

# **The Whiteley Pension Scheme**

## **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 (the “Scheme Year”). 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, as amended, and the guidance published by the Pensions Regulator.

#### **Investment Objectives of the Scheme**

The Trustee believes 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 Trustee’s 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 Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

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

#### **Policy on ESG, Stewardship and Climate Change**

The Trustee understands that it must consider all financially relevant factors in making investment decisions on behalf of the Scheme. However, the Trustee may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Scheme’s investments over the duration of the Scheme, if it believes that such factors reflect the views of members.

The Trustee recognises that ESG factors, including climate change, can all 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 and that ESG risks are identified and avoided or mitigated appropriately.

The SIP was not updated over the Scheme Year and the Scheme’s current SIP, dated 15 February 2022, sets out the Trustees’ policies on these factors. The SIP is available online at:

<https://members.pensionpal.co.uk/WhiteleyPensionScheme>

We have set out the Trustee's policies on ESG factors in Appendix 1 to this Statement. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially.

### **Scheme's Investment Structure**

The majority of the Scheme's assets are held in a Trustee Investment Policy (TIP) through Mobius Life Limited (Mobius). The Mobius TIP facilitates investments into a range of underlying pooled funds managed by third party investment managers. Mobius life policyholders hold unit-linked insurance policies which should be treated as pooled investments.

The Trustee has no direct relationship with the Scheme's underlying investments managers held through the Mobius TIP.

By investing through Mobius, the Scheme benefits from discounted investment manager fees and the ability to make changes to investments quickly and efficiently.

The Scheme also retains a direct investment in the Schrodgers Capital UK Real Estate Fund (SREF).

The Trustee has the responsibility of monitoring the pooled funds, in conjunction with advice received from its investment advisor, Mercer.

### **Trustee Engagement**

Mercer's quarterly performance reports include Mercer's ESG scores for the funds in which the Scheme is invested. These scores reflect Mercer's view on how the managers incorporate ESG factors into the management of their funds and help the Trustee to determine whether further action should be taken in respect of specific funds.

The Trustee monitors the development of these scores over time, and also considers Mercer's ESG scores when undertaking an investment strategy review and when considering new investment funds.

The Trustee is satisfied that Mercer's ESG scores for the funds held by the Scheme are satisfactory in the context of the mandates of the funds.

As the Trustee has no direct relationship with the Scheme's underlying investment managers (with the exception of the SREF), the engagement initiatives are driven by investment managers, mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

The information in the Appendix shows that the Scheme's managers engaged with a large number of investee companies on a wide range of issues.

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

Schroder:

<https://www.schroders.com/en-gb/uk/institutional/what-we-do/sustainable-investing/our-sustainable-investment-policies-disclosures-voting-reports/>

abrdrn:

<https://www.abrdrn.com/en-us/intermediary/sustainable-investing>

Columbia Threadneedle:

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

Legal & General:

<https://group.legalandgeneral.com/en/sustainability/responsible-investing>

All the Scheme's investment managers are signatories of the UK Stewardship Code as follows:

<b>Manager</b>	<b>Signatory Since</b>
Schroder	2021
abrdrn	2021
Columbia Threadneedle	2022
Legal & General	2021

Source: FRC website

Taking all the above into consideration, the Trustee is satisfied that Responsible Investment is central to the investment managers' approaches to investing.

### **Voting Activity**

If the Trustee is specifically invited to vote on a matter relating to the corporate policy, it would exercise its right in accordance with what it believes to be in the best interests of the majority of the Scheme's members.

Over the Scheme Year, the Trustee has not been asked to vote on any specific matters and therefore has not cast any votes.

As noted earlier, apart from the SREF, the Trustee has no direct relationship with the pooled funds the Scheme is ultimately invested in, and therefore the Trustee has no voting rights in relation to the Scheme's investments and no direct ability to influence the investment managers of the pooled funds. Furthermore the SREF is a property fund and contains no voting rights. As a result, the Trustee does not directly use the services of a proxy voter as this is not relevant.

The DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, "*Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the*

*Implementation Statement: Statutory and Non-Statutory Guidance* (“Statutory Guidance”) to be adopted in all Engagement Policy Implementation Statements for schemes with a year end on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a “significant vote”.

- A significant vote is defined as one that is linked to the Scheme’s stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;
- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustees have identified that climate change & carbon neutrality is their most important stewardship priority. Therefore, the significant votes shown in this Statement relate to this.

Appendix 2 sets out a summary of the key voting activity over the financial year 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 investment managers consider to be a significant vote. The Trustee has no influence on the managers’ definitions of significant votes but has noted these and are satisfied that they are reasonable and appropriate.

Appendix 2 shows those significant votes supplied by the investment manager which the Trustee determines to be a significant vote – i.e. those that are in relation to climate change & carbon neutrality. The Trustee has applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.1% or more of the specific fund.

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

The Trustee is satisfied that the engagement policies set out in the SIP, which was in place over the year, have been followed.

## **Appendix 1 – Policy on ESG, Stewardship and Climate Change**

The policies below are included within the 22 February 2022 SIP:

### **Financially Material Considerations**

The Trustee considers many risks which it anticipates could impact the financial performance of the Scheme's investments over the Scheme's expected lifetime. Such risks are set out in the next section of this statement.

The Trustee recognises that environmental, social and corporate governance ("ESG") factors, such as climate change, can influence the investment risk and return outcomes 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.

The Trustee further recognises that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

In setting the investment strategy, the Trustee has prioritised funds which provide leveraged protection against movements in the Scheme's liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be paramount.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustee will review its approach to ESG on an ongoing basis to make sure that the policy evolves in line with emerging trends and developments.

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

## **Non-Financial Matters**

The Trustee has determined that the financial interests of the Scheme members are the first priority when choosing investments.

It has 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.

## **Stewardship**

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

If the Trustee is specifically invited to vote on a matter relating to corporate policy, it would exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership.

If a new investment manager is selected, the Trustee will consider the Investment Adviser's ESG score, which incorporates an assessment of engagement and voting as part of the process.

## Appendix 2 – Voting and Engagement Activity

This Appendix sets out a summary of the key voting and engagement activity of the pooled funds in which the Scheme's assets are ultimately invested.

### Engagement:

Fund	Total Engagements	Climate Change Engagements
Schroder Life Diversified Growth Fund	1,193	611
Abrdn Diversified Growth Fund	262	Not provided
L&G Active Corporate Bond – All Stocks Fund	91	37
Columbia Threadneedle LDI	23	Not provided
Columbia Threadneedle Sterling Liquidity Fund	6	4

Sourced by Mobius from the investment managers

In relation to the SREF, Schroder does not provide overall engagement numbers but note that it invests in direct real estate, and engagement is integral and continuous with a range of stakeholders including occupiers, communities, service providers, environment and investors. Schroder seeks regular and ongoing engagement to ensure a good occupational experience to help and retain tenants. Its Sustainability Requirement for Property Managers includes key performance indicators on tenant engagement for Property Managers responsible for day-to-day tenant relationship. Alternatively, engagement could be through membership to industry groups i.e. Better Buildings Partnership (BBP) and their members' commitment to achieve Net Zero Carbon by 2050.

### Voting:

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
<b>abrdn Diversified Growth Fund</b>	abrdn utilises the services of Institutional Shareholder Services (ISS) and has a bespoke policy in place with ISS. In the UK the Investment Association's (IA) Institutional Voting Information Service (IVIS) is also used.  Recommendations from ISS and IVIS inform	9,942 resolutions eligible for (93.35% votes cast)	12.10% of votes cast	0.53% of votes cast	abrdn has identified five categories of votes it considers as significant and has ordered these based on its view of their importance:  Significant Vote Category 1 ('SV1'): High Profile Votes • Focus on votes which received public and press interest with a focus on large, active holdings • Focus on votes which reflect significant	<b>Microsoft Corporation</b> <b>Shareholder Resolution</b> - "Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk" <b>Date of vote:</b> 13 December 2022 <b>Size of holding:</b> 0.29% of portfolio <b>Voting:</b> Against <b>Manager Rationale:</b> "We recognise the potential financial materiality of ESG factors and support the idea

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
	<p>abrdrn's voting but the final decision is always made by abrdrn.</p> <p>Information on abrdrn's voting policy is available at:  <a href="https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf">https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf</a></p>				<p>governance concerns regarding the company</p> <ul style="list-style-type: none"> <li>Resolutions proposed by abrdrn</li> </ul> <p>Significant Vote Category 2 ('SV2'): Shareholder and Environmental &amp; Social (E&amp;S) Resolutions</p> <ul style="list-style-type: none"> <li>Votes on shareholder E&amp;S proposals where abrdrn has engaged with the proponent or company on the resolution</li> <li>Votes on management-presented E&amp;S proposals</li> <li>Focus on shareholder proposals where abrdrn has voted contrary to management recommendations</li> </ul> <p>Significant Vote Category 3 ('SV3'): Engagement</p> <ul style="list-style-type: none"> <li>Focus on resolutions where abrdrn has engaged with the company on a resolution</li> <li>Focus on resolutions where post-engagement abrdrn voted contrary to its custom policy</li> </ul> <p>Significant Vote Category 4 ('SV4'): Corporate Transactions</p> <ul style="list-style-type: none"> <li>Focus on selected votes which have a financial impact on the investment with a focus on acquisitions</li> </ul> <p>Significant Vote Category 5 ('SV5'): Votes contrary to custom policy</p> <ul style="list-style-type: none"> <li>Focus on large active holdings where abrdrn has voted contrary to custom policy following analysis</li> </ul>	<p>that employees should be able to invest retirement savings in a manner that aligns with their values. It appears to be possible for Microsoft employees to do this. The US Department of Labor recently finalised rules on how ESG factors should be considered by fiduciaries. It therefore seems prudent to allow the Company and plan fiduciaries time to consider the new rules and any influence they may have on its selection of investments."</p> <p><b>Was this communicated to company ahead of vote:</b> N/a – voted with management</p> <p><b>Vote Outcome:</b> Resolution failed</p> <p><b>Next steps:</b> N/a – as result in line with abrdrn's vote</p> <p><b>Alphabet Inc.</b></p> <p><b>Date of vote:</b> 1 June 2022</p> <p><b>Size of holding:</b> 0.15% of portfolio</p> <p><b>Shareholder Resolution -</b> "Establish an Environmental Sustainability Board Committee"</p> <p><b>Voting:</b> Against</p> <p><b>Manager Rationale:</b> "Alphabet's existing board and committee structures appear to have the appropriate authority and remit to address environmental risks."</p> <p><b>Was this communicated to company ahead of vote:</b> N/a – voted with management</p> <p><b>Vote Outcome:</b> Resolution failed</p> <p><b>Next steps:</b> N/a – as result in line with abrdrn's vote</p> <p><b>Alphabet Inc.</b></p> <p><b>Date of vote:</b> 1 June 2022</p> <p><b>Size of holding:</b> 0.15% of portfolio</p>



Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
						<p><b>Shareholder Resolution</b> - "Report on Physical Risks of Climate Change"</p> <p><b>Voting:</b> For</p> <p><b>Manager Rationale:</b> "The company has taken positive steps to assess and report on risks from climate change and its mitigation efforts. We support continued progress in this area and believe shareholders would benefit from additional detail on mitigation of physical risks to better assess the company's overall approach."</p> <p><b>Was this communicated to company ahead of vote:</b> "We do not track the specific votes where we communicated our intent prior to voting. To enhance our analysis we will often engage with companies held in our active portfolios prior to voting to understand additional context and explanations, particularly where there are concerns related to an agenda. We endeavour to communicate voting intentions and rationale for votes against or abstention to encourage change and maintain a dialogue on matters of concern. Given the concentration of AGMs, we may not always be able to communicate intentions and rationale ahead of a vote. We may therefore follow up after a vote to encourage improvement where it is needed in advance of future general meetings."</p> <p><b>Vote Outcome:</b> Resolution failed</p> <p><b>Next steps:</b> "Due to the concentration of votes that we conduct we do not track specific next steps/implications for each vote. We will assess each company and the voting outcomes on a case by case basis. Where necessary we may follow up after a vote to encourage improvement where it is needed in advance of future general meetings. We will continue to</p>

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
						<p>monitor the company to ensure sufficient progress against any material issue(s) is being made. If we have serious concerns around a company's approach to certain issues we can and may deploy a number of other escalation strategies."</p> <p><b>Amazon.com Inc</b>  <b>Date of vote:</b> 25 May 2022  <b>Size of holding:</b> 0.12% of portfolio  <b>Shareholder Resolution</b> - "Report on Retirement Plan Options Aligned with Company Climate Goals"  <b>Voting:</b> Against  <b>Manager Rationale:</b> "Employees should be able to invest retirement savings in a manner that aligns with their values and it appears that it is possible for the company's employees to do so at this time."  <b>Was this communicated to company ahead of vote:</b> N/a – voted with management  <b>Vote Outcome:</b> Resolution failed  <b>Next steps:</b> N/a – as result in line with abrdn's vote.</p>
<b>Schroder Life Diversified Growth Fund</b>	Institutional Shareholder Services (ISS) act as Schroder's one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroder receives recommendations from ISS in line with its own bespoke guidelines, in addition, it receives ISS's Benchmark research. This is complemented with	15,662 resolutions eligible for (95.30% votes cast)	9.67% of votes cast	0.59% of votes cast	Schroder believes that all resolutions when it votes against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.	No votes in relation to climate change on companies that constituted more than 0.1% of the fund.

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
	analysis by in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. Further information on its voting and engagement policy can be found at: <a href="https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf">https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf</a>					

Note: The information in the table has been provided by the investment managers and covers 12 months to 31 March 2023.

\* All are considered significant because they relate to climate change and carbon neutrality and are in relation to a company that constitutes 0.1% or more of the specific fund