

# Gilberts (Blackpool) Ltd Pension Fund (the 'Fund')

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2023

### Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance ("ESG") factors and climate change set out in the Statement of Investment Principles ('SIP') have been followed during the year to 5 April 2023. This statement has been produced in accordance with The Pension Protection Plan (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended, and the guidance published by the Pensions Regulator.

### Investment Objectives of the Fund

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees' primary investment objective 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 Fund.

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

### 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 Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Fund's SIP dated 24 September 2019 first included the Trustees' policies on ESG factors, stewardship and climate change, and these are also included in the SIP which was approved on 17 September 2020. The SIP was updated during the scheme year on 5 May 2022 following a change of investment strategy. This did not result in a change of these policies and we have set them out in Appendix 1 to this Statement.

The SIP dated 5 May 2022 remains in force and is available at the following link:

<https://gilbertsblackpool.com/pension-scheme/>

The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

### Fund's Investment Structure

The Fund's only investment is a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Fund to invest in pooled funds managed by third party investment managers.

As such, the Trustees have no direct relationship with the Fund's underlying investment managers, but have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

### Trustees Engagement

Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Fund is invested. These scores reflect Mercer's view on how the managers incorporate ESG factors into the management of their funds and help the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees monitor the development of these scores over time, and also consider Mercer's ESG scores when undertaking an investment strategy review and considering new investment funds.

The Trustees are satisfied that Mercer's ESG scores for the funds invested in are satisfactory in the context of the mandates of the funds.

As the Trustees have no direct relationship with the Fund's underlying investment managers the 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.

The information in Appendix 2 shows that the Fund's managers engaged with a large number of investee companies on a wide range of issues.

Further information on the investment managers' approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following websites:

Nordea:

<https://www.nordeaassetmanagement.com/responsible-investment>

Columbia Threadneedle:

<https://www.columbiathreadneedle.co.uk/en/inst/about-us/responsible-investment/>

Baillie Gifford:

<https://www.bailliegifford.com/en/uk/about-us/esg/>

M&G:

<https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments>

Ninety One:

<https://ninetyone.com/en/sustainability>

All the Scheme's investment managers are signatories of the UK Stewardship Code as follows:

Manager	Signatory Since
Columbia Threadneedle	2022
Baillie Gifford	2021
Nordea	2022
M&G	2021
Ninety One	2021

Source: FRC website

Taking all the above into consideration, the Trustees are satisfied that Responsible Investment is central to the investment managers' approaches to investing.

### Voting Activity

If the Trustees are specifically invited to vote on a matter relating to the corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Fund's members.

Over the scheme year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

As noted earlier, the Trustees have no direct relationship with the pooled funds the Fund is ultimately invested in, and therefore the Trustees have no voting rights in relation to the Fund's investments and no direct ability to influence the managers of the pooled funds. As a result, the Trustees do not directly use the services of a proxy voter as this is not relevant.

The DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, “Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance” to be adopted in all Engagement Policy Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a “significant vote”.

- A significant vote is defined as one that is linked to the Scheme’s stewardship priorities/themes;
- A vote could also be significant for other reasons, e.g. due to the size of holding;
- Trustees are to include details on why a vote is considered significant and rationale for voting decision.

The Trustees have identified that climate change & carbon neutrality is their most important stewardship priority. The significant votes shown in this statement relate to this.

Appendix 2 sets out a summary of the key voting activity over the financial year of the pooled funds in which the Fund’s assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote. The Trustees have no influence on the managers’ definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

The Appendix shows those significant votes supplied by the investment manager which the Trustees determine to be a significant vote – i.e. those that are in relation to climate change & carbon neutrality. Given the number of significant votes supplied, the Trustees have applied a size filter on grounds of materiality and only considered votes to be significant if in relation to a company that constitutes 0.25% or more of the specific fund.

#### **Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2023**

The Trustees are satisfied that the Engagement Policies set out in the SIP, which have been in place over the year have been followed.

## **Appendix 1 – Policy on ESG, Stewardship and Climate Change**

The policies below are included within the 17 September 2020 and 5 May 2022 SIPs:

### **Financially Material Considerations**

The Trustees consider many risks which they anticipate could impact the financial performance of the Fund's investments over its expected lifetime. Such risks are set out in Section 5 of the SIP.

The Trustees recognise that environmental, social and corporate governance ("ESG") factors, such as climate change, can influence the investment risk and return outcomes of the Fund's portfolio and it is therefore in members' and the Fund's best interests that these factors are taken into account within the investment process.

The Trustees further recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustees would seek to invest in funds which incorporate ESG principles.

In setting their investment strategy, the Trustees have prioritised funds which provide leveraged protection against movements in the Fund's liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be paramount.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Fund invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustees also receive ESG scores provided by the Investment Consultant in relation to the funds in which the Plan is invested and will monitor how these develop over time.

The Trustees will review their approach to ESG on an ongoing basis to make sure that their policy evolves in line with emerging trends and developments.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

### **Non-Financial Matters**

The Trustees have determined that the financial interests of the Fund members are their first priority when choosing investments.

They have decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy for the Fund.

### **Stewardship**

The Fund is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Fund's membership.

If a new investment manager is selected, the Trustees will consider the Investment Adviser's ESG score, which incorporates an assessment of engagement and voting as part of the process.

## Appendix 2 – Voting and Engagement Activity

This Appendix sets out a summary of the key voting and engagement activity of the pooled funds in which the Plan's assets are ultimately invested.

### Engagement:

Fund	Total Engagements	Climate Change Engagements
Nordea Diversified Return Fund	100	16
Threadneedle Multi Asset Fund	177	Not provided
Baillie Gifford Diversified Growth Fund	19	4
M&G Total Return Credit Fund	7	3
Ninety One Global Total Return Credit Fund	18	8
Columbia Threadneedle LDI	23	Not provided

Sourced by Mobius from the investment managers

### Voting:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
<b>Nordea Diversified Return Fund</b>	<p>Every vote cast is considered individually on the background of Nordea's bespoke voting policy, which is developed in-house based on their principles.</p> <p>Proxy voting is supported by two external vendors (ISS and Nordic Investor Services) to facilitate proxy voting, execution and to provide analytic input. In 2021 these two vendors merged.</p>	2,391 resolutions eligible for (98.83% cast)	8.72% of votes cast	1.65% of votes cast	<p>Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals versus their policy.</p>	<p><b>Monster Beverage</b></p> <p><b>Shareholder Resolution -</b> "Report on GHG emission reduction targets aligned with the Paris Agreement goal"</p> <p><b>Date of vote:</b> 14 June 2022</p> <p><b>Size of holding:</b> 1.27% of portfolio</p> <p><b>Voting:</b> For</p> <p><b>Manager Rationale:</b> "We think that additional information on the company's efforts to reduce its carbon footprint and align its operations with Paris Agreement goals would allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks."</p> <p><b>Was this communicated to company ahead of vote:</b> No</p> <p><b>Vote Outcome:</b> Resolution failed</p> <p><b>Next steps:</b> Nordea will continue to support shareholder proposals on this issue as long as the company is not showing substantial improvements.</p> <p><b>Microsoft Corporation</b></p> <p><b>Shareholder Resolution -</b> "Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk"</p> <p><b>Date of vote:</b> 13 December 2022</p> <p><b>Size of holding:</b> 3.60% of portfolio</p>

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
						<p><b>Voting:</b> For</p> <p><b>Manager Rationale:</b> “We believe that while the company may not be responsible for its employees' investment decisions, the information requested in the report would not only complement and enhance Microsoft's existing commitments regarding climate change, but also allow shareholders to better evaluate the company's strategies and management of related risks.”</p> <p><b>Was this communicated to company ahead of vote:</b> No</p> <p><b>Vote Outcome:</b> Resolution failed</p> <p><b>Next steps:</b> Nordea will continue to support shareholder proposals on this issue as long as it is needed.</p>
<b>Threadneedle Multi Asset Fund</b>	<p>ISS Proxy Exchange used for voting execution.</p> <p>Final vote decisions made by Threadneedle take account of, but are not determinatively informed by, research issued by proxy advisory organisations such as <b>ISS</b> and <b>Glass Lewis</b> as well as <b>MSCI ESG Research</b>.</p>	5,830 resolutions eligible for (97.63% cast)	7.87% of votes cast	2.06% of votes cast	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><b>Alphabet Inc</b></p> <p><b>Shareholder Resolution -</b> “Report on Climate Lobbying”</p> <p><b>Date of vote:</b> 1 June 2022</p> <p><b>Size of holding:</b> 0.32% of portfolio</p> <p><b>Voting:</b> For Resolution</p> <p><b>Manager Rationale:</b> “Supporting better ESG risk management disclosures. Active stewardship (engagement and voting) continues to form an integral part of our research and investment process.”</p> <p><b>Was this communicated to company ahead of vote:</b> No</p> <p><b>Vote Outcome:</b> Resolution failed</p> <p><b>Next steps:</b> Active stewardship (engagement and voting) continues to form an integral part of CT’s research and investment process.</p>
<b>Baillie Gifford Diversified Growth Fund</b>	ISS and Glass Lewis used for recommendations only, along with specialist proxy advisors in the Chinese and Indian markets for more nuanced market specific information. All client voting decisions are made in-house.	1,061 resolutions eligible for (97.93% votes cast)	3.27% of votes cast	0.96% of votes cast	<p>The list below exemplifies potentially significant voting situations:</p> <ul style="list-style-type: none"> <li>• Baillie Gifford’s holding had a material impact on the outcome of the meeting;</li> <li>• The resolution received 20% or more opposition and Baillie Gifford opposed;</li> <li>• Egregious remuneration;</li> <li>• Controversial equity issuance;</li> <li>• Shareholder resolutions that Baillie Gifford supported and</li> </ul>	No significant voting information was provided by the manager on climate change or carbon neutrality.

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant votes*
		Votes in total	Votes against management endorsement	Abstentions		
					received 20% or more support from shareholders; <ul style="list-style-type: none"> <li>• Where there has been a significant audit failing;</li> <li>• Where they have opposed mergers and acquisitions;</li> <li>• Where they have opposed the financial statements/annual report;</li> <li>• Where they have opposed the election of directors and executives.</li> </ul>	

Sourced from the investment managers and relate to year ending 31 March 2023

\* All are considered significant because they relate to climate change and carbon neutrality and are in relation to a company that constitutes 0.25% or more of the specific fund