2.6%
Global Property	CBRE Global Investment Partners – Global Alpha Fund	2.9%
Cash Funds	BlackRock Asset Management – ICS Institutional Sterling Liquidity Fund	5.8%

## **RAMIL pooled fund voting and engagements**

Over the year to 31 March 2020, RAMIL voted on 133 resolutions across 31 meetings. RAMIL voted against management at 7 resolutions across 4 meetings which means overall they voted against management for 5% of resolutions and at 13% of meetings.

Their most significant vote and engagement over the year was around re-appointment of the Board of Directors of a US-based Emerging Market Debt manager, which was 100% non-independent. This has been an ongoing discussion point between RAMIL's Operational Due Diligence Team and the underlying manager, which included raising this point with one of the Board Members during a due diligence meeting in October 2018. On receiving the 2019 AGM notice RAMIL flagged their disappointment the board was still non-independent and alerted the manager of their intention to vote against the resolution. However, the vote was passed and the Board reappointed. RAMIL again raised this point during their periodic due diligence review in April 2020 and ultimately, again voted against a fully non-independent board at the April 2020 AGM.

RAMIL continue to engage with the underlying manager on this point and consider the vote to be significant both from the perspective that they voted against management and in relation to the matter itself.

## Equity

### *Morgan Stanley – Global Brands Fund:*

#### Voting Statistics

	Number of Meetings voted on	Total number of resolutions	Number of actual votes against management	Average % of votes against management per region	Average % votes against management for E resolutions	Average % votes against management for S resolutions	Average % votes against management for G resolutions	Average % of meetings voted against management endorsement by at least one item
Total 12m to 31/03/2020	29	403	22	8%	0%	6%	8%	50%

#### Most significant vote(s) and examples of Engagement

##### *British American Tobacco*

- Morgan Stanley have been engaging with BAT on executive remuneration for a number of years and expressed their concerns about their incentive plan structure. Although management had proposed changes which Morgan Stanley viewed as incrementally positive, they did not address the key concerns around performance metrics.
- **As a result, Morgan Stanley voted against the remuneration report at the AGM and will continue to encourage the company to further improve their pay practices.**

##### *Pernod Ricard*

- Morgan Stanley engaged on the topics of decarbonisation, circular economy, sustainable agriculture, responsible drinking, and diversity and inclusion. There are several positive changes underway such as in the area of diversity. As an example, the board now has four female members versus one 5 years ago. In 2020, the company recruited its first American (who is coincidentally female) to head the US spirits business (Pernod's largest market).
- **In summary, the manager believes the company has strong sustainability governance in place and is taking concrete actions on key ESG topics.**

##### **SAP**

- Morgan Stanley discussed SAP's contribution to de-carbonising the economy, as well as employee diversity, engagement and welfare.
- **While they believe SAP is ahead of others in their sustainability and diversity efforts, Morgan Stanley noted that it does not report gender pay gap data. Morgan Stanley encouraged them to do so, highlighting potential reputational issues if they do not.**

**Ninety One – Global Strategy Fund – Global Franchise Fund:**

**Voting Statistics**

	Number of Meetings voted on	Total number of resolutions	Number of votes against management resolutions	Average % of resolutions against management per region	Average % votes against management for E resolutions	Average % votes against management for S resolutions	Average % votes against management for G resolutions	Number of Meetings where voted against management endorsement by at least one item	Average % of meetings voted against management endorsement by at least one item
<b>Total 12m to 31/03/2020</b>	24	379	22	2%	0%	0%	36%	11	42%

**Most significant vote(s) and examples of engagement**

Voting statics on shareholder resolutions								
Company Name	Country	Meeting Date	Proponent	Proposal Text	Management Recommendation	ISS Recommendation	Vote Instruction	Voter Rationale
Microsoft Corporation	USA	04-Dec-19	Share Holder	Report on Employee Representation on the Board of Directors	Against	Against	None	Internal discussion was not resolved in time to vote.
Microsoft Corporation	USA	04-Dec-19	Share Holder	Report on Gender Pay Gap	Against	For	None	Internal discussion was not resolved in time to vote.
Intuit Inc.	USA	23-Jan-20	Share Holder	Adopt a Mandatory Arbitration Bylaw	Against	Against	Against	Not considered to be in the best interest of all shareholders
Becton, Dickinson and Company	USA	28-Jan-20	Share Holder	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	For	

## Examples of Engagement

### *Check Point*

- In June 2019, NinetyOne (“NO”) began engagement with Check Point Software Technologies, regarding CEO compensation as they viewed the proposal as excessive. The AGM documentation outlined an option award for CEO, Mr Gil Shwed. While they appreciate the alignment created with shareholders through compensation solely by option awards, the proposal to award 1.3 million options did seem high, equating to almost 1% of Check Point’s shares outstanding, and creating the potential to result in a highly lucrative pay package over time.
- In September 2019, NO wrote a letter to the chair of the Compensation Committee, highlighting the concerns on this subject.
- As part of Check Point’s 2020 Proxy Filing, released in June 2020, the company announced a change to the CEO’s compensation arrangements. These changes address the concerns by dramatically reducing the size of the option award.

### *VeriSign*

- NO engaged pre-AGM with the Company on their audit committee composition. They opposed three directors due to independence concerns given tenure on the board. The three members of the audit committee had tenures of between 12 and 18 years which NO consider too long to be independent. **As such, they voted against the nomination of two members, and requested the board investigate the structure of the audit committee to safeguard independence, considering director tenure, without adversely impacting Verisign’s business operations, continuity and performance.**

**Fundsmith – Equity Fund:****Voting Statistics**

	<b>No. of Voteable Proxies</b>	<b>Times actually voted</b>	<b>No. of Votes Against Management Instruction</b>	<b>% Voted</b>	<b>% Voted Against Management</b>
<b>Total 12m to 31/03/2020</b>	441	441	22	100	5

**Most significant vote(s) and examples of engagement**

- Engaged with multiple companies in the last year on remuneration policies, but most notably Diageo and IHG. Fundsmith encourage companies to include returns-based measure (ROIC) in their long-term incentive package (LTIP) so that only value accretive growth is rewarded. They were successful in the engagement with IHG (they now include a ROIC measure in the LTIP) and the engagement with Diageo is ongoing.
- As long term shareholders Fundsmith consider ESG factors a significant part of their investment process as they want companies that can sustain a return on invested capital across the business cycle and the only way that is possible (over the long term) is by not having an excessive negative impact on the environment or society. The biggest innovation in this process over the last year was to publish a responsible investment policy, which explains Fundsmith's approach to responsible investment.

## **BNY Mellon (“BNYM”) – Equity Strategy:**

### **Voting Statistics**

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	With Mgmt	Against Mgmt	With ISS	Against ISS	With Policy	Against Policy
<b>Total 12m to 31/03/2020</b>	266	2648	2398	217	2	27	2448	199	2581	66	2640	7

### **Most significant vote(s) and examples of engagement**

#### ***ExxonMobil.***

- While noting that the CEO’s pay declined over the year, BNYM expressed a series of concerns with ExxonMobil’s annual compensation programme, including what BNYM felt was an inadequately strong linkage to objective company performance. BNYM consequently voted against management in the “say on pay” proposal regarding executive remuneration.
- The CEO of BNYM will meet with ExxonMobil to continue dialogue on this matter.

#### ***Honeywell.***

- Over several years, BNYM has engaged with Honeywell on the firm’s compensation guidelines and disclosures relating to compensation. Through this process, Honeywell identified ways to improve reporting to better reflect the shareholder value transfer model.
- In September 2019, BNYM and Honeywell discussed how environmental sustainability and diversity in the workplace has become part of the company’s business operations. Honeywell outlined quantitative targets relating to the former and explained changes to the Board composition and average tenure to address the latter
- BNYM inquired about how the company was responding to shareholder requests to report on lobbying payments and to lower the threshold for shareholders to call special meetings on a range of topics.

#### ***EnzoBio.***

- BNYM were dissatisfied by the size of perquisites (additional benefits above financial remuneration) as a proportion of the CEO’s salary. BNYM also strongly suggested the company added a woman to its Board, for a number of financial and non-financial reasons, including that the company develops medicines for, and works with, a substantial number of female patients.
- Enzo confirmed to BNYM a woman had been added to the Board in part as a consequence of BNYM’s engagement on the issue

## Alternatives

The alternative nature of these funds mean investments tend not to be in listed equities and as such, voting is not relevant. .

### ***Hudson Bay International Fund Ltd:***

Due to the nature of this Fund's investments it does not utilise vote proxies. Although Hudson Bay does not have an ESG related policy within its overall portfolio design, it recognises and respects the fact that ESG is a very important issue, therefore, has developed the ability to allocate away any profits and losses attributable to investments that would violate a client's ESG mandate.

### ***Leadenhall Capital – Life Insurance Linked Investment Fund:***

#### **Examples of Engagement:**

##### **German hybrid insurer/reinsurer**

- Leadenhall Life recently engaged on the strength of a German hybrid insurer/reinsurer's ESG support as part of its Operational Due Diligence process.
- On an environmental standing the insurer was particularly sound; its parent group majority investor is a signatory to the UN PRI; the investment screening process removed the risk of investments falling foul of shared environmental goals; the carbon footprint was actively disclosed; and there was an extensive section of their website describing the underwriting and investment policies with regard to sustainability.
- Leadenhall Life conducted a detailed review of the decision-making authority, its organisation chart, and framework for operational risk governance and an internal audit was conducted. Leadenhall Life concluded the firm had solid risk accountability.

##### ***Insurance acquisition***

- Leadenhall Life were offered the opportunity to lend to a vehicle against the Embedded Value of a targeted insurance acquisition. The deal team brought the proposition to internal committee for discussion. The proposition was rejected, in part, because of potential governance issues, namely, one of the Principals in the vehicle had been previously involved in a failed entity.

##### ***ESG process evolution***

- Leadenhall Life has begun conducting reviews of the public information of its largest counterparties to create a background of the entities general approach to ESG issues. Leadenhall Life are also putting together a measurement/database of ESG processes for its main counterparties through its own research.



## ***CBRE – Global Alpha Fund:***

### **Examples of Engagement:**

#### ***CBRE Malaysian Shopping Club***

- The Fund has improved the GRESB score of its CBRE Malaysian Shopping Club from 50 to 79 from 2018 to 2019.
- The score increase was accomplished as a result of its engagement with the manager, focusing on improving performance in Stakeholder Engagement, Performance Indicators, Monitoring and Estate Management, and Risks and Opportunities aspects of the survey.
- The upgrades resulting from this have led to a 5.2% decrease in energy consumption and a 13.7% reduction in water use year over year.

#### ***OREIMA French Office Club***

- One of the Fund's underlying property holdings was underperforming relative to its peers based on results from the 2019 GRESB survey. Despite significant improvement from the previous year's performance with an increase of 18.6 points between the 2018 to 2019 surveys, the mandate continued to underperform its peers. Since GRESB is a backward-looking assessment, a greater improvement in the score is expected in 2020. In addition, Oreima has begun translating its ESG policies from French to English in the expectation that this will assist in ensuring a timely submission to GRESB going forward.

### ***ESG process evolution:***

- CBRE has encouraged all of its underlying managers to respond to the new GRESB resilience module and utilise the new Carbon Risk Real Estate Monitor (CRREM) tool, both of which will help to evaluate the extent to which underlying managers are responding to climate change related issues.

## ***BlackRock – ICS Institutional Sterling Liquidity Fund:***

Due to the nature of this Fund's investments it does not utilise vote proxies.

### ***Non-discretionary Portfolio:***

For the non-discretionary portfolio, RAMIL have only included allocations which are c.2.5% of the total Growth assets or higher as at 31 March 2020. RAMIL have listed out the funds we have considered in detail in the table below. The CBRE Global Alpha Fund is also held in the non-discretionary portfolio in a proportion in excess of 2.5%, however this is covered in detail above.

<b>Asset class</b>	<b>Manager and Fund name</b>	<b>Allocation</b>
<b>Equity</b>	LGIM Global Emerging Markets Index Fund	4.9%
<b>UK Property</b>	Tritax Management LLP – Tritax Property Income Fund	3.9%

### ***LGIM – Global Emerging Markets Index Fund:***

#### **Voting Statistics**

	<b>No. of Voteable Proxies</b>	<b>Times actually voted</b>	<b>No. of Votes Against Management Instruction</b>	<b>% Voted</b>	<b>% Voted Against Management</b>
<b>Total 12m to 31/03/2020</b>	30,913	27,731	5,713	90	19

#### **Most significant vote(s) and examples of engagement**

- LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- During May 2019 LGIM voted against a resolution to re-elect a Director of Metro Bank. LGIM had long-standing concerns regarding Metro Bank due to a lack of independent directors on its board, poor gender diversity, a pay structure not in line with best practice standards, and failure to manage conflicts of interest. In 2019, their concerns were compounded by the disclosure of material accounting errors within the bank's loan books. The accounting errors led to a significant drop in investor confidence and sent the shares down more than 39% in one day. The lender's share price has remained under pressure and declined over 88% in 2019.

### ***Tritax Property Income Fund:***

#### **Examples of Engagement:**

##### ***Energy Performance***

- Over 2019 Tritax has improved its percentage of A-C grade Energy Performance Certificate (EPC) ratings by 4% (by floor area) and removed its last E EPC rating from the property portfolio. This is a result of a range of enhancements to environmental performance to the properties, including installing energy-efficient lighting and controls.

##### ***Telent Technology Services Limited***

- Tritax agreed to fund the installation of roof-mounted Solar PV at its property in Carr Lane, Chorley where Telent Technology Services Limited are tenants. Unfortunately, subsequent investigation into the roof structure found that it would not be of sufficient strength to support the installation at sufficient scale to provide sufficient benefit.

#### ***ESG process evolution:***

- The Fund has been set targets for core material themes covering EV charging, solar PV, energy efficiency and community investment.

- In order to benchmark the Fund's and Tritax's achievements in this area, they have reported to the Global Real Estate Sustainability Benchmark (GRESB) and increased annual disclosures. Tritax have successfully engaged with several tenants on data sharing to improve energy efficiencies in its building assets.

## **Liability hedging & structured equity**

Engagement is relevant when considering trading counterparties and we regularly monitor counterparty ESG scores. At an industry level, we engage with relevant industry consultations (for example RPI reform and LIBOR reform).