S.E.H. Europe Retirement Benefits Plan

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 30 April 2023

Introduction

This Engagement Policy Implementation Statement (the "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 30 April 2023 (the "Plan Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment) Regulations 2019, and the guidance published by the Pensions Regulator.

The Statement is based on, and should be read in conjunction with, the SIP that was in place for the Plan Year. The latest version of the SIP can be accessed online: https://www.sehe.com/wp-content/uploads/2020/10/SEHRBPSIP_2020.pdf

Trustees' Investment Objective

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set.

As outlined 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 Plan'.

The objective set out above provides a framework for the Trustees when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Trustees recognise that ESG factors can influence the investment performance of the Plan's portfolio and it is therefore in members' and the Plan's best interest that these factors are taken into account within the investment process.

The Plan's SIP includes the Trustees policies on ESG factors, stewardship and climate change. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially. The policies in question were last approved on 23 September 2020.

The Plan's assets are invested in pooled funds and therefore the Trustees accept that they have very limited ability to influence the ESG policies and practices of the companies in which the managers invest. The Trustees therefore rely on the policies and judgement of the investment managers.

The Trustees expect the investment managers to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to investments and engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

The Trustee can confirm that it has acted in accordance with the SIP in relation to voting and engagement activities over the Plan Year.

Plan’s Investment Structure

The Plan invests in pooled investment vehicles managed by three investment managers. As such, the Trustees have a direct relationship with the Plan’s investment managers. The Trustees have the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Trustees Engagement

Over the Plan Year, the Trustees have not engaged with the pooled fund investment managers on matters pertaining to ESG, stewardship or climate change. 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.

However, the Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers:

- The Trustees review the ESG ratings of funds when undertaking an investment strategy review.
- Mercer notify the Trustees of changes in ESG ratings of the funds in which the Plan invests.

This enables the Trustees to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds.

Taking all the above into consideration, the Trustees are satisfied that responsible investment is embedded appropriately in the investment managers’ approaches to investing and are satisfied that Mercer’s ESG scores for the Plan’s current holdings are satisfactory.

Voting Activity

The Plan invests in pooled funds and therefore the Trustees have no direct voting rights in relation to the Plan’s investments and have not been asked to vote on any specific matters over the Plan Year. The Trustees have effectively delegated their voting rights to the Plan’s investment manager. As a result, the Trustees do not use the direct services of a proxy voter as this is not relevant, although the investment manager may employ the services of proxy voters in exercising its voting rights on behalf of the pooled fund in which the Trustees invest. The investment manager is expected to exercise the voting rights, attached to individual investments, in accordance with its own house policy and current best practice.

Nevertheless, the Trustees sets out a summary of the key voting activity of the pooled fund for which voting is possible (i.e., the fund which includes equity holdings).

The summary includes information on what the investment manager considers to be a significant vote. The Trustees have no influence on the manager’s definition of significant votes but are satisfied that it is reasonable and appropriate. The Trustees are happy to align with the managers views on significant votes, but will keep this under review.

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Baillie Gifford Diversified Growth Fund	*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.	1061 resolutions (c.98% votes cast)	c.3%	c.1%	No formal definition provided but the list below exemplifies potentially significant voting situations. The list is not exhaustive: — Baillie Gifford's holding had a material impact on the outcome of the meeting — The resolution received 20% or more opposition and Baillie Gifford opposed — Egregious remuneration — Controversial equity issuance — Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders — Where there has been a significant audit failing — Where Baillie Gifford have opposed: mergers and acquisitions; the financial statements/annual report and the election of directors and executives.	**LEG IMMOBILIEN SE**– Voted against the remuneration report. **Rationale**: Baillie Gifford opposed the executive compensation policy as they did not believe the performance conditions were sufficiently stretching. **Outcome**: Pass **Implications**: Following the vote decision, Baillie Gifford have reached out to the company to let them know about their dissent on remuneration and set out their expectation on pay. **Significance:** This resolution is significant because Baillie Gifford opposed remuneration.

Note: The information in the table has been provided by the investment manager as 12 months to 31 March 2023