THE HOWDEN JOINERY PENSION PLAN

IMPLEMENTATION STATEMENT

YEAR ENDED 31 MARCH 2021

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations require that the trustees of the Howden Joinery Pension Plan ("the Trustee", "the Plan") produce an annual implementation statement which outlines the following:

- A summary of the changes made to the Statement of Investment Principles ("SIP") over the Plan year;
- Evidence on how the Trustee has fulfilled the objectives and policies included in the SIP have been followed over the Plan year;
- A description of the voting behaviour by or on behalf of the Trustee (including the most significant votes cast by the Trustee or on their behalf) during the Plan year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. This Implementation Statement has been prepared by the Trustee and covers the Plan year from 1 April 2020 to 31 March 2021 ("Plan Year"). A copy of this implementation statement is available here:
https://howdenjoinerypensions.co.uk/howden/

Changes to the SIP over the period

Over the Plan Year, the Statement of Investment Principles ("SIP") was reviewed and updated in July 2020 and September 2020. The September 2020 update was in response to the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019. The revisions:

- Include the Trustee's policies on the arrangements with their investment managers, including how costs and performance are monitored and assessed
- Extend the policy on stewardship and set out the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters

The SIP dated July 2019 applied from the start of the Plan Year until the Trustee put in place a revised SIP dated July 2020 and then a further revised SIP dated September 2020, which applied for the rest of the Plan Year. The Trustee considered each SIP when preparing this implementation statement.

A further update to the asset allocation ranges in the SIP was made in June 2021.

The Plan's Stewardship Policy which was in effect over the reporting and Plan Year to 31 March 2021 is summarised below.

The full SIP can be found online here:
https://howdenjoinerypensions.co.uk/media/3522/statement-of-investment-principles-june-2021.pdf

The Trustee recognises the importance of its role as a steward of capital and the need to assess all financially material risks in its investment decision making process. This includes risks associated with climate change, as well as other environmental, social and governance ("ESG")-related factors. To this end, the Trustee strives to maintain the highest standards of governance, promotion of corporate responsibility and awareness of environmental factors throughout the Plan's portfolio. The Trustee believes that doing so ultimately creates long-term financial value for the Plan and its beneficiaries.

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The Trustee regularly reviews the suitability of the Plan's appointed investment managers and takes advice from its investment consultant in this regard. This advice includes consideration of broader stewardship and engagement matters and the exercise of voting and engagement rights by the appointed managers. The Trustee carefully reviews its managers' approaches to stewardship, and other ESG-related, matters and communicates its expectations and standards to its investment managers. As part of these standards:

- The Trustee requires its investment managers to be signatories to the Principles for Responsible Investment ("PRI").
- The Trustee expects its investment managers to act in accordance with the UK Corporate Governance Code (or its equivalents for overseas investments).
- The Trustee expects the Plan's investment managers to use their influence as major institutional investors to exercise the Plan's rights and duties as a shareholder including voting, along with —where relevant and appropriate —engagement with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

If an incumbent manager is found to fall short of the standards set by the Trustee, they are expected to provide satisfactory explanations as to why they are not meeting those standards. While the Trustee may seek to engage with a manager deemed to be falling short of its standards to reach a more sustainable position, failure of that manager to comply may result in a decision to replace the manager. The Trustee monitors the voting and engagement activities of its investment managers on a regular basis. On an annual basis, the Trustee conducts an in-depth review of its managers' stewardship activities, including an assessment of the alignment between the managers' activities and the Trustee's policies as communicated to each manager. The Trustee does so to ensure that its managers, or other third parties, act in a manner that is consistent with the Trustee's policies and objectives.

The Trustee expects adequate transparency and disclosure from its investment managers. At a minimum, the Trustee expects to receive annual reporting on their voting and engagement activities where relevant. The disclosures offered for engagements should include the objectives and relevance to the Plan and its members, methods of engagement, progress and perspectives around shortcomings and outcomes to date, as well as escalation points and procedures as necessary.

Voting disclosures should include voting actions and rationale with relevance to the Plan, in particular where votes were cast against management; votes against management generally were significant, votes were abstained, and voting differed from the voting policy of either the Trustee or the investment manager.

Where voting is concerned the Trustee expects its investment managers to recall stock lending procedures as necessary in order to exercise the voting rights associated with such securities.
In line with its commitment to transparency and disclosure, the Trustee reports its responsible investment activities to the Plan's stakeholders on an annual basis within the Trustee's report and accounts.

The Trustee recognises that effective collective action can contribute to the mitigation of the risks identified above. To this end, the Trustee encourages its investment managers to, where permitted by relevant legal and regulatory codes, consider collaboration with others where collaboration is likely to be the most effective mechanism for addressing issues that are of interest to the Plan.

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From time to time, the Trustee will review the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee will engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Assessment of how the policies in the SIP have been followed for the year to 31 March 2021

The Trustee outlines in the SIP several key objectives and policies. These are noted in *italics* in this report, together with an explanation of how these objectives and policies have been met and adhered to over the course of the year.

DB Section
Investment objectives of the Plan

The Trustee believes it is important to consider the policies in the context of the overall investment objectives of the Plan.
The objectives of the Plan, included in the SIP, are as follows.

"The Trustee aims to invest the assets of the Plan prudently so that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Plan's liabilities.

The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The Trustee acknowledges the long term nature of the Plan's liabilities and due to the size of the funding deficit, invests the assets in order to benefit from the expected outperformance of equities, and other return-seeking assets, over a minimum risk portfolio and is aware of the risks this involves."

The Trustee is satisfied the Plan's assets have been invested in line with the investment objectives over the Plan Year.

Further information on the investment strategy is provided later in this statement.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by its investment consultant, Aon. The Trustee uses these reports to monitor the performance, strategic asset allocation and risk management of the Plan's investments, covering a number of different objectives and policies set out in the SIP.

The reports from Aon include:

- Absolute performance and performance relative to Plan's estimated benchmark over the quarter, one year and three year periods
- Asset allocation relative to the previous quarter
- Detailed overview of the Plan's interest rate and inflation hedging levels
- Economic market review

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Strategy

The Plan's asset allocation strategy was determined with regard to the characteristics of the Plan, in particular the funding level, the liability profile, the security offered by Howden Joinery Group plc to the Plan and the ability of Howden Joinery Group plc to meet the required contributions. The objective is to reduce risk as the funding level improves, using an approach based upon the expected returns (and risk) relative to the Plan's liabilities.

Over the year, the Trustee has conducted various exercises in relation to the Plan's investment strategy. The most notable activities are highlighted below:

- An assessment of the economic impact of Covid-19 on the Plan's portfolio. The Trustee closely monitored a range of risks to test the investment arrangements and governance procedures in place over the year. The Trustee is satisfied appropriate measures were taken in light of the impact of Covid-19. Actions taken included rebalancing the Plan's assets and introducing new investment managers to reflect the changing market conditions.
- Considering implementing a flight plan and de-risking trigger framework to reach the Plan's long-term funding target following the outcome of the 2020 actuarial valuation. Following further discussions, the Trustee has agreed a framework which will allow the Plan’s investment strategy to de-risk over time as the Plan approaches its long-term objective of being 101% funded on a Gilts + 0.25% p.a. basis (“LTO”). The Trustee concluded the current strategy is still appropriate for this purpose.
- An assessment of buy-in affordability in the future which confirmed a buy-in is expected to be possible when the Plan hits its first de-risking trigger. The Trustee is continuing to undertake work through its Long Term Strategy Working Group to ensure it is in a position to capture buy-in opportunities when it is appropriate.
- Considering opportunities to appoint two new investment managers to the Plan's Secure Income portfolio, a direct lending fund and a multi asset credit fund, both with ESG credentials. Following further analysis, both managers were selected for implementation post year end.

The Trustee is satisfied that the Plan's strategy remains appropriate.

Risks

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Plan’s funding level and therefore contribute to funding risk.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews. The Trustee's policy is to monitor, where possible, these risks periodically.

The Trustee closely monitors the Plan's risks and receives formal regular reports on funding, strategic asset allocation and individual investment manager performance. Please refer to the "Ongoing Monitoring" section for further details on how risks within the Plan are monitored and reported.

The Trustee is notified separately by the investment consultant should any significant issues arise which may impact the ability of the investment managers to meet their performance target.

As explained above, the Trustee has fulfilled its policy to consider the various risks relevant to the Plan and is satisfied it has appropriate measures in place.

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Top-Up Account
Investment Objective and Strategy

The Trustee is responsible for investing the Plan assets in a prudent manner. Their key aim is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement.

The Trustee has offered twelve investment options to members which provide access to a range of suitable asset classes and a multi-asset fund. One of the investment options is the 'default' lifestyle strategy. The at-retirement asset allocation of the lifestyle strategy adopts a multi-asset approach and does not target a particular benefit format. It should therefore be appropriate for a typical member with a pre-determined retirement date irrespective of the format in which the member takes their Top-Up Account benefits.

The Trustee's policy is to provide suitable information for members so that they can make appropriate investment decisions and it has met this by uploading suitable information for members on the Plan's website https://howdenjoinerypensions.co.uk/howden/documents-and-links/forms-and-publications/

The range of funds was chosen by the Trustee after taking advice from its investment consultant, Aon. In choosing the Plan's investment options, it is the Trustee's policy to consider:

- *A full range of asset classes.*
- *The suitability of the possible styles of investment management and the need for manager diversification.*
- *The suitability of each asset class for a defined contribution scheme.*
- *The need for appropriate diversification of asset classes.*

The Trustee is satisfied that the investments options chosen have met the policy over the Plan Year.

Risks

The Trustee's policy in respect of risk measurement methods and risk management processes is set out below.

- *Risk of not meeting the reasonable expectations of members, bearing in mind members' contributions and fund choices.*
- *Risk of fund managers not meeting their objectives ("manager risk").*
- *The risk of fraud, poor advice or acts of negligence ("operational risk").*

The Trustee has sought to manage the risk of not meeting the reasonable expectations of members by offering a suitable range of investment options and ensuring members have access to clear, concise information about these options (via the Plan website).

Manager risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.

The Trustee has sought to minimise operational risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each investment strategy review. During this reporting period, the Trustee monitored risks through a variety of analysis including:

- Performance of the funds offered compared to the benchmarks and/or objectives on a quarterly basis
- monitoring any significant issues with the individual fund managers that may impact their ability to meet the performance targets set by the Trustee.

As explained above, the Trustee has fulfilled its policy to consider the various risks relevant to the Plan and is satisfied it has appropriate measures in place.

DB Section and Top-Up account

Implementation

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The investment consultant provides advice to the Trustee with regards to selection, implementation and monitoring of the Plan's investment managers and has (to the extent delegated), alongside the Trustee had regard to the criteria for assessment set out in the relevant regulations

Environmental, social and governance (ESG) considerations

In setting the Plan's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Plan and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

These include the risk that ESG factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance.

The Trustee's detailed policies on ESG considerations is set out above in the "Changes to the SIP over the period" section of this document.

The Trustee carefully reviews its managers' approaches to stewardship, and other ESG-related, matters and communicates its expectations and standards to its investment managers.

The Trustee receives regular updates on ESG metrics on its underlying investment managers, and uses these to monitor the managers, with the support of the investment consultant.

Over the reporting year there were several manager presentations during Funding and Investment Sub Committee meetings. During each of these presentations, the Sub Committee asked and reviewed the responses of a number of respective managers to specific questions relating to their ESG factor incorporation, voting and engagement.

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In addition to the manager stewardship question responses discussed by the Trustee during the respective manager presentations, additional information, in particular focussing on case studies of voting and engagement activity, were requested from managers in conjunction with the preparation of this Implementation Statement.

Please see the below section's "Plan stewardship activity over the year" and “Manager Voting and Engagement " for more details on stewardship activity and the engagement of the Plan's investment managers.

As explained above, the Trustee has fulfilled its strategy and policy in respect of ESG considerations.

Governance

The Trustee delegates certain decisions but takes the following decisions itself:

- *Monitoring actual returns versus Plan investment objective.*
- *Setting structures and processes for carrying out their role.*
- *Selecting and monitor planned asset allocation strategy.*
- *Appointing a Funding and Investment Sub-Committee.*
- *Selecting direct investments.*
- *Considering recommendations from the Funding and Investment Sub-Committee.*

The Trustee's policy is to review any direct investments and to obtain written advice about them at regular intervals.

The Trustee has satisfied this throughout the Plan Year through relevant investment advice from its investment consultant and review of quarterly monitoring reports by the Funding and Investment Sub-Committee and the full Trustee board.

The Trustee will review the SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes.

In line with regulatory requirements, the Trustee updated the SIP in September 2020 to reflect its policies on costs & transparency, incentivising managers and stewardship. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Plan's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

The Trustee received training from its investment consultant, Aon, in February 2020 prior to updating the SIP.

Cost Monitoring

The Trustee expects all of the Plan’s investment managers to provide them with full cost transparency in line with industry standard templates. Prior to their appointment, the Trustee expects investment managers to confirm their adherence to providing this information.

The Trustee undertakes analysis of the Plan’s costs and performance on at least a triennial basis by receiving benchmarking analysis comparing the Plan’s specific costs and performance of the underlying *managers relative to those of the wider market. This is in line with the Trustee's policies on reviewing the kinds and balance of investments to be held.*

Over the year, the Trustee received training on costs and commissioned the gathering of costs and charges data for all their investment managers via a third party; ClearGlass. The results were reviewed in May 2020. The Trustee was largely satisfied with the data received, recognising it enhanced oversight of Plan's costs. The Trustee will continue to receive and review this report on an annual basis and identify areas where oversight can be further enhanced.

Arrangements with Investment Managers

The Trustee monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:

- *make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and*
- *engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.*

The Trustee receives regular reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan objectives and assesses the investment managers over 3-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their investment manager, which supports the Trustee in determining the extent to which the Plan's engagement policy has been followed throughout the year.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Plan invests in a collective vehicle, then the Trustee will express its expectations to the investment managers by other means (such as through a side letter, in writing, or verbally at trustee meetings).

Plan stewardship activity over the year

Training

Over the year, the Trustee had various responsible investment training sessions with their investment consultant, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

The first training session was provided in May 2020 where the Trustee was updated on the upcoming regulatory changes.

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Updating the Stewardship Policy

The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Plan's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

This has been made available on the Howden Joinery pensions website where it can be accessed by the public.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustee by Aon. Aon periodically report ESG ratings and highlight any areas of concern, or where action is required. The ESG rating system is for buy rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision-making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager. Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy , active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data and policies, as well as conversation with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration or broader responsible investment developments.

Manager Voting and Engagement

Voting and Engagement – Equity & Multi-Asset Funds

Over the year, the Plan was invested in the following equity and multi-asset funds:

Manager	Fund Name
Legal & General Investment Management	Developed Balanced Factor Equity Index Fund - *GBP Currency Hedged & unhedged*
	Developed Balanced Factor Equity Index Fund
Newton Investment Management Limited	Real Return Fund

Legal & General Investment Management ("LGIM")

Voting Policy

LGIM's Investment Stewardship team uses Institutional Shareholder Services ("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 that their proxy provider votes are in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally, which seek to uphold what LGIM consider to be minimum best practice standards all companies should observe.

All decisions made by LGIM's Investment Stewardship team are in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, thereby sending consistent messaging to companies.

LGIM retain the ability to override any voting decisions based on the voting policy if appropriate.

Voting Statistics

The table below sets out the voting activity carried out by LGIM over the year to 31 March 2021 for the Developed Balanced Factor Equity Index Fund:

Developed Balanced Factor Equity Index Fund* over year to 31 March 2021	
Number of resolutions eligible to vote on over the year to 31 March 2021	15,435
% of resolutions voted on for which the fund was eligible	100%
Of the resolutions on which the fund voted, % that were voted against manage	17.9%
Of the resolutions on which the fund voted, % that were abstained from	0.2%

*voting statistics are applicable to both the currency hedged and unhedged funds

LGIM have provided examples of significant votes cast for these funds, with a vote being considered as significant in line with the criteria provided by the Pension and Lifetime Savings Association guidance. This includes (but is not limited to) high profile votes with a degree of controversy or which are subject to high client or public scrutiny, votes with significant client interest, or votes linked to an LGIM engagement campaign. The Trustee is satisfied with the above benchmarks for a significant vote.

LGIM have also provided details of votes across their wider book of business that they believe to be significant, detailed in their quarterly stewardship reports. More detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

Voting example

In September 2020, LGIM voted against a remuneration policy put forward by an investee company, Pearson. Pearson issued a series of profit warnings under its previous CEO. Despite this, shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting ("EGM") was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role.

This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the chair of the board earlier in 2020 about the board's succession plans and progress for the new CEO. They also discussed the shortcomings of the company's current remuneration policy.

LGIM spoke with the chair directly before the EGM and relayed their concerns that the performance conditions were weak and should be re-visited to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

33% of shareholders voted against the co-investments plan and therefore, by default, the appointment of the new CEO. While this resulted in the plan being passed, it highlighted concerns around governance, which LGIM has stated will need to be addressed through continuous engagement going forward.
The Trustee has reviewed the voting activity by LGIM and has concluded that no changes are required to the voting policy at this time.

Engagement policy

LGIM has a six-step approach to its investment stewardship engagement activities; broadly these are:

1. Identify the most material ESG issues,
2. Formulate the engagement strategy,
3. Enhancing the power of engagement,
4. Public Policy and collaborative engagement,
5. Voting, and
6. Reporting to stakeholders on activity.

More information can be found in LGIM's engagement policy here: https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf

LGIM have also begun producing quarterly stewardship reports and more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

This report shows that over Q4 2020 alone, LGIM carried our 489 engagements with 428 companies. 357 of these engagements were on environmental topics, 64 on social and 139 on governance topics.

Newton Investment Management ("Newton")

Voting policy

Newton employs a variety of research providers that aid them in the voting decision-making process. They use ISS for the purpose of administering proxy voting (notification and lodgement of votes) as well as its research reports on individual company meetings. Newton's voting decisions are approved by either the deputy chief investment officer or a senior investment team member. Newton make all voting decisions themselves other than in the event of a material potential conflict of interest, which is the only circumstance in which Newton may register an abstention.

Newton's head of Responsible Investment ("RI") is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. In place of a uniform proxy voting policy, Newton prefer to take into account a number of considerations, a company's individual circumstances, their investment rationale, engagement activities, guidelines and best practices.

Voting Statistics

The table below sets out the voting activity carried out by Newton over the year to 31 December 2020 for the Real Return Fund. Newton is in the process of producing the data for Q1 2021 so the voting statistics for the year ending 31 March 2021 are not yet available.

Real Return Fund over year to 31 December 2020	
Number of resolutions eligible to vote on over the year	1,179
% of resolutions voted on for which the fund was eligible	99.20%
Of the resolutions on which the fund voted, % that were voted against manage	14.50%
Of the resolutions on which the fund voted, % that were abstained from	0.00%

Voting Example

In August 2020, Newton voted against management of LEG Immobilien AG. The vote was against the proposed pay arrangements due to their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. The outcome of the vote came to 22.2% against approval of the proposed policy. Newton believe that it is likely that the company will seek to address concerns in an effort to avoid similarly high opposition in the future.

Newton consider a significant vote as those where over 20% of votes were in opposition to the resolution. The Trustee is satisfied with this benchmark for a significant vote.

The Trustee has reviewed the voting activity by Newton and has concluded that no changes are required to the voting policy at this time.

Engagement Policy

Newton considers engaging for information and change to be equally legitimate activities.

Recent research findings around a lack of information being available publicly or a particular policy, provision or practice that is considered suboptimal, lead Newton to engage with companies prior to determining their ESG scores and suitability for inclusion in their investment strategies.

Newton prioritises companies based on their securities which an RI analyst will assess according to the materiality of issues to be raised and likelihood of success. Newton prioritises engagements based on areas that are a current focus for them e.g. climate change, cobalt mining. Reactive engagement is often at the company's request and includes subjects such as executive pay, guidance on reporting and ESG factors.

Engagement Example

An example of engagement took place in 2020 with Alcon in relation to corporate reporting. Following the company's de-merger, Newton sought more detailed reporting in relation to its ESG policies, priorities, practices, targets and performance. Newton also sought better alignment of executive pay arrangements with the long-term interests of shareholders. The engagement was led by Newton's head of responsible investment, with support from their global industry analyst for the company.

Newton held an engagement meeting with a number of senior individuals from the company that represented legal, general counsel, company secretary, investor relations and human resources. At this meeting Newton raised the issues with Alcon and set expectations. As result of this engagement, the company made some improvements to its reporting of ESG matters; which Newton expects to be enhanced further during 2021.

The engagement undertaken, along with additional research conducted as part of Newton's ESG Quality Review of the company meant that the RI team deemed the company to be suitable for investment by Newton's sustainable funds.

Newton will continue engaging with Alcon as long as they remain an invested interest. Greater insight into ESG performance achieved through the enhanced disclosures may give rise for targeted engagement on specific matters.

For further detail on Newton's responsible investment activities in Q1 2021 please see their report linked below:
https://www.newtonim.com/uk-institutional/file/responsible-investment-report-q1-2021-uk/

The Trustee has reviewed the engagement activity by Newton and has concluded no changes are required to the engagement policy at this time.

Engagement – Fixed Income funds

While equity managers may have more direct influence on the companies they invest in, fixed income managers are increasingly influential in encouraging positive change through their engagement with investee companies. The Trustee believe that engagements of this nature are key to reducing ESG risks within the Plan's portfolio, as well as having the added benefit of contributing to the transition towards a low carbon economy.

The Plan invests in LGIM's UK Buy and Maintain Credit fixed income fund. For LGIM's engagement policy and activities please see the section on LGIM's engagement policy set out above in the section *Voting and Engagement – Equity & Multi-Asset Funds*.

The Plan also invests in the Insight Liquid ABS Fund.

Insight Investment Management ("Insight")

Insight states within its responsible investment policy that it engages as a bondholder with management and other entities to discuss issues such as strategy, deployment of capital, performance, remuneration, risk management and ESG factors. Insight prioritises its engagement dependent on a variety of factors which can include portfolio position, materiality of issue and company access.

Insight produce a detailed annual report on responsible investment covering examples of their collaboration, engagement and ESG integration. Insight's 2020 annual report can be found here: https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-responsible-horizons-report-2020.pdf

Engagement – Real Estate

The Trustee acknowledges that the ability of real estate managers to engage with and influence companies may be less than compared with equity managers. From the information received on engagement policy and examples (where available) for this Plan Year it is encouraging that the managers are aware and active in their role as a steward of capital as explained below.
The Plan was invested in a number of real estate strategies over the period.

Manager	Fund Name
CBRE Global Investors	CBRE Global Alpha Fund
Legal & General Investment Management	LPI Distribution Property Fund
Threadneedle Asset Management Limited	Threadneedle Property Unit Trust

The following section demonstrates some of the engagement activity being carried out on behalf of the Plan over the year.

CBRE Global Investors ("CBRE")

Engagement policy

CBRE do not invest in companies themselves however, they do engage with stakeholders, primarily the tenants, within the portfolios in direct real estate. The exception is for indirect investments where CBRE engage with the underlying fund manager or operating partner. As at end Q4 2020, there were 51 tenants in the portfolio, across the 11 directly held assets.

CBRE engages with the underlying property managers on ESG issues throughout their investment process, starting at the due diligence stage to ensure the holding will contribute positively to the portfolio's sustainability. The manager's approach to ESG is reviewed with reference to internal strategy, processes and policies, and submission to independent organisations. CBRE is a signatory of the PRI. They are not a signatory of the UK Stewardship Code, as they state this has previously been focused on the listed equity sector. However, their new ESG vision, policy and reporting, due to be published in Q4 2020, will be aligned with the Code's scope and purpose after the 2020 version now includes clauses that can be adapted to suit different asset types.

Engagement example

An example of engagement specific to the CBRE Global Alpha Fund is with Aliro Australia Industrial PV regarding climate risk. This is an ongoing engagement which started in 2018 in which CBRE engaged with the fund manager, the CEO and the executive Chairman. Initially, CBRE required minimum building certification ratings for all existing assets and new developments and subsequently encouraged them to adopt third party tools for benchmarking and to make use of ESG consultants. More recently, CBRE has worked with them to establish net zero emissions targets and to prepare a roadmap to achieve this by 2025.

As a result of the engagement, CBRE has seen several changes by the manager including improvement to their investment processes and reporting to include ESG, a review of their business operations and employee engagement, targets being set for carbon neutrality and an increased focus on climate change and resilience. The outcome has wide social and environmental benefits as well as helping to preserve the financial value of the assets under management.

CBRE is encouraging the manager to build on their work to date and implement a comprehensive action plan which includes both suppliers and tenants to have additional impact. CBRE look to increase their investment in this venture given the enthusiastic and successful response to the ongoing engagement.

LGIM

Engagement Approach in Real Estate

LGIM Real Assets have a tenant liaison policy which requires the managing agents to develop a specially targeted tenant engagement programme for all assets. This process is incorporated in the green lease clauses which LGIM try to place into every new lease.

LGIM enhance the level of interaction with tenants by engaging with them on the operational aspects of the buildings they own and tenants occupy. They believe that by fostering closer relationships with tenants, they can influence them to use the buildings LGIM owns in a more efficient and sustainable manner.

Feedback from tenants is gathered through various channels. There is a multi-channelled approach:

- Each property manager, from LGIM's managing agent, meets each tenant at least once a year for a conversation using a set format of questions and gathers feedback electronically.
- From a corporate perspective, LGIM’s Real Asset managers have ‘key contacts’ with larger tenants in order to develop a corporate relationship to discuss all initiatives and gather feedback.

LGIM is currently implementing new and innovative systems in order to improve the provision of data which will in turn allow them to engage in even greater depth with tenants and action feedback.

The following press article contains more information: https://www.legalandgeneralgroup.com/media-centre/press-releases/legal-general-shakes-up-property-management-industry-with-new-operating-model

Threadneedle Asset Management Limited (“Threadneedle”) focuses its engagement efforts on the more material or contentious issues and the issuers in which they have large holdings – based on either monetary value or the percentage of outstanding shares. Threadneedle has ongoing engagements with many companies, as well as a number that it speaks to on an ad hoc basis, as issues arise.

Threadneedle actively participates in several investor networks, which complement its approach to engagement. Along with other investors, Threadneedle raises market and issuer-specific environmental, social and governance issues, share insights and best practice.

Threadneedle continues to engage with companies to better understand their management of financial and non-financial risks and how they generate sustainable long-term returns. Companies’ response to and management of Covid-19 will be a core part of this analysis going forward.

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The Trustee has reviewed the engagement activity of each its real estate managers and has concluded that no changes are required to the engagement policies at this time.

Engagement – Alternative Assets

The Plan was invested in several alternative strategies over the period.

Manager	Fund Name
Christofferson Robb & Co ("CRC")	CRC Single Investor Fund XV, Ltd
Hayfin Capital Management	Hayfin Direct Lending Fund III
ICG Longbow	ICG-Longbow UK Real Estate Debt Investments IV & V ICG-Longbow UK Senior Debt Fund I
Blackstone Group	Fund of Hedge Funds
Leadenhall Capital Partners	Leadenhall UCITS ILS Fund

While the Trustee acknowledges the ability of alternative managers to engage and influence companies may be less compared to equity managers, from the information received on engagement policy and examples (where available) for this scheme year, it is encouraging that the managers are aware and active in their role as a steward of capital. The following section demonstrates some of the engagement activity being carried out on behalf of the Plan over the year.

Christofferson Robb & Co ("CRC")

For 18 years CRC has been an important partner for European banks seeking Risk Sharing Transactions ("RSTs"). RSTs efficiently improve banks' capital ratios and provide CRC funds with investments that generate low double-digit net returns that hold up under extreme economic stress. Due to the nature of RSTs, engagement is most active at the formation of the fund.

CRC's engagement with each banking counterparty per transaction is an ongoing one: they negotiate commercial terms, then negotiate documents (non-disclosure agreement, financial guarantee, pledge agreement, deposit agreement, etc.), arrange execution, then have ongoing dialogue through, for example, the ramp up or replenishment of the deal, receive reports and even, in some cases, negotiate termination. Once the deals are agreed, there is limited engagement with the banks until the maturity of the funds (ranging from 3 years to 6 years). CRC was unable to provide an engagement example.

CRC has developed their own ESG policy with the ESG integration embedded in their investment selection process.

Hayfin Capital Management ("Hayfin")

Hayfin reported that in terms of gross capital invested, they have engaged with 54% of companies over the past year. By count, 62% of their memos show engagement (this includes the deals which have not ultimately proceeded to approval stage). However, they were not able to provide any further details.

For 2021 Hayfin is planning to further enhance the level of ESG-related client reporting to include ESG issues and case studies disclosure in their quarterly reporting.

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ICG Longbow ("ICG")

ICG Longbow is the real estate division of Intermediate Capital Group PLC. ICG's Real Estate investment team regularly engages with its issuers pro-actively on industry wide ESG trends. Given the more specialised nature of the ICG Real Estate strategy, ICG prepared a bespoke ESG survey for real estate portfolio companies, which it had intended to roll out during Q4 2020 but it has not confirmed if this has happened.

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, it engages with management to ensure it delivers high levels of corporate responsibility. Where appropriate ICG also exercises its influence at the board level of a portfolio company and engages with them on strategy, risk, performance and governance matters.

In strategies where ICG is a minority stakeholder or where the nature of the real estate strategy limits its ability to influence management, ICG seeks to monitor ESG risks and engage with management if feasible. In strategies where ICG has influence and access to management, it looks to maintain strong relationships with management and with controlling private equity sponsors, as relevant. These relationships allow ICG to maintain an ongoing dialogue around the ESG factors impacting the business and allow ICG to exert influence, wherever possible. For these companies, ICG circulates its Annual ESG Survey to better understand how they are managing ESG issues. ICG's Annual ESG survey includes questions on risk assessment and management, governance, environmental management, climate change, and social performance.

ICG also use a Green Loan Framework ("GLF") to help prioritise engagements. The team will work with an external advisor to review the selection and evaluation criteria for eligible investments as well as an assessment of the GLF's alignment with the fund and ICG's environmental objectives. The GLF sets out ways to manage energy intensity and Green House Gas emission and includes a rigorous third party audit. An investor report will be made available on an annual basis, providing details of the different assets financed along with asset-level sustainability performance data reported by borrowers or sponsors.

Further information on ICG's responsible investment policy including how they engage and monitor ESG risk can be found here: https://www.icgam.com/~/media/Files/I/ICGAM-V2/responsible-investing-documents/2021-icg-responsible-investing-policy-2.pdf

Leadenhall Capital Partners

Leadenhall Capital Partners assesses adherence to ESG principles by considering specific factors including:

1. Environmental impact including pollution prevention and remediation, reduced emissions, preventing the spread of pandemic disease and adherence to environmental safety and regulatory standards,
2. Social impact including human rights, welfare and community impact issues,
3. Governance issues including board structure, remuneration, accounting quality and corporate culture.

Pricing for climate change risk is an inherent part of Leadenhall's analysis of potential investments. MS Amlin, part of Leadenhall's parent group and a reinsurer with sourcing and underwriting resources that Leadenhall leverages, is very active in monitoring, studying and looking at ways to tackle climate change. They are a Member of the Cambridge Institute for Sustainability Leadership and ClimateWise.

Through this, MS Amlin aims to better communicate, disclose and respond to the risks and opportunities associated with the climate-risk protection gap.

Leadenhall performs a detailed review of their investment counterparties' policies and controls including those concerning their explicit ESG and corporate social responsibility frameworks. Where appropriate they will make recommendations to avoid investment in counterparties that are not aligned with their ESG policies.

Blackstone Group ("Blackstone")

Engagement policy

Due to the structure of Blackstone Alternative Asset Management ("BAAM") as a feeder-fund, the majority of BAAM's assets under management are invested in third-party hedge fund managers, therefore proxy voting is not applicable. At a manager level however, BAAM has engaged ISS to make recommendations on the voting of proxies and provide research related to securities held by BAAM clients.
BAAM performs ESG due diligence with respect to direct investments and third-party hedge fund managers at both the management company level and the investment level, both pre-investment and on an ongoing basis. At the investment level, BAAM's Investment team performs ESG due diligence that generally covers incorporation of ESG factors into the investment process as appropriate for a manager's strategy. BAAM generally reviews manager materials and documentation annually, including ESG policies, and support to substantiate such policies. Additionally, BAAM sends active managers on the BAAM Principal Solutions ("BPS") platform a semi-annual due diligence questionnaire and an annual dedicated ESG questionnaire. BAAM strongly encourages, but does not require, managers to adopt an ESG policy appropriate for their strategy and the management company (see "engagement activities" below).

Engagement activities

As of March 2021, Blackstone has a 28-person ESG Steering Committee that sets the firm's ESG strategy and policy and that is composed of professionals from across the firm's business units and functional areas. In 2020, they engaged with 98 managers in their Partners strategy. For example, BAAM engaged ERM to provide investment team training that included case studies illustrating how ESG-related risks and opportunities may be considered in investment due diligence. In September 2020, BAAM engaged MSCI and Truvalue Labs, two ESG data and rating providers, to support ESG assessment of direct investments and certain manager portfolios. Starting in 2020, BAAM began assessing certain equity portfolios and companies using its proprietary ESG dashboard.

An example of engagement during the period was with an event manager regarding ESG implementation. The manager, an event manager within BPS, formally adopted an ESG policy in September 2020. The manager leveraged BAAM's resources when drafting their ESG policy and sought BAAM's feedback on their ESG program development. As a result of BAAM's engagement, the manager began incorporating ESG considerations into the investment process across products. The manager credits increased performance of companies with strong ESG practices as a primary driver to incorporating ESG into the investment process.

The majority of BAAM's assets under management are invested in third-party hedge fund managers. BAAM seeks to engage underlying managers to make sure they are aware of the value of ESG integration in their portfolios and the importance of ESG integration to their investors. Over the period to 31 March 2021, BAAM has conducted over 100 conversations with managers to educate them on ESG integration and to encourage them to adopt an authentic ESG policy. BAAM has helped numerous managers in this regard by hosting ESG roundtable events and by providing ESG resources, including guides, templates, and information around third-party rating providers. BAAM tracks the effectiveness of these engagement efforts through managers' adoption of ESG policies and enhancements of ESG programs, with monthly reports provided to BAAM's senior management. In 2020 they saw an 80% increase in managers with an ESG policy.

Summary

Based on the activity over the year by the Trustee and its investment managers, the Trustee is of the opinion that the stewardship policy set out in the SIP has been followed and implemented effectively in practice throughout the Plan Year. The Trustee notes that most of its investment managers were able to disclose strong evidence of voting and engagement activity. Furthermore, the Trustee is satisfied its investment consultant monitors the ESG credentials of the Plan's investment managers via ESG ratings which are reviewed periodically and highlight any areas of concern, or where action is required (as detailed in the above document).

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset investment managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement.