

## Engagement Policy Implementation Statement

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Prepared for: WR Swann & Co Limited Retirement Benefits Scheme  
Prepared by: Aon

# Background to the Engagement Policy Implementation Statement Disclosure Requirements

**Background to the new disclosure requirements** New regulations that apply from 1 October 2020 have set out the following requirements for trustees of defined benefit pension plans regarding the production of an Engagement Policy Implementation Statement ("the Statement" or "EPIS"):

- The EPIS must set out information on how trustees have put the stewardship policy in the Statement of Investment Principles ("SIP") into practice, particularly in relation to voting and engagement.
- Trustees must publish their EPIS online (from 1 October 2021) and in the annual report and accounts where they are produced after 1 October 2020.

The key requirements for the EPIS for a DB plan are as follows:

Items	Covered in the draft EPIS?
The EPIS must set out the extent to which trustees have: <ul style="list-style-type: none"><li>▪ Exercised their rights, including voting rights, attached to the investments, and</li><li>▪ Undertaken engagement activities in respect of the investments</li></ul>	The Scheme's growth investment manager was unable to provide voting information for its underlying managers. It provided engagement information at a manager level.
The EPIS must describe the voting behaviour by, or on behalf of, the trustees including the most significant votes cast during the year and state any use of the service of a proxy voter.	

**Purpose and data**

This document has been commissioned by the Trustees of the WR Swann & Co Limited Retirement Benefits Scheme (the "Scheme") and sets out the proposed content for the EPIS for the Scheme's financial year ended 30 June 2020.

The Scheme's investment adviser, Aon Solutions UK Limited ("Aon"), has gathered information from the Scheme's investment managers to support the production of this document.

We note that Trustees have recently decided to invest in a delegated investment portfolio with Aon Investments Limited ("AIL"). The EPIS has been prepared using data collected from the Scheme's growth manager as at the Scheme's financial year-end, Canaccord Genuity Wealth Management, and the Scheme's Liability Driven Investment ("LDI") manager, Insight Investment Management. In future years, the EPIS will be prepared using data collected by Aon from its underlying investment managers.

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**Next steps**

The draft statement is for review and agreement by the Trustees.

PLSA guidance encourages trustees to consider what other information might be useful to include in the statement, beyond the strict requirements for DB plans. As such, we would encourage the Trustee to review the extent to which they may wish to extend upon the minimum requirements.

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# Draft Engagement Policy Implementation Statement

## Introduction

This Engagement Policy Implementation Statement (the "Statement") has been commissioned by the Trustees of the WR Swann & Co Limited Retirement Benefits Scheme (the "Scheme") and sets out the actions undertaken by the Trustees, their service providers, including the investment adviser (Aon) and the investment managers; to implement the policies as set out in the SIP. The Statement includes voting and engagement information that has been gathered from the investment managers on behalf of the Trustees.

The Statement covers activities over the period 1 July 2019 to 30 June 2020.

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## The Scheme's stewardship policy

The relevant extract of the SIP, as at the Scheme's financial year-end 30 June 2020 covering the Scheme's voting and engagement policy is as follows:

*As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to:*

- *Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and*
- *exercise the Trustees' voting rights in relation to the Scheme's assets.*

*The Trustees regularly review the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.*

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## Changes to the SIP over the period

The Scheme's SIP was updated in September 2019 and was in place over the period to 30 June 2020, without change.

### After 30 June 2020

In addition to the changes noted above, the SIP was updated in September 2020 to take account of further regulatory changes which are required to expand the SIP for policies on cost transparency and how investment managers are incentivised. The Trustees have outlined their policies on how investment managers are incentivised to achieve their long-term objectives, their policies on cost transparency, their policies on voting and stewardship and how their policies align with that of the sponsoring company in relation to sustainability.

After 30 June 2020, the Trustees decided to invest in a delegated investment portfolio with Aon Investments Limited ("AIL"). The content of this Statement will evolve in future years as Aon has developed specific reporting solutions for voting data.

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## **Scheme activity over the year**

### **Trustees' Training**

Over the year, the Trustees received responsible investment training from their investment adviser which provided the Trustees with an introduction to the responsible investment environment. The training also covered regulatory requirements, a recap of the investment adviser's Environmental, Social and Governance ("ESG") ratings process, and a discussion of the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

### **Ongoing Monitoring**

The Trustees receive regular investment updates from their investment adviser, including on matters relating to responsible investment. The Trustees' ongoing monitoring takes different forms, including investment performance monitoring, ad-hoc market updates and annual investment risk disclosures.

#### Investment Performance Monitoring

The Trustees receive, on at least a quarterly basis, monitoring reports from their investment adviser outlining the valuation of all investments held, the performance of these investments and any transactions encountered during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments. The asset allocation is also monitored and compared to the strategic asset allocation for the Scheme.

#### Investment Risk Disclosure

The Trustees report on the risks associated with the Scheme's investments annually in the investment risk disclosure report which accompanies the annual reports and accounts. In this report, the Trustees monitor the risks associated within the Scheme's defined benefit investments, concentrating on market risks, credit risk, interest rate risk, inflation risk and others.

## **Voting and engagement: Growth portfolio**

Over the year, the Scheme was invested in a growth portfolio with a delegated investment manager, Canaccord Genuity Wealth Management ("Canaccord").

In response to an information request on behalf of the Trustees by Aon, Canaccord provided information relating to their responsible investment and engagement policies but were unable to provide voting statistics for the underlying managers within their strategies, nor were they able to provide specific engagement examples.

After 30 June 2020, the Trustees moved their delegated investment portfolio to be managed by Aon Investments Limited ("AIL"), who produce a Stewardship report on an annual basis which contains voting statistics and examples, engagement examples, and an outline of how AIL engages with its underlying managers. The Trustees recognise that the content of this Statement will evolve in future years alongside Aon's specific reporting solutions focused on voting and engagement.

### **Signatory Information**

Canaccord has been a signatory of the United Nation's Principles for Responsible Investment (UNPRI), the world's leading proponent of

Environmental, Social and Governance (ESG) considerations and a global standard setter for better practice, since 2019.

Canaccord stated that it fully supports the UK Stewardship Code but is not a signatory to it. Canaccord's core business is aimed at retail investors but a small number of its clients are institutional investors. Canaccord's commitment to the diversification of holdings across asset classes and markets as well as across individual securities, within its discretionary portfolios means that holdings are rarely material when compared to the shares in issue for a company. Canaccord state that therefore, while they fully support the Principles of the Code, its approach is considered proportionate to the impact that the Code has on Canaccord's business.

### **Engagement Information**

Canaccord monitors the stewardship quality of underlying investment managers through investment committees. Underlying investment managers must make it on to an approved list before they are introduced to Canaccord's investment strategies. The approved lists are monitored by the investment committees, who carry out all research and engagements with the underlying investment managers. Canaccord does not have an engagement policy.

Canaccord offers an ESG Portfolio Service to its clients, which allows clients to take a more responsible approach to investing by allowing them to invest in funds that work towards driving positive change without compromising on investment return. In its portfolio construction, the ESG Portfolio Service adopts a blend of exclusion and impact investing, including choosing funds with an investment strategy aimed at supporting the United Nations Sustainable Development Goals. With that said, the Scheme was not invested in the ESG Portfolio Service over the period.

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### **Engagement: Liability Driven Investment ("LDI")**

Over the year the Scheme was invested in a LDI portfolio with Insight Investment Management ("Insight"). The purpose of the LDI portfolio is to provide protection for the Scheme's against changes in interest rates and inflation, by ensuring movements in the Scheme's liabilities are broadly matched by a change in these assets.

### **Signatory Information**

Insight was one of the founding signatories to the UNPRI and has been a signatory since 2006. Insight has also been a signatory to the Financial Reporting Council's Stewardship Code since 2010.

### **Engagement Summary**

While equity managers may have more direct influence on the companies they invest in, fixed income managers are also influential in their ability to encourage positive change. Voting, engagement and stewardship are less applicable to hedging instruments, such as government bonds. With that said, the Trustees would still expect to see ESG policies and processes formalised and developed over time by all investment managers, including Insight.

Insight has deployed material resources to its engagement strategies with respect to LDI. More generally, engagement priorities will depend on a

variety of factors and can include portfolio position, materiality of issue and company access.

Insight states that they analyse and engage with all counterparties on ESG considerations. Given that the counterparties are predominantly financial institutions, there is typically a greater focus on governance discussions. Furthermore, governance forms part of the underlying fundamental assessment of the counterparty through Insight's proprietary Risk Score for each counterparty bank that is formally reviewed monthly.

Within its broader credit research approach, Insight assesses the ESG risks of banks as a key part of its fundamental credit assessment. While Insight engage with all counterparties, there is a focus on those outliers with low scores to ensure that Insight are comfortable with the level of associated risk and, if possible, Insight will work to improve the position.

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## **Conclusion**

The Trustees recognise that they have a responsibility as an institutional investor and asset owner to encourage and promote high standards of stewardship in relation to the assets that the Scheme invests in.

The Trustees appreciate the fact that the availability of voting and stewardship information will evolve over time. The Trustees appreciate that whilst data is limited in this Statement due to the Scheme's investment arrangements as at the Scheme's financial year end, the recent change of investment manager will allow for the inclusion of more extensive information regarding voting and engagement in future Statements.

The Trustees acknowledge that stewardship may be less applicable to certain asset classes, especially in the fixed income space, but generally would still expect to see responsible investment policies and processes formalised and developed over time.

The Trustees will aim to ensure the assets are managed in a responsible manner by the investment managers that it has employed to invest the assets of the Scheme. The Trustees will monitor, assess and ultimately hold the investment managers to account to ensure that the assets of the Scheme are appropriately invested.

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