

The Edward James Foundation Final Salary Pension Scheme

Engagement Policy Implementation Statement

2021

Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustees of the Edward James Foundation Final Salary Pension Scheme has been followed during the year to 30th September 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.

Investment Objectives of the Scheme

The Trustees' 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 Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

Investment Strategy

The Trustees reviewed and implemented change to the investment strategy in late 2020. The changes made significantly reduced the level of investment risk the Scheme was exposed to by disinvesting from global and emerging market equities, and reducing the reliance on leveraged LDI to provide interest rate and inflation hedging. Instead, the Scheme invested into diversified growth funds, multi asset credit, gilts, and index linked gilts, as well as increasing the existing allocation in corporate bonds.

Scheme's Investment Structure

Over the course of the year, the Scheme's assets were invested via 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. As such, the Trustees have no direct relationship with the Scheme's underlying investment managers.

Policy on ESG, Stewardship and Climate Change

The Trustees understand 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 Trustees' policy on ESG factors, Stewardship and Climate Change (Section 4.4 to 4.7). The policies were last reviewed in November 2020. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

The Trustees are responsible for ensuring that the Trustee board members are sufficiently educated in areas relating to ESG. When required, the Trustees will seek education sessions from their investment adviser, Mercer.

Engagement

In the Scheme year covered by this statement, the Trustees have not engaged with Mobius or the underlying pooled fund managers directly on matters pertaining to ESG, stewardship or climate change.

However, the Trustees receives investment performance reporting on a quarterly basis from Mercer which includes ESG specific ratings for the underlying investment managers. The majority of the Scheme's managers were highly rated during the year. The Trustees acknowledge that managers in areas such as fixed income (particularly in relation to LDI) may not have a high ESG rating due to the nature of the asset class, where it is harder to engage with the issuer of debt.

The Trustees have effectively delegated engagement activities in relation to the underlying companies that comprise the pooled funds to the investment managers of the funds that the Scheme is invested in. The Scheme's investment managers engaged with companies over the period on a wide range of different issues including ESG matters.

Voting Activity

The Trustees have effectively delegated their voting rights to the managers of the funds the Scheme's investments are ultimately invested in. The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, the table below sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are invested:

Investment Manager Voting Summary

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes cast	Votes against management endorsement	Abstentions		
Nordea – Diversified Growth Fund	Nordea relies on their bespoke voting policy, and/or vote manually, for an overwhelming majority of all votes. During the massive scale-up Nordea initiated this year, during which they voted in close to 4000 individual AGMs/EGMs, they have for some minor holdings relied on ISS' standard sustainability policy, but they still looked at all ESG related issues and most other contentious issues. This is due to a current lack of resources on ISS' part to do bespoke policy recommendations in peripheral markets and for very minor holdings. Nordea expects ISS to have ratified this by 2022.	2,303 (out of 2,389 eligible)	12%	1%	Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company.	<p>Vote example 1 Company: Johnson & Johnson Date: 22/04/2021 Resolution: Report on government financial support and access to COVID-19 vaccines and therapeutics (shareholder proposal) Vote: For Rationale: Nordea believed reporting on the impact of public funding on the company would allow shareholders to better assess the company's management of associated risks Outcome: The resolution did not pass</p> <p>Vote example 2 Company: Oracle Date: 03/11/2020 Resolution: Advisory note to ratify named executive officer's compensation Vote: Against Rationale: Nordea believed that bonus and share based incentives should only be paid when management reach clearly defined and relevant targets that are aligned with the interest of the shareholders. Nordea also voted against the re-election of the proposed board members in the Compensation Committee. Outcome: Pass</p>
Threadneedle – Multi Asset Fund	While analysing meeting agendas and making voting decisions, Threadneedle use a range of research sources and consider various ESG issues, including companies' risk management practices and evidence of any controversies. Their final vote decisions take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research. Proxy voting is effected via ISS.	7,306 (out of 7,317 eligible)	7%	3%	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where they support a shareholder-tabled proposal not endorsed by management.	<p>Vote example 1 Company: Tencent Holdings Limited Date: 20/05/2021 Resolution: Authorise Reissuance of Repurchased Shares Vote: Against Rationale: Threadneedle voted against this resolution due to a lack of disclosure. Outcome: The resolution passed</p> <p>Vote example 2 Company: JD Health International Limited Date: 23/06/2021 Resolution: Elect Sandy Ran Xu as Director Vote: Against Rationale: Threadneedle voted against this resolution due to audit and overboarding concerns. Outcome: The resolution passed</p>