

THE EDWARD JAMES FOUNDATION FINAL SALARY PENSION SCHEME

Engagement Policy Implementation Statement

Financial Year Ending 30th September 2020

Introduction

This statement, written for the benefit of the Scheme's members, sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles¹ ('SIP') produced by the Trustees, has been followed during the year to 30th September 2020. 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 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. The objectives of the Scheme included in the SIP are as follows:

- 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.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change, which also sets out the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees have considered financially material factors such as ESG issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. They believe that ESG factors are implicitly reflected in the expected risk and return profile of the asset classes they are investing in and it is therefore in members' best interests to account for these factors within the investment process.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with their responsibilities to the beneficiaries of the Scheme with the help of their investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are reviewed regularly for existing managers with the help of the investment consultant.

The Trustees will monitor financially material considerations through the following means:

¹ A statement of Investment Principles describes the way in which the Trustees are seeking to manage the assets of the Scheme.

- Use ESG ratings information provided by its investment advisor, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant

The following sections set out how the Trustees' engagement and voting policies were followed and implemented during the year.

Engagement

Monitoring

- The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers.
- Managers will be expected to report on their own ESG policies as and when requested by the Trustees.
- The Scheme's investment performance report is reviewed by the Trustees on a quarterly basis – this includes ratings from the investment adviser. These ratings include an indication of Mercer's conviction in the ability of a manager to deliver its performance objectives. Deteriorations in these ratings may prompt the Trustees to consider terminating certain managers. The investment performance report includes details of how each investment manager is delivering against their specific mandates.
- The Trustees also received details of relevant engagement activity for the year to 30 September 2020 from each of the Scheme's investment managers, covering a wide range of different issues, including ESG factors. Examples of this are given below:
 - **Vontobel**, addressing corporate governance, notably voted for a reduction of the share ownership threshold required for Shareholders to call a special meeting in Becton, Dickinson & Co. They have also planned a 3 year engagement with Sustainalytics to collaborate address Forced Labour and Modern Slavery across the apparel and construction sectors.
 - **Nordea** engaged with a number of companies, voting in order to protect labour rights at Samsung Electronics, and investigate rumours of forced labour in Cisco System's supply chain.
 - **JP Morgan** voted against management on a number of issues, most notably in situations concerning governance, specifically in relation to board appointments and remuneration decisions.
 - **Insight** actively monitors the ESG ratings and considerations of its investments within its Fixed Income portfolios, across the year to September 2020, Insight has multiple examples of avoiding or disinvesting due to ESG concerns (particularly in the automobile industry), as well as investing due to evidence of robust ESG policies among other factors – for example in the utilities and apparel sectors.
 - **LGIM** engaged with companies on a number of corporate governance matters (by deciding to vote against all companies where the board chair also serves as CEO from 2020 - excluding Japan, due to the unique features of this particular market), diversity topics (by voting against all companies in the large-cap TOPIX100 index that do not have at least one woman on their board) and sustainability engagement issues (by collaborating with government authorities to strengthen its climate targets), among others.
 - **BMO** received above or equal to median UN PRI ratings for all areas of their responsible investment approach, including outperforming median ratings in strategy and governance, and ESG incorporation. In 2020, BMO commenced reporting for Fixed Income – Corporate Financial, Private Equity, and Property Funds, enhancing their transparency and accountability.

Stewardship

- Over the year, the Trustees requested that the investment managers confirm compliance with the principles of the UK Stewardship Code.
- BMO, LGIM, Insight, and JPM, are all Tier 1 signatories of the UK Stewardship Code, indicating a high quality and transparent description of their approach to stewardship, and explanations of an alternative approach where necessary.
- Vontobel and Nordea do not specifically target compliance with the UK Stewardship Code, although many of their policies overlap the Code's requirements.
- Over the period, the Trustees did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Voting Activity

The Trustees have delegated their voting rights to the investment managers. The Trustees did not use the direct services of a proxy voter over the year. Over the last 12 months, the key voting activity on behalf of the Trustees was as follows:

Vontobel – Global Equity Fund

Vontobel use Institutional Shareholder Services (“ISS”) for advice, but retain the ability to make their own voting decisions. Each holding is assigned a research analyst who, with the assistance of the Head of Thought Leadership and Chief Investment Officer (when necessary, for example if not following ISS advice) make proxy voting decisions.

Vontobel voted on 752 resolutions in the 12 months to 30th September 2020. 684 of which were in favour of management (c. 91%), 68 votes were against management (c. 9%)

Nordea – Diversified Return Fund

Nordea Funds have an aggregated voting strategy, meaning that they strive to vote for as large a part of total holdings in any given company as possible. Nordea votes both by proxy and by attending annual general meetings (and extraordinary general meetings when applicable). Nordea funds utilize two external advisors, ISS and Nordic Investor Services (“NIS”), however, all voting decisions are taken by Nordea; the external advisors only provide input and second opinion when prompted. In the 12 months to 30 September 2020 Nordea voted on 1,368 resolutions. 1,224 votes were in favour of management (c. 89%), 130 votes were against management (c.10%), and they abstained from voting 6 times.

JP Morgan – Emerging Markets Opportunities Fund

ISS provides JPM with proxy voting services centred around their voting recommendations, the final voting decision is retained and made directly by JPM on a case by case basis by in-house specialists.

In the year to 30 September 2020 JPM voted on 108 resolutions. 50 votes were in favour of management (c.46%), 45 votes were against management (c.42%), and they abstained from voting 13 times (c.12%).

LGIM – World Equity Index Fund

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure the proxy provider voted in accordance with LGIM's position on ESG, LGIM put in place a custom voting policy with specific voting instructions. LGIM voted on 38,065 resolutions in the 12 months to 30th September 2020. 31,088 votes were cast in favour of management (c.82%), 6,764 votes were cast against management (c.18%). LGIM abstained from voting 213 times (<1%)

Insight – Corporate All Maturities Bond Fund

The manager did not provide voting activity details as this is a predominantly fixed income portfolio that does not have voting rights

BMO – Nominal Dynamic LDI Fund, Real Dynamic LDI Fund

The manager did not provide voting activity details as these are predominantly fixed income portfolios that do not have voting rights