

# Batleys Limited Retirement Benefits Scheme

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 April 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 Statement of Investment Principles ('SIP') have been followed during the year to 30 April 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018, as amended, and the guidance published by the Pensions Regulator.

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustees' primary investment objective 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 also 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.

The objectives set out above provide a framework for the Trustees when making investment decisions.

### 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. These policies are set out in Appendix A to this Statement.

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

### Scheme's Investment Structure

The Scheme's only investment is 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.

JLT Investment Management (JLT IM) had fiduciary responsibility for the selection of pooled funds on the Mobius Platform for the Scheme over the period to 1 August 2020, after which point this responsibility was novated to Mercer Limited.

Following a change of Mercer's corporate policy, the fiduciary overlay was terminated with effect from 8 March 2021, and subsequent to that date, the Scheme's assets remain invested through the Mobius TIP.

As such, the Trustees have no direct relationship with the Scheme's underlying investment managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

### **Trustees' Engagement**

In the relevant year to 30 April 2021 the Trustees have not engaged with either Mobius, JLT IM, or the underlying pooled investment managers on matters relating to ESG, stewardship or climate change.

Mercer's ESG scores have been included in Mercer's monitoring reports with effect from 30 September 2020. The ESG information provided by Mercer helps the Trustees to determine whether further action should be taken in respect of specific funds. The Trustees are satisfied that the scores are satisfactory in the context of the mandates of the funds. A further update will be provided in next year's Statement.

### **Voting Activity**

Where the Trustees are specifically invited to vote on a matter relating to the corporate policy, they will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's members.

Over the Scheme year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore the Trustees have no voting rights in relation to the Scheme's investments and no direct ability to influence the managers of the pooled funds.

Nevertheless, Appendix B of this Statement sets out a summary of the key voting activity of the pooled funds in which the Scheme's assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote, and examples of these. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will continue to take on board industry activity in this area before the production of next year's statement.

### **Assessment of how the Engagement Policies in the SIP have been followed for the year to 30 April 2021**

The Trustees are satisfied that the Engagement Policies set out in the SIPs which have been in place over the year have been followed.

## **Appendix A – Trustees’ Policies on ESG factors, stewardship and Climate Change**

The policies below are included within the 11 September 2020 SIP:

### **Financially Material Considerations**

The Trustees understand that they must consider all factors that have the ability to impact 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 Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme’s assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

The Trustees however receive ESG scores provided by the Investment Consultant in relation to the funds in which the Scheme is invested and will monitor how these develop over time.

JLT IM, on behalf of the Trustees, will take ESG considerations into account in the selection, retention and realisation of investments

### **Non-Financial Matters**

The Trustees only consider factors that are expected to have a financial impact on the Scheme’s investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

### **Corporate Governance and Voting Policy**

The Scheme is invested solely in pooled investment funds. The Trustees policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and also expects them to use their discretion to act in the long term financial interests of investors.

The Trustees note that the investment managers’ corporate governance policies are available on request and on their respective websites.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be in the best interests of the majority of the Scheme’s membership.

### **Stewardship**

JLT IM and Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustees. If the Trustees have any concerns, they will raise them with JLT IM or Mercer, verbally or in writing.

**Appendix B - Voting Activity**

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
<b>Threadneedle Multi Asset</b>	ISS for proxy voting, recordkeeping and disclosure, and research  Glass Lewis – for recommendations  Institutional Voting Information Service – for recommendations.	6,988 resolutions (98.9% votes cast)	5.7% of votes cast	3.9% of eligible votes	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.	<b>Facebook, Inc.:</b> Vote ‘FOR’ the organisation to report on Median Gender/Racial Pay Gap  <b>Rationale:</b> Material social risk for business and therefore in shareholders' interests.  <b>Outcome of vote: The vote failed</b>  <b>Implications:</b> Active stewardship (engagement and voting) continues to form an integral part of Threadneedle’s research and investment process.  <b>Significance:</b> The vote was considered to be significant because Threadneedle were supporting a shareholder-tabled proposal not endorsed by management
<b>Vontobel Global Equity Multi Asset Portfolio</b>	ISS to place and store all of our votes as well as provide proxy vote-related research. Vontobel use the ISS Sustainability Policy for basic guideline advice.	738 votes (100% of those eligible for)	7.5%	0.4%	Vontobel regard significance as a balance between: 1) Weight held within the portfolio, 2) Aggregate holding across their portfolios as a proportion of a company's outstanding shares (across portfolios managed by Vontobel’s Quality Growth boutique), and 3) Potential impact to long-term shareholder value from a proposal. Votes are aimed at aligning shareholder interests with those of the management teams to deliver sustainable long-term growth.	<b>Microsoft Corporation</b> – Vote against report on Employee Representation on the Board of Directors  <b>Rationale:</b> The proposal asked the board for a report on options to encourage the inclusion of non-management employees on the board. Vontobel believe the board has been effective. There are procedures in place to allow employees to become a board director, the same as they do for non-employees. The company also has a process to address employee concerns including compensation. NEO incentives include a factors such as diversity, inclusion and workplace culture. Therefore, Vontobel voted against the proposal.  <b>Outcome:</b> Fail.

<b>LGIM World Emerging Markets Equity Index</b>	<p>LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.</p>	<p>36,036 resolutions eligible for (99.89% votes cast)</p>	<p>13.40%</p>	<p>1.38%</p>	<p>In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions &amp; Lifetime Savings Association consultation. This includes, but is not limited to:</p> <ul style="list-style-type: none"> <li>• High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;</li> <li>• Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;</li> <li>• Sanction vote as a result of a direct or collaborative engagement;</li> <li>• Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.</li> </ul>	<p>There were no significant votes made in relation to the securities held by this fund during the reporting period.</p>
<b>LGIM World Developed Equity Index</b>	<p>Same as above</p>	<p>35,043 resolutions eligible for (99.82% votes cast)</p>	<p>18.69%</p>	<p>0.19%</p>	<p>Same as above</p>	<p><b>ExxonMobil</b> – vote 'against' resolution to elect director Darren W Woods.</p> <p><b>Rational:</b> In June 2019, under LGIMs annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, LGIM announced that they will be removing ExxonMobil from their Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, they also announced they will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, their voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.</p>

						<p><b>Outcome:</b> 93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods.</p> <p><b>Implications:</b> LGIM believe their voting and activity sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company. Their voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company.</p> <p><b>Significance:</b> LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.</p>
--	--	--	--	--	--	--

Note: The information in the table has been provided by the investment managers and covers 12 months to 31 March 2021.