

Statements of Implementation

During the year to 5 April 2020, the Statement of Investment Principles (SIP) was updated once. These changes were agreed at the May 2019 Trustee meeting and documented (by way of signature) in July 2019. These changes reflected the appointment of River and Mercantile as fiduciary manager. In addition this SIP update outlined the Trustee approach to Environmental, Social and Governance (ESG) factors; namely that the Trustee delegates consideration of these factors to River and Mercantile who consider them when constructing the Scheme's investment portfolio.

The Trustee has followed their Statement of Investment Principles approach to voting and engagement over the year to 5 April 2020 and expects this to have positively contributed to the Scheme's performance. The Trustee appointed a fiduciary manager, River and Mercantile, to manage their assets with effect from 8 February 2019. The transition of assets began on the 22 March 2019 and was completed on 16 May 2019. River and Mercantile are a PRI signatory and were rated A+ by PRI in 2019 for their Strategy and Governance. To ensure all relevant voting and engagement is covered, this statement includes information on both the fiduciary manager's voting and engagement record as well as those of the underlying managers. Where proxy voting agents have been used, this has been included in the voting information.

Due to constraints around underlying management reporting periods which are compiled at quarter end, this statement of implementation has been completed over the year to 31st March 2020 and where applicable, underlying managers have provided examples of engagement.

Fiduciary Growth Portfolio:

As there are c. 30 managers in the portfolio, we have only included allocations which are c.2.5% of Growth assets or higher as at 31 March 2020. We note that the Scheme was not invested in some of the funds for the full 12 months to 31st March 2020 due to the transition of assets taking place. We have listed out the funds we have considered in detail below, but have requested information from all the underlying managers in the portfolio:

Asset class	Fund name	Allocation
Equity	Morgan Stanley Global Brands	4.1%
Equity	Ninety One Global Strategy Fund - Global Franchise Fund	3.7%
Equity	Fundsmith Equity	4.1%
Equity	BNY Mellon Equity Strategy	28.1%
Hedge Funds	Hudson Bay International Fund Ltd	4.1%
Mortality Risk	Leadenhall Life	2.8%

River and Mercantile pooled fund voting and engagements

Over the year to 31 March 2020, we voted on 133 resolutions across 31 meetings. We voted against management at 7 resolutions across 4 meetings which means overall we voted against management for 5% of resolutions and at 13% of meetings.

Our most significant vote and engagement over the year was around re-appointment of the Board of Directors which was 100% non-independent. This has been an ongoing discussion point between our Operational Due Diligence Team and the underlying manager, which included raising this point with one of the Board Members during a due diligence meeting in October 2018. On receiving the 2019 AGM notice we flagged our disappointment the board was still non independent and alerted the manager of our intention to vote against the resolution. However, the vote was passed and the Board reappointed. We again raised this point during our periodic due diligence review in April 2020 and ultimately, we again voted against a fully non-independent board at the April 2020 AGM.

We continue to engage with the underlying manager on this point and consider the vote to be significant both from the perspective that we voted against management and in relation to the matter itself.

Equity

Morgan Stanley (MS) Global Brands:

Voting Statistics

	Number of Meetings voted on	Total number of resolutions	Number of actual votes against management	Average % of votes against management per region	Average % votes against management for E resolutions	Average % votes against management for S resolutions	Average % votes against management for G resolutions	Average % of meetings voted against management endorsement by at least one item
Total 12m to 31/03/2020	29	403	22	8%	0%	6%	8%	50%

Most significant vote(s) and examples of Engagement

British American Tobacco

- MS have been engaging with BAT on executive remuneration for a number of years and expressed their concerns about their incentive plan structure. Although management had proposed changes which MS viewed as incrementally positive, they did not address the key concerns around performance metrics.
- As a result, MS voted against the remuneration report at the AGM and will continue to encourage the company to further improve their pay practices.**

Pernod Ricard

- Morgan Stanley (“MS”) engaged on the topics of decarbonisation, circular economy, sustainable agriculture, responsible drinking, and diversity and inclusion. There are several positive changes underway such as in the area of diversity. As an example, the board now has four female members versus one 5 years ago. In 2020, the company recruited its first American (who is coincidentally female) to head the US spirits business (Pernod’s largest market).
- In summary, the manager believes the company has strong sustainability governance in place and is taking concrete actions on key ESG topics.**

SAP

- MS discussed SAP’s contribution to de-carbonising the economy, as well as employee diversity, engagement and welfare.
- While they believe SAP is ahead of others in their sustainability and diversity efforts, MS noted that it does not report gender pay gap data. MS encouraged them to do so, highlighting potential reputational issues if they do not.**

Ninety One Global Franchise:

Voting Statistics

	Number of Meetings voted on	Total number of resolutions	Number of votes against management resolutions	Average % of resolutions against management per region	Average % votes against management for E resolutions	Average % votes against management for S resolutions	Average % votes against management for G resolutions	Number of Meetings where voted against management endorsement by at least one item	Average % of meetings voted against management endorsement by at least one item
Total 12m to 31/03/2020	24	379	22	2%	0%	0%	36%	11	42%

Most significant vote(s) and examples of engagement

Voting statics on shareholder resolutions								
Company Name	Country	Meeting Date	Proponent	Proposal Text	Management Recommendation	ISS Recommendation	Vote Instruction	Voter Rationale
Microsoft Corporation	USA	04-Dec-19	Share Holder	Report on Employee Representation on the Board of Directors	Against	Against	None	Internal discussion was not resolved in time to vote.
Microsoft Corporation	USA	04-Dec-19	Share Holder	Report on Gender Pay Gap	Against	For	None	Internal discussion was not resolved in time to vote.
Intuit Inc.	USA	23-Jan-20	Share Holder	Adopt a Mandatory Arbitration Bylaw	Against	Against	Against	Not considered to be in the best interest of all shareholders
Becton, Dickinson and Company	USA	28-Jan-20	Share Holder	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Against	For	For	

Examples of Engagement

Check Point

- In June 2019, NinetyOne (“NO”) began engagement with Check Point Software Technologies, regarding CEO compensation as they viewed the proposal as excessive. The AGM documentation outlined an option award for CEO, Mr Gil Shwed. While they appreciate the alignment created with shareholders through compensation solely by option awards, the proposal to award 1.3 million options did seem high, equating to almost 1% of Check Point’s shares outstanding, and creating the potential to result in a highly lucrative pay package over time.
- In September 2019, NO wrote a letter to the chair of the Compensation Committee, highlighting the concerns on this subject.
- As part of Check Point’s 2020 Proxy Filing, released in June 2020, the company announced a change to the CEO’s compensation arrangements. These changes address the concerns by dramatically reducing the size of the option award.

VeriSign

- NO engaged pre-AGM with the Company on their audit committee composition. They opposed three directors due to independence concerns given tenure on the board. The three members of the audit committee had tenures of between 12 and 18 years which NO consider too long to be independent. **As such, they voted against the nomination of two members, and requested the board investigate the structure of the audit committee to safeguard independence, considering director tenure, without adversely impacting Verisign’s business operations, continuity and performance.**

Fundsmith:**Voting Statistics**

	No. of Voteable Proxies	Times actually voted	No. of Votes Against Management Instruction	% Voted	% Voted Against Management
Total 12m to 31/03/2020	441	441	22	100	5

Most significant vote(s) and examples of engagement

- Engaged with multiple companies in the last year on remuneration policies, but most notably Diageo and IHG. Fundsmith encourage companies to include returns-based measure (ROIC) in their long-term incentive package (LTIP) so that only value accretive growth is rewarded. They were successful in the engagement with IHG (they now include a ROIC measure in the LTIP) and the engagement with Diageo is ongoing.
- As long term shareholders Fundsmith consider ESG factors a significant part of their investment process as they want companies that can sustain a return on invested capital across the business cycle and the only way that is possible (over the long term) is by not having an excessive negative impact on the environment or society. The biggest innovation in this process over the last year was to publish a responsible investment policy, which explains Fundsmith's approach to responsible investment.

Bank of New York Mellon (“BNYM”):

Voting Statistics

	Meetings	Proposals	Votes For	Votes Against	Votes Abstain	Votes Withhold	With Mgmt	Against Mgmt	With ISS	Against ISS	With Policy	Against Policy
Total 12m to 31/03/2020	266	2648	2398	217	2	27	2448	199	2581	66	2640	7

Most significant vote(s) and examples of engagement

ExxonMobil.

- While noting that the CEO’s pay declined over the year, BNYM expressed a series of concerns with ExxonMobil’s annual compensation programme, including what BNYM felt was an inadequately strong linkage to objective company performance. BNYM consequently voted against management in the “say on pay” proposal regarding executive remuneration.
- The CEO of BNYM will meet with ExxonMobil to continue dialogue on this matter.

Honeywell.

- Over several years, BNYM has engaged with Honeywell on the firm’s compensation guidelines and disclosures relating to compensation. Through this process, Honeywell identified ways to improve reporting to better reflect the shareholder value transfer model.
- In September 2019, BNYM and Honeywell discussed how environmental sustainability and diversity in the workplace has become part of the company’s business operations. Honeywell outlined quantitative targets relating to the former and explained changes to the Board composition and average tenure to address the latter
- BNYM inquired about how the company was responding to shareholder requests to report on lobbying payments and to lower the threshold for shareholders to call special meetings on a range of topics.

EnzoBio.

- NYM were dissatisfied by the size of perquisites (additional benefits above financial remuneration) as a proportion of the CEO’s salary. BNYM also strongly suggested the company added a woman to its Board, for a number of financial and non-financial reasons, including that the company develops medicines for, and works with, a substantial number of female patients.
- Enzo confirmed to BNYM a woman had been added to the Board in part as a consequence of BNYM’s engagement on the issue

Alternatives

The alternative nature of these funds mean investments tend not to be in listed equities and as such, voting is not relevant. .

Hudson Bay:

Due to the nature of this Fund's investments it does not utilise vote proxies. Although Hudson Bay does not have an ESG related policy within its overall portfolio design, it recognises and respects the fact that ESG is a very important issue, therefore, has developed the ability to allocate away any profits and losses attributable to investments that would violate a client's ESG mandate.

Leadenhall Life:

Examples of Engagement:

German hybrid insurer/reinsurer

- Leadenhall Life recently engaged on the strength of a German hybrid insurer/reinsurer's ESG support as part of its Operational Due Diligence process.
- On an environmental standing the insurer was particularly sound; its parent group majority investor is a signatory to the UN PRI; the investment screening process removed the risk of investments falling foul of shared environmental goals; the carbon footprint was actively disclosed; and there was an extensive section of their website describing the underwriting and investment policies with regard to sustainability.
- Leadenhall Life conducted a detailed review of the decision-making authority, its organisation chart, and framework for operational risk governance and an internal audit was conducted. Leadenhall Life concluded the firm had solid risk accountability.

Insurance acquisition

- Leadenhall Life were offered the opportunity to lend to a vehicle against the Embedded Value of a targeted insurance acquisition. The deal team brought the proposition to internal committee for discussion. The proposition was rejected, in part, because of potential governance issues, namely, one of the Principals in the vehicle had been previously involved in a failed entity.

ESG process evolution

- Leadenhall Life has begun conducting reviews of the public information of its largest counterparties to create a background of the entities general approach to ESG issues. Leadenhall Life are also putting together a measurement/database of ESG processes for its main counterparties through its own research.

Liability hedging

Engagement is relevant when considering trading counterparties and we regularly monitor counterparty ESG scores. At an industry level, we engage with relevant industry consultations (for example RPI reform and LIBOR reform).

Insight MBAM Funds

Examples of Engagement:

General electric

- Insight have raised governance concerns with management following a whistle-blower incident and decided to keep the issuer on a hold rating. Engagement activity is ongoing to understand the materiality of the issues and to assess the future plans to address these risks.

Cadent

- Insight have raised climate change and environmental issues. These include replacing iron mains pipes to reduce leakage, carbon capture and storage. Environmental action plan has been shared with OFGEM which is aligned with their sustainability report. Cadent are currently working with supply chain to remove plastics -piloting durable paper-Innovation funding to progress towards low carbon economy. Future environmental projects that Cadent will focus on waste, landfill and water management around large projects.

ESG process evolution

The following firmwide ESG enhancements were made during the last year:

- Introduction of proprietary ESG ratings
- Introduction of proprietary impact ratings
- Two additional dedicated ESG research resource
- Addition of Sustainalytics to the suite of ESG research providers
- Introduction of quarterly ESG corporate fixed income and ESG sovereign fixed income groups

Additionally, in February 2020, Insight hosted the Science Based Target initiative (SBTi), a collaboration between the CDP, UN Global Compact, World Resources Institute (WRI) and World Wildlife Fund (WWF) to discuss methodology for measuring and setting Scope 3 emissions. Including Scope 3 emissions as part of investment analysis is critical to more accurately measuring the carbon impact of businesses. At present, no standardised methodology exists. By working with SBTi, Insight will use this industry-leading group to more effectively communicate the carbon performance of credit portfolios and to show how they align with the Paris Agreement.