

# Pickerings Limited Retirement Benefits Plan

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2023

### 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 5 April 2023. 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 Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has 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 Plan.

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 Plan's investments over the appropriate time horizon. This includes, but is not limited to, ESG factors.

The Plan's SIP includes the Trustees policies on ESG factors, stewardship and climate change. The SIP has not been updated over the Plan year and the policies in question were last approved on 21 September 2020 when the SIP was last updated. These are set out in Appendix 1 to this Statement and the SIP dated 21 September 2020 is available online at the following link:

<https://www.pickeringslifts.co.uk/site/assets/files/1033/pickerings-sip-september-2020-final.pdf>

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially. It is in the process of being updated, following a change of investment strategy to disinvest fully from the equity funds so as to de-risk the Plan's investments.

### Plan's Investment Structure

Over the year, the Plan was invested in pooled investment vehicles managed by three investment managers. The Trustees have the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

## Trustees' Engagement

In the relevant year the Trustees have not engaged with the underlying pooled investment managers on matters pertaining to ESG, stewardship or climate change.

However, the Trustees receive annual performance reports from Mercer, and these include Mercer's ratings (both the general and ESG specific rating) for the funds in which the Plan is invested. This enables the Trustees to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds. When implementing a new manager the Trustees will consider the ESG rating of the manager as part of the process.

The Trustees are satisfied that Vontobel has been given a good ESG rating from Mercer. The Trustees note that although Fundsmith has not been rated by Mercer, it does have a responsible investment policy in place, which sets out how the manager integrates ESG into its investment process.

Further information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following websites:

Vontobel:

<https://am.vontobel.com/en/esg-investing>

Fundsmith:

<https://www.fundsmith.co.uk/media/swxplrkt/responsible-investment-policy.pdf>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

Taking all the above into consideration, the Trustees are satisfied that responsible investment is embedded appropriately in the investment managers' approaches to investing. 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 Plan's members.

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

The Plan only invests in pooled funds and therefore the Trustees have no direct voting rights in relation to the Plan's investments.

Nevertheless, Appendix 2 of this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. the funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote. 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.

The Trustees take the view that a well governed board will drive long term sustainable growth, as well as good social and environmental outcomes and therefore determine significant votes to be those where the fund manager voted against the company in relation to the composition of the board. Of the significant voting information provided by the investment managers, the Trustees determined their significant votes to be those set out in Appendix 2.

In April 2023, the Plan disinvested from the two funds (Vontobel and Fundsmith) that hold equity investments. Therefore it is expected that in next year's Statement there will be no voting activity to report on.

### **Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2023**

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**

### **Financially Material Considerations**

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Plan’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 Plan’s portfolio and it is therefore in members’ and the Plan’s best interests that these factors are taken into account within the investment process.

The Plan’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 its managers invest.

The Trustees have reviewed the ESG policies of its managers, along with research provided by the Plan’s Investment Consultant including ESG ratings and concluded that they are appropriate. The Trustees will therefore rely on the policies and judgement of its investment managers when assessing the impact on the value of the Plan’s investments.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

### **Non-Financial Matters**

The Trustees have determined that the financial interests of the Scheme members are their first priority when choosing investments.

They have decided not to consider non-financial considerations, such as ethical views, or to take members’ preferences into account when setting the investment strategy for the Scheme.

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

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with its respective published corporate governance policies. These policies, which are available to the Trustees, take into account the financial interests of shareholders and should be for the Plan’s benefit.

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 the best interests of the majority of the Plan’s membership.

**Appendix B - Voting Activity**

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes examples
		Votes in total	Votes against management endorsement	Abstentions		
Vontobel Global Equity Fund	<p>Institutional Shareholder Services, Inc. (ISS), to place and store all votes as well as provide proxy vote-related research.</p> <p>Vontobel use the ISS Sustainability Policy for basic guideline advice, but retain independence to vote in accordance with they believe will best represent the long-term interests of their investors.</p>	826 votes (100% of eligible votes)	12.8% of votes cast	0.0% of votes cast	<p>Vontobel regard significance as a balance between:</p> <p>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.</p> <p>Votes are aimed at aligning shareholder interests with those of the management teams to deliver sustainable long-term growth.</p>	<p>Wal-Mart de Mexico SAB de CV Vote against re-electing Blanca Avelina Treviño de Vega as an independent board member.</p> <p>Rationale: Blanca Avelina Treviño de Vega cannot be considered an independent board member as the individual has been on the board for more than 12 years. Board independence is especially critical where companies have high insider ownership.</p> <p>Outcome: Pass.</p> <p>Nestle Vote against re-electing Paul Bulcke as Director and Board Chairman.</p> <p>Rationale: As a general policy Vontobel will vote against executives holding dual senior rolls on both the board and as an executive.</p> <p>Outcome: Pass</p>
Fundsmith Equity Fund	ProxyEdge is used to organise their voting activity, but	429 votes	9% of votes cast	0.5% votes	Votes are deemed significant	Pepsi

<p>More information is given in their Annual Stewardship Report:</p> <p><a href="https://www.fundsmith.eu/media/ixubdiog/fundsmith-stewardship-report-2022.pdf">https://www.fundsmith.eu/media/ixubdiog/fundsmith-stewardship-report-2022.pdf</a></p>	<p>no proxy voter is used</p> <p>Each vote is assessed on a case-by-case basis. Fundsmith will vote in the best interest of clients and to support the long-term performance of the company in question.</p>	<p>(100% of eligible votes)</p>			<p>depending on the size of their holding in the company or the weighting of the company in the portfolio. Votes that avoid or generate a material impact on performance or are removed from typical voting behaviour or address key issues are also significant.</p>	<p>Shareholder proposed vote to appoint an independent chair of the board of directors.</p> <p>Rationale: Fundsmith believes an independent chair is important for impartial decision making and promoting long term thinking on the board.</p> <p>Outcome: Rejected</p> <p>Unilever Vote against approving Mr A Jope as an executive director.</p> <p>Rationale: Fundsmith felt that the executive director was failing to prioritise the company's long term, sustainable growth.</p> <p>Outcome: Pass</p>
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Note: The information in the table has been provided by the investment managers and covers 12 months to 31 March 2023