Edmundson Electrical Limited Pension Scheme

## Annual Engagement Policy Implementation Statement – March 2024

1. **Introduction**

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (‘SIP’) produced by the Trustee Directors (‘the Trustees’) have been followed during the year running from 1 April 2023 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, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

This statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the Scheme Year, which was the SIP dated March 2023.

Sections 2 and 3 of this statement set out the investment objectives of the Scheme and any review of the SIP made over the year, respectively.

Sections 4, 5 and 6 include information on the engagement and key voting activities of the underlying investment managers of the Scheme and sets out how the Scheme’s engagement and voting policy has been followed during the Scheme Year. **The Trustees can confirm that all policies in the SIP on engagement in relation to the Scheme’s assets have been followed during the Scheme Year.**

1. **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:

* Ultimately, to secure all liabilities through the purchase of a bulk annuity;
* To improve the financial position of the Scheme through investment returns, to the point where the first objective can be achieved within an appropriate timeframe without recourse to additional contributions;
* To limit the amount of investment risk that is being run to the level that is considered necessary in order to achieve the level of investment return that is required, and to do this through gradual de-risking of the assets when the funding position permits it.

Given the nature of the liabilities, the investment horizon of the Scheme is potentially long-term (i.e. several decades), although opportunities for risk transfer (e.g. by purchase of bulk annuities) could reduce the time horizon materially. The Trustees have not set a formal target for achieving buyout but anticipate it being prior to 2030.

In setting these objectives the Trustees have taken into account the Sponsor’s ability to make contribution payments and attitude towards the size and incidence of these payments, and have taken into account the corridor agreement which specifies actions to be taken in the event that the funding level of the Scheme falls below 90% or exceeds 110% on a technical provisions basis.

1. **Review of the SIP**

The Trustees have not updated the SIP during the Scheme Year. The Trustees last reviewed the SIP in March 2023 to reflect changes to the investment strategy given de-risking activity that took place in the previous year. A copy of the SIP is available on request and also available on the following website:

<https://www.marloweholdings.co.uk/wp-content/uploads/2023/07/Edmundson-SIP-March-2023-typesigned-for-website-revised.pdf>

1. **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. This policy sets out the Trustees’ beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This formal training was provided in 2019. In addition, an Investment Subcommittee receives regular updates on current investment topics and over the course of the year this included updates on ESG related issues. The Trustees keep their policies under regular review.

The Trustees are satisfied that their engagement policy was followed during the year. The following summarises how the Trustees’ engagement and voting policies were followed and implemented during the year accordingly.

1. **Engagement**

As set out in the SIP, as part of the Trustees’ ongoing review of their investment managers, they will review how ESG, climate change and stewardship are integrated within the investment managers’ investment processes and in the monitoring process. The investment managers are expected to provide reporting on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics. The Trustees will consider the ESG policies of any potential new manager as part of the selection process.

* An investment performance report was reviewed by the Trustees on a quarterly basis – this included ratings (both general and specific ESG) from the investment advisers. The investment performance report includes how each investment manager is delivering against their specific mandates.
* The Trustees also received details of relevant engagement activity for the year from the Scheme’s investment managers, directly or via their investment adviser, as part of regular reporting and presentations.
* The Scheme’s investment managers engaged with companies over the period under review on a wide range of different issues, including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy. The investment managers provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies’ Annual General Meetings.
1. **Voting Activity**

The Trustees do not hold investments directly but instead are invested in pooled funds (or private equity partnerships) and they do not have voting rights in relation to individual companies. The Trustees have therefore, effectively, delegated their engagement and voting rights to the pooled fund investment managers, who cast votes cast on behalf of the pooled fund not the Trustees. As a result, the Trustees do not use the direct services of a proxy voter as this is not relevant, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the pooled funds in which the Trustees invest. Nonetheless, the Trustees review from time to time, the voting policies of the managers including what they consider to be significant votes. The Trustees have defined significant votes as the top five holdings by exposure which are also part of the respective investment manager’s ongoing engagement with a company or where the investment manager has challenged the voting proposal of their proxy or has voted against management.

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.

Each investment manager has been asked to confirm key voting activity in relation to the pooled funds in which the Trustees invest over the year to 31 March 2024. The tables on the following pages sets out a summary of the key voting activity.

**Ruffer – Absolute Return**

* + - * + Ruffer uses Institutional Shareholder Services (‘ISS’) to process votes and provide proxy voting research on its behalf. Ruffer has developed its own internal voting guidelines and, while taking into account issues raised by ISS Ruffer does not delegate or outsource stewardship activities when deciding how to vote on its clients’ shares.
				+ There have been 64 votable meetings over the year to 31 March 2024, of which Ruffer has voted in all of these meetings on behalf of the Trustees. In these meetings, there were a total of 1,020 votable items.
				+ Ruffer has participated in the vote for all votable items. Of these votes participated, Ruffer voted against 3% of the proposals.

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| **Significant Votes Examples**The following significant votes (as defined above) are the largest by allocation in the Ruffer Absolute Return Fund. |
| **Company** | **Resolution details** | **How the manager voted** | **Reason for manager’s vote** |
| **BP Plc** | **Summary of the Resolution:**Approve shareholder resolution on climate change targets**Date of the vote:**27 April 2023 | **Vote:**Against (in line with management)**Outcome:**Resolution Failed**Weight:**0.48% of total Fund value\* | Ruffer did not support the shareholder’s resolution as, in Ruffer’s opinion, BP has outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the ‘transition growth engines’. Whilst BP has tightened and reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues to be uncertain and therefore, locking into one, fixed strategy is not in the best interests of generating shareholder value |
| **ArcelorMittal** | **Summary of the Resolution:**Re-elect Lakshmi Niwas Mittal as Director**Date of the vote:**2 May 2023 | **Vote:**For(in line with management)**Outcome:**Resolution Passed**Weight:**0.29% of total Fund value\* | Ruffer voted in line with the company (and against ISS) to re-elect Lakshmi Niwas Mittal as Director. ISS has flagged that Mr. Mittal was overboarded as he is on two other boards, Aperam (which is a spin out from ArcelorMittal), where he is a non-executive chairman, and Goldman Sachs Group, where he is a non-executive. Rufer did not believe that Mr Mittal's commitments were excessive and believed that he was able to commit the time required for his role at the company. As a result, they have voted for his re-election. |
| **Swire Pacific****Limited** | **Summary of the Resolution:**Approve issuance of equity or equity-linked securities without pre-emptive rights **Date of the vote:**11 May 2023 | **Vote:**Against(against management)**Outcome:**Resolution Passed**Weight:**0.28% of total Fund value\* | Ruffer voted against this resolution (in line with the ISS view) and against management recommendation. Hong Kong’s listing rules allow for 20% equity issuance without pre-emptive rights and ISS's global view is that 10% should be the limit for this type of security. As much as the company family has behaved well over time, Ruffer believe that there is always risk that given their control over the business that they could dilute the minority shareholders. Limiting this to 10% without pre-emptive rights was deemed to be in Ruffer’s clients best interests.  |
| **Swire Pacific Limited** | **Summary of the Resolution:**Governance resolution on shareholders rights **Date of the vote:**30 August 2023 | **Vote:**For(in line with management)**Outcome:**Resolution Passed**Weight:**0.33% of total Fund value\* | Ruffer voted in favour of the resolution to approve the ‘Share Purchase Agreement and Related Transactions', supporting management, but voting against ISS. Ruffer believed that approving the sale of the US Coca-Cola bottling business to the controlling shareholder was in the best interests of the minority shareholders of Swire Pacific.The strategic rationale for this deal was in-line with the stated strategy of the company to focus geographically on operations in China and SE Asia. Furthermore, this transaction realised significant hidden value for shareholders and this value was being returned to investors in the form of a special dividend. Lastly, given the higher-interest rate environment, it made sense to lower the leverage employed in the business, which a part of the proceeds of this transaction was going to be put towards. Ruffer concluded that receiving a fair price while unlocking latent value within the conglomerate and refocussing the company on its core strengths in China and SE Asia were sufficient reasons for them to support this transaction. |
| **Coty Inc.** | **Summary of the Resolution:**Approve re-election of Mariasun Aramburuzabala**Date of the vote:**2 November 2023 | **Vote:**For (in line with management)\*\***Outcome:**Resolution Passed**Weight:**0.24% of total Fund value\* | Ruffer voted in favour of the re-election of one of the Board directors, Mariasun Aramburuzabala. ISS noted that the Aramburuzabala's attendance at board meetings was below the threshold it deems appropriate, therefore recommended a vote against. On the basis that the company has acknowledged her absence, stated it expects her attendance to increase in future and, her attendance fell just below the threshold (75%), Ruffer has elected to support management on this resolution. However, Ruffer may reassess its position at the next AGM if her attendance does not increase. |

\*Weight reflects percentage of Ruffer’s Absolute Return Fund total value as at the date of the vote.

\*\*Ruffer has met with the company prior to the vote to discuss how it intended to vote.

The activities of the remaining investment managers including private equity are set out below:

* **M&G – High Lease to Value (‘HLV’) Property**
	+ - * + M&G are direct investors and owners of buildings in this property fund, and as such do not deal with companies. While they engage with occupiers in buildings on ESG issues, the fund does not have voting rights. For this reason, the engagement activity, as defined over this report, does not apply to this mandate in relation to voting.
				+ M&G instead employs a responsible property investment strategy which takes into account environmental risk assessments as part of its due diligence. Additionally, M&G engages with its tenants on ESG initiatives such as net zero targets and energy efficiency of the underlying assets. M&G also incentivises and keeps track of tenants projects to upgrade the buildings.
				+ M&G is active on ‘social’ initiatives and supports various charitable causes of its tenants. During the year, M&G has helped to support disadvantaged youth with residential trips and supported projects to help tackle food poverty with hotel and housing association tenants.
		- **Royal London Asset Management (‘RLAM’) – Buy and Maintain Credit**
			* + This is a fixed income mandate, therefore this manager does not vote at AGMs, but rather at Extraordinary General Meetings. Nonetheless, RLAM directly engages with companies and does not use a third party to vote on its behalf.
				+ RLAM apply a bespoke approach to integrating ESG. Notwithstanding, RLAM also has access to third party data and research to help inform part of their ESG risk analysis. RLAM’s preponderance of secured and covenanted bonds grants them the ability to exercise a significant degree of pre-emptive control over the structure and features of a bond, such as a change in ownership. It also means RLAM is involved in a disproportionate level of bond holder voting than is typical for unsecured portfolios.
				+ While as bond holders RLAM does not have equity holder voting rights, during the 12 month period to the end of March 2024, RLAM engaged with 52 separate issuers within this portfolio on 94 occasions. Topics of engagement included climate change (transition and physical risk), biodiversity, health, governance and corporate culture, social and financial inclusion, innovation, technology and society.
		- **Insight – Liability Driven Investments (‘LDI’)**
			* + The Insight LDI funds consist of UK government issued debt rate and inflation exposures. As such voting is not relevant and engagement activities are not significant.
		- **Patria (formerly Abrdn) – Private Equity**
* Patria does not engage directly with portfolio companies and instead engages with its general partners (‘GPs’) through the use of their Annual ESG Survey. The surveys are sent to GPs to monitor overall ESG performance, incorporation of ESG processes and the level of interaction with portfolio company management. Patria evaluates GPs based on responses to the survey and engages with GPs on areas where responses are viewed unsatisfactory. Patria also share bespoke side letter requirements with GPs and has an integrated approach where deals can be declined on ESG grounds.
	+ - **HarbourVest – Private Equity**
* HarbourVest does not directly engage with portfolio companies. Instead, HarbourVest focuses engagement efforts on dialogues with general partners (‘GPs’). The exception to this is where HarbourVest is co-investor in the portfolio company, which in some cases allows them a Board seat.
* Most of the engagement effort is done through the evaluation of GPs’ ESG integration approaches using ESG scorecards. HarbourVest’s ESG Scorecard is maintained as a live monitoring tool and updated regularly. The scoring data can be used to provide specific feedback to GPs on areas for improvement, and to benchmark them to peers. Their engagement and message to GPs may vary widely depending on circumstances and the manager’s current level of ESG adoption. The manager leverages the Scorecard evaluation and feedback processes to encourage continuous improvement from GPs, and will (where practicable) prioritise engagement with lower scoring GPs to encourage the adoption of a systematic approach to ESG integration.
* Additionally, HarbourVest utilises RepRisk, a comprehensive global database that helps in identifying and measuring ESG risks of its portfolio companies and GPs.