Yorkshire Fittings Pension Scheme

Annual Engagement Policy Implementation Statement

Introduction

This Engagement Policy Implementation Statement ("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 31 March 2024 (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 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 objectives set out above provide a framework for the Trustees when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policies on ESG factors, stewardship and climate change. These policies were updated in the SIP approved on 26 October 2023, which was the SIP in force at the Scheme year end. We have set these policies out in Appendix 1 to this Statement.

Prior to this, the SIP approved on 5 July 2022 applied for the first part of the Scheme year.

After the Scheme year end, the SIP was updated on 13 August 2024 to reflect very recent changes to the Scheme's investments. Further information is provided on these changes below.

The latest SIP is available online at:
https://members.pensionpal.co.uk/YorkshireFittingsPensionScheme

The Trustees keep their policies under regular review and will reconsider them when reviewing the SIP, which is subject to review at least triennially.

Scheme's Investment Structure

In July 2023, the Trustees revised the Scheme's investment strategy to introduce an allocation to Diversified Growth Funds (DGF) and Multi Asset Credit (MAC). The aim of this was to start reducing the level of investment volatility of the Scheme's return seeking assets and to put in place the building blocks, to enable further risk reduction, as the Scheme's funding position continues to improve.

Mobius

The new DGF and MAC investments were made through a Trustee Investment Policy ("TIP") with Mobius Life Limited ("Mobius"). By investing through Mobius, the Scheme benefits from discounted investment manager fees and the ability to make changes to investments quickly and efficiently.

At 31 March 2024, the Trustees were in the process of further revising the Scheme's investment arrangements.

The most significant part of these changes was to transfer the Scheme's equity investments from RBC Brewin Dolphin to Mobius, with the proceeds being invested into funds managed by Legal and General Investment Management ("LGIM").

This change had largely been completed by 31 March 2024, although a residual portion was transferred in early April 2024.

As part of the revision of the arrangements, the Columbia Threadneedle (CT) LDI assets were novated to Mobius, although no change was made to the LDI asset allocation. This change was completed before 31 March 2024.

Therefore, at 31 March 2024, the majority of the Scheme's assets (shortly after, all the Scheme's assets) were held in a TIP through Mobius.

The Mobius TIP facilitates investments into a range of underlying pooled funds managed by third party investment managers. Mobius policyholders hold a unit-linked insurance policy, the value of which moves directly in line with changes in the value of the underlying pooled investment funds.

The Trustees have no direct relationship with the Scheme's underlying investment managers in relation to the pooled funds held through the Mobius TIP.

RBC Brewin Dolphin

RBC Brewin Dolphin was first appointed to manage the Scheme's Growth Portfolio in 2008.

RBC Brewin Dolphin managed its portfolio in line with the agreed investment objective and risk profile and a key duty of RBC Brewin Dolphin was to select a range of pooled funds to invest in, suitable to the overall mandate. Typically, the portfolio was well diversified, investing in over 30 or more pooled funds.

Under the RBC Brewin Dolphin arrangement, the underlying pooled fund units were held in the name of a number of UK nominee companies and overseas custodians. The Trustees therefore had no direct relationship with the Scheme's underlying investments managers and no direct ownership of the underlying investments.

Columbia Threadneedle

The Trustees first appointed CT (who acquired BMO's EMEA investment businesses) to manage the Scheme's Liability Matching assets in October 2014, and had invested in CT's pooled Liability Driven Investment funds. As noted above, the Scheme remains invested in these funds, but they are now accessed through Mobius. The Trustees note that there are no voting rights attached to the CT LDI funds due to the nature of these investments.

AVCs

We do not include information in this Statement in relation to the Additional Voluntary Contributions as they are immaterial in the context of the Scheme's overall investments.

Trustees Engagement

Over the Scheme Year, the Trustees commissioned Mercer to produce quarterly performance reports. The reports include Mercer's ESG scores for the funds, in which the Scheme is invested, with the exception of those invested through RBC Brewin Dolphin. These scores reflect Mercer's view on how the managers incorporate ESG factors into the management of their funds and help the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees monitor the development of these scores over time. They also considered Mercer's ESG scores when undertaking an investment strategy review and when considering new investment funds, as was done when introducing DGF and MAC, and also in relation to LGIM.

Based on the information provided, the Trustees are satisfied that Mercer's ESG scores are satisfactory in the context of the mandates of the funds.

As the Trustees have no direct relationship with the Scheme's underlying investment managers 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 Appendix 2 shows that the Scheme's managers engaged with a large number of investee companies on a wide range of issues.

In previous years' Statements, the Trustees have provided detailed commentary of the engagements that RBC Brewin Dolphin has made with the underlying fund managers. The Trustees continued to engage with RBC Brewin Dolphin over the Scheme Year, with RBC attending each Trustee and regular ISC meeting.

The Trustees received confirmation from RBC Brewin Dolphin that it continued to engage proactively with the underlying fund managers, to challenge them where appropriate and promote and encourage responsible investment.

The Trustees have taken reassurance from this.

However, given that the Trustees were informed by RBC Brewin Dolphin, during the year under review, that it intended to focus on its core priorities and withdraw from Defined Benefit pensions, the Trustees' recent focus has been putting in place appropriate arrangements to replace RBC Brewin Dolphin. We therefore do not include further detailed commentary on RBC Brewin Dolphin's engagements in this year's Statement.

Instead, we would note that the Trustees, in conjunction with advice from Mercer, the Scheme's investment consultant, undertook a review to determine a suitable replacement provider.

After appropriate consideration, the Trustees chose to invest in LGIM's Future World equity funds. The Trustees understand LGIM to be market leading on ESG and stewardship amongst passive investment managers, and the future world equity funds are LGIM's flagship ESG tilted passive equity funds.

The Trustees also note that Aalberts NV, the parent company, has a strong ESG culture, and using ESG tilted funds is therefore consistent with this.

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:

RBC Brewin Dolphin:

https://www.brewin.co.uk/group/responsible-investment-at-rbc-brewin-dolphin

Nordea:

https://www.nordeaassetmanagement.com/responsible-investment

Columbia Threadneedle:

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

M&G:

https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments

Legal & General:

https://www.lgim.com/uk/en/capabilities/investment-stewardship/

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

Manager	**Signatory since**
RBC Brewin Dolphin	2021
Columbia Threadneedle	2022
M&G	2021
Nordea	2022
Legal & General	2021

Source: FRC website

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

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 in 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.

As noted earlier, the Trustees have no direct relationship with the pooled funds in which the Scheme is ultimately invested, 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. As a result, the Trustees do not directly use the services of a proxy voter as this is not relevant.

In accordance with the regulatory requirements, the Trustees have considered what they deem to be a 'significant vote' and determined that climate change and carbon neutrality is their most important stewardship priority. Therefore, in accordance with the reporting requirements, the significant votes shown in this statement relate to these.

Under the RBC Brewin Dolphin portfolio, the Scheme invested in a large number of pooled funds. Appendix 2 sets out a summary of the key voting activity over the financial year of the pooled funds with the highest concentration of the Scheme's assets. For this purpose, the Trustees consider 5% to be an appropriate metric for the concentration of Scheme assets, and therefore information is provided for those funds which individually contained 5% or more of the Scheme's assets at the Scheme Year end and 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. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

Appendix 2 also shows those significant votes supplied by the investment managers which the Trustees determine to be a significant vote – i.e. those that are in relation to climate change & carbon neutrality. The Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.5% or more of the specific fund.

Assessment of how the engagement and voting policies in the SIP have been followed for the year to 31 March 2024

Taking the above into consideration, the Trustees are satisfied that the engagement and voting policies set out in the SIPs, which have been in place over the year, have been followed.

Appendix 1 – Policy on ESG, Stewardship and Climate Change

The policies below are included within the 26 October 2023 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 life of the Scheme. This includes, but is not limited to, ESG.

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 with CT, Mobius and via a mandate with Brewin Dolphin.

The Trustees note 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 DGF and MAC funds, 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 Trustees receive ESG scores provided by Mercer in relation to CT LDI and the funds invested through Mobius, and will monitor how these develop over time.

They would also consider Mercer's ESG scores before investing in a new fund through Mobius.

For Brewin Dolphin they are satisfied that an ESG assessment is embedded into the investment manager's research process and that such factors are an integral part of determining which pooled investments are suitable for the Scheme.

In particular, Brewin Dolphin looks for fund managers who share their commitment to the United Nations Principles of Responsible Investing ("UNPRI") and act as responsible asset owners. As part of this, fund managers are screened and Brewin Dolphin only approve and invest in those which explicitly integrate ESG considerations into their investment process and have a voting policy and vote their proxies. Comprehensive reporting allows for oversight and ongoing monitoring by Brewin Dolphin.

Brewin Dolphin has been recognised with Signatory Status to the UK Stewardship Code 2020 and has also committed to achieving net zero by 2050, and this will require the same commitment from all of investee funds and companies as well.

In 2021 Brewin Dolphin introduced an innovative controversy tracking process. Run by its fund research team, the process has three key aims:

- Real time analysis of ESG leadership
- Monitor funds' stewardship processes

- Exert influence over holdings in collectives

The team continuously tracks news flow for controversies in the companies to which they are indirectly exposed and if significant enough, will reach out to the buy-list funds that hold the company in question. The objective of the exercise is to understand their investment case and if the news has changed it, as well as examining the ESG processes and stewardship leadership of the fund manager.

It is not just a case of highlighting controversies to fund managers and leaving it there. Brewin Dolphin's fund research team requests detailed responses from managers, explaining their position on the controversy, any engagement work they are undertaking and any impact it might have on the rationale for continuing to own the stock. This gives Brewin Dolphin important insights into the way the funds invested in are managed, with some being exemplary whilst for others has led to high level meetings with management to express concerns and suggest improvements to processes.

Brewin Dolphin has also engaged extensively with its fund managers based upon the Transition Pathway Initiative ("TPI"), with objectives to:

- Identify holdings that might be controversial because of their lack of alignment with the TPI and Paris Agreement goals

- Better understand the ESG integration processes and engagement activities that the funds cover

- Let the fund managers know that this is something taken seriously

- Monitor developments over time

The Trustees will continue to monitor ESG considerations to make sure that their policy evolves in line with emerging trends and developments.

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.

- Stewardship

The Scheme is invested solely in pooled investment funds. The funds which contain equities are held through either Mobius or Brewin Dolphin and the Trustees therefore have no direct voting rights.

The Trustees' policy is therefore to invest with investment managers where responsible investment is embedded appropriately in their approach to investment; including monitoring and engaging with investee companies, and exercising voting rights appropriately.

Information on the investment managers' approach to responsible investment, voting and engagement with the investee companies is available at the following websites:

Brewin Dolphin:

https://www.brewin.co.uk/group/sustainability/responsible-investment-at-brewin

Columbia Threadneedle:

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

Nordea:

https://www.nordeaassetmanagement.com/responsible-investment

M&G:

https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments

Mercer's quarterly reporting to the Trustees includes Mercer's ESG score for CT and the funds in which the Scheme is invested through Mobius. The ESG score incorporates an assessment of engagement and voting as part of the process.

Receipt of this score on a quarterly basis enables the Trustees to monitor that these scores remain appropriate in the context of the fund mandates.

The Trustees also receive an annual update of ESG considerations and engagement activity from Brewin Dolphin.

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

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

If a new investment manager is selected, the Trustees would consider Mercer's ESG score for the new manager as part of their decision making 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 Plan's assets are ultimately invested.

Engagement:

Fund	Total Engagements	Environmental Engagements*
LGIM Future World Global Equity Index Fund	795	463
Nordea Diversified Return Fund	120	60
Threadneedle Multi Asset Fund	285	133
M&G Total Return Credit Fund	12	8
Columbia Threadneedle LDI	15	11

Sourced by Mobius from the investment managers
* Environmental engagements shown as engagements specifically in climate change and carbon neutrality not available

Voting:

Fund	Proxy voter used?	Voting information	Most significant votes (description)	Trustee significant votes*
LGIM Future World Global Equity Index Fund	ISS used for voting execution. All voting decisions are made by LGIM. To ensure ISS votes in accordance with LGIM's position on ESG, LGIM has put in place a custom voting policy with specific voting instructions.	**Total votes:** 52,212 resolutions eligible for (99.91% cast) **Votes against management:** 19.47% of votes cast **Abstentions:** 0.27% of votes cast	LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to: • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority	**JP Morgan Chase and Co.** **Shareholder Resolution** - "Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets" **Date of vote**: 16 May 2023 **Size of holding**: 0.88% of portfolio **Voting:** For **Manager Rationale:** "We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company." **Was this communicated to company ahead of vote**: LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting. **Vote Outcome:** Resolution failed **Next steps**: LGIM will continue to engage with the company and monitor progress.

Fund	Proxy voter used?	Voting information	Most significant votes (description)	Trustee significant votes*
			engagement themes.	
Nordea Diversified Return Fund	Every vote cast is considered individually on the background of Nordea's bespoke voting policy, which is developed in-house based on its principles. Proxy voting is supported by two external vendors (ISS and Nordic Investor Services) to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors merged. During 2023, Glass Lewis was also added to this list of external vendors but is mainly used for analytic input.	**Total votes:** 2,069 resolutions eligible for (98.86% cast) **Votes against management:** 12.44% of votes cast **Abstentions:** 2.47% of votes cast	Significant votes are those that are severely against Nordea's principles, and where it feels it needs to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals versus its policy.	**Comcast Corporation** **Shareholder Resolution** - "Report on GHG emission reduction targets aligned with the Paris Agreement goal" **Date of vote**: 7 June 2023 **Size of holding**: 1.44% of portfolio **Voting:** For **Manager Rationale:** "We believe that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks." **Was this communicated to company ahead of vote**: Nordea will share its concern with the Chairman of the Board. **Vote Outcome:** Resolution failed **Next steps**: Nordea will continue to support shareholder proposals on this issue as long as it is needed. **Alphabet** **Shareholder Resolution** - "Report on Lobbying Payments and Policy, Report on Framework to Assess Company Lobbying Alignment with Climate Goals etc." **Date of vote**: 2 June 2023 **Size of holding**: 4.75% of portfolio **Voting:** Against management **Manager Rationale:** "At the Alphabet AGM we supported a number of shareholder proposals, besides Report on managing risks related to data collection, privacy and security, such as Report on physical risks of climate change, Report on climate lobbying and Report on steps to improve racial and gender Board diversity. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors." **Was this communicated to company ahead of vote**: No **Vote Outcome:** Resolution failed **Next steps**: Nordea will continue to support shareholder proposals on this issue as long as the company is not showing substantial improvements.

Fund	Proxy voter used?	Voting information	Most significant votes (description)	Trustee significant votes*
Threadneedle Multi Asset Fund	CT's Global Corporate Governance Guidelines are translated into detailed proxy voting policies, including 25 market/regional variations that take into consideration local legal and regulatory environments as well as local codes of best practice and domestic investor expectations. CT partners with ISS to consistently implement the bespoke voting approach. ISS also provides recordkeeping and vote disclosure services CT uses its specialist corporate governance team on the most complex and sensitive cases. Glass, Lewis & Co., IVIS (in the UK) and ISS provide proxy research services to ensure quality and objectivity in connection with voting client securities. Other internal and external research is used to support vote decisions as appropriate.	**Total votes:** 6,702 resolutions eligible for (98.78% cast) **Votes against management:** 11.62% of votes cast **Abstentions:** 1.60% of votes cast	For the purposes of this reporting, CT determines significant votes to based on one or more of the following criteria: • Materiality of issues and the impact on shareholder value • Votes against the recommendation of the Board • Value/size of the shareholding relative to the total portfolio • The materiality of the vote to engagement outcomes • Size of holdings in the company.	**Amazon** **Shareholder Resolution** - "Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines" **Date of vote**: 24 May 2023 **Size of holding**: 1.1% of portfolio **Voting:** For Resolution **Manager Rationale:** "Shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. We are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. Current disclosure does not sufficiently provide investors such information." **Was this communicated to company ahead of vote**: No **Vote Outcome:** Resolution failed **Next steps**: Active stewardship (engagement and voting) continues to form an integral part of CT's research and investment process.

Sourced from the investment managers and relate to year ending 31 March 2024

* All are considered significant because they relate to climate change and carbon neutrality and are in relation to a company that constitutes 0.5% or more of the specific fund