

LEE BEESLEY DERITEND PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2021

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees, has been followed during the year to 5 April 2021. 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.

Trustee Investment Objective

The Trustee's primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustee aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee also ensures that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Investment Strategy

The investment strategy of the Scheme as at 5 April 2021 was split 32% Diversified Growth, 10% Equity, 10% Multi Asset Credit, 6% Property (split 3% Pooled Property Fund / 3% Freehold Property), 7% Real LDI, 13% Nominal LDI and 22% Equity-Linked Gilts.

Statement of Investment Principles

The Scheme's SIP was last updated in September 2020. The changes made to the Statement reflected the regulatory requirements that were introduced aimed at strengthening Trustee's investment duties in relation to ESG and stewardship and arrangements with their investment Managers.

Policy on ESG, Stewardship and Climate Change

The Trustee understands that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustee's policies on ESG factors, stewardship and Climate Change.

The policies were last reviewed in September 2020. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

Scheme's Investment Structure

The Scheme's only investment (excluding the Freehold Property) is a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. JLT Investment Management (JLT IM), now a part of Mercer, has fiduciary responsibility for the selection of pooled funds on the Mobius Platform.

As such, the Trustee has no direct relationship with the Scheme's underlying investments managers.

Engagement

In the relevant year, the Trustee has not engaged with either Mobius, JLT IM or the underlying pooled investment managers on matters pertaining to ESG, stewardship or climate change.

Investment performance reports are provided to the Trustee from Mercer on a quarterly basis and include ESG specific ratings (derived by Mercer). This enables the Trustee to determine whether further action should be taken in respect of specific funds. The Trustee is satisfied that Mercer's ESG scores for the Fund's managers are satisfactory.

The Trustee continues to work with Mercer, to consider actions that can be taken to engage with their investment managers going forward.

Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

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

Nevertheless, Appendix 1 of this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., those funds which include equity holdings) in which the Scheme's assets are ultimately invested.

This includes information on what each of the fund managers consider to be a "significant vote", and examples of these. The Trustee has no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

Appendix 1 – Voting Activity

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	abstentions		
Columbia Threadneedle Multi Asset Fund	<p>ISS – to take recommendations and vote via ISS.</p> <p>Glass Lewis & Co. – recommendations only.</p> <p>IVIS – recommendations only.</p>	6988 resolutions eligible for (98.9% cast)	5.7% of votes cast	3.9% of votes cast	<p>Significant votes are dissenting votes, i.e., where a vote is cast against (or abstained from) a management – tabled proposal or where support is given to a shareholder – tabled proposal not supported by management.</p>	<p>Facebook Inc. – a vote “for” the report on “Median Gender/Racial Pay Gap”. The rationale behind the vote was to reduce material risk for the business and provide information that is in shareholder’s interests. The vote was not approved. Active stewardship (engagement and voting) continues to form an integral part of the manager’s research and investment process.</p> <p>Amazon Inc. – a vote “against” management in electing Director Thomas O. Ryder. The rationale behind the vote was due to Mr Ryder being an affiliate serving on a key committee. The vote was passed.</p>
Pictet Multi Asset Portfolio	ISS - for voting execution and recommendations	411 eligible for (100% cast)	25	0	<p>A vote is significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or they hold an important stake in the company.</p>	<p>Mitchells & Butlers – Voted against the proposal of a restricted share plan as the company is replacing performance shares with restricted shares, with the latter being time-based instruments without conventional performance conditions.</p> <p>PayPal Holdings – Voted for the proposal to adopt human and indigenous peoples rights policy supported as adoption of this proposal would serve to further enhance the company’s stated commitment to recognise and integrate human and indigenous people’s rights in its business operations as well as affirm its corporate social responsibility practice.</p>
Ninety One Diversified Growth	ISS – to produce custom research reports. Reports include vote	1794 resolutions eligible for (93.3% cast)	4.2% of votes cast	2.4% of votes cast	<p>Ninety One describes these as votes with significant client, media or political interest,</p>	<p>Johnson & Johnson – a vote “for” the Report on Governance Measures Implemented Related to Opioids. The rationale for the vote</p>

	recommendations (not instructions).				material holdings, those of a thematic nature (i.e., climate change) and significant corporate transactions that have a material impact on future company performance.	with management was that Shareholders would benefit from more specific information about proactive steps the board is taking to mitigate risks related to the manufacture and marketing of opioid-related products, and that incentives are aligned with the health of the communities it serves. The vote was passed. Ninety One continue to monitor similar issues.
L&G Life KY World Equity Index Fund — GBP Currency Hedged	IVIS – for research purposes. ISS – for research purposes.	37840 resolutions eligible for (99.8% cast)	19.2% of votes cast	0.6% of votes cast	Significant votes are determined using the PLSA criteria, these include but is not limited to votes of high profile where there is a degree of controversy, there is significant client interest or the vote is linked to an LGIM engagement campaign.	<p>The Walt Disney Company – a vote “for” the Report on Lobbying Payments and Policy. The rationale for voting with management was due to the belief that additional disclosure of the company’s indirect lobbying-related oversight mechanisms, along with its trade association payments, would help shareholders better assess the risks and benefits. The vote was not passed.</p> <p>Qantas Airways Limited – a vote “for” was cast in regards to the company’s remuneration report. LGIM supported the report given the executive salary cuts, short term incentive cancellations and CEO’s voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. The vote was passed with 91% of voters supporting the resolution. LGIM continue to engage with the company.</p> <p>A vote was also cast ‘against’ approving Alan Joyce in the LTIP over concerns to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. The vote was not supported as 90% of voters supported the resolution. LGIM will continue to engage with the company.</p> <p>Whitehaven Coal – a vote “for” was cast to approve capital protection. Shareholders asked the company for a report on the</p>

potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets. The resolution did not pass as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in 'significant environmental harm'. As the company is on LGIM's Future World Protection List of exclusions, many of LGIM's ESG-focused funds – and select exchange-traded funds – were not invested in the company. LGIM will continue to monitor this company.

Notes: ISS = Institutional Shareholder Services Inc.
IVIS = Institutional Voting Information Service
The information in the table has been provided by the investment managers for the year ending 31 March 2021.