
Engagement Policy Implementation Statement

Introduction

This document sets out the actions undertaken by The Trustees of the BRE & LPC Pension Scheme ("the Trustees", "the Scheme"), their service providers and investment managers, to implement the stewardship policy as set out in the SIP and includes voting and engagement information that has been gathered from the managers.

The Scheme's stewardship policy

The relevant extract of the SIP setting out the Scheme's voting and engagement policies over the reporting period till June 2020 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 take 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.

In June 2020, the Stewardship policy in the SIP was updated, adding the following to the policy;

"If an incumbent manager is found to be falling short of the standards the Trustees have set out in the policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustees review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions.

Engagement Policy Implementation Statement (continued)

The Scheme's stewardship policy (continued)

The Trustees will review the alignment of the Trustees' policies to those of the Scheme's investment managers and seek to ensure that their managers use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustees will engage with the investment managers (relevant persons) as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned (relevant matters).

The Trustees expect that their appointed asset managers will demonstrate transparency regarding voting, including voting actions and rationale with relevance to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustees or the investment manager.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Engagement Policy Implementation Statement (continued)

Scheme Activities During the Year

Over the year to 30 September 2020, the Trustees received Responsible Investment ("RI") training on regulatory requirements, a recap of the Environmental, Social and Governance ("ESG") ratings process carried out by the investment adviser, and participated in a discussion of the importance of stewardship activity and appropriate consideration of ESG factors in investment decisions.

In addition, the Trustees reviewed their investment managers from a responsible investment perspective.

Over the year, the Trustees also reviewed the bi-annual investment reports (which contains details of ongoing monitoring in relation to ESG ratings) and other *ad hoc* analysis prepared by the investment adviser.

Voting & Engagement

Ruffer Absolute Return Strategy ("Ruffer")

	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Number of resolutions eligible to vote on	40	54	744	79
% resolutions voted	100%	100%	95%	92%
% of resolutions voted against management	5%	2%	10%	8%
% resolutions abstained	0%	0%	3%	0%

Ruffer has internal voting guidelines as well as access to this proxy voting research from the Institutional Shareholders Service ("ISS"), to assist in the assessment of resolutions and the identification of contentious issues.

Engagement Policy Implementation Statement (continued)

Voting & Engagement Ruffer Absolute Return Strategy ("Ruffer") (continued) (Continued)

Although they are cognisant of proxy advisers' voting recommendations, they do not delegate or outsource stewardship activities when deciding how to vote. Research analysts are responsible, supported by their responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based upon their in-depth knowledge of the company. They look to discuss any relevant or material issue that could impact the investment with the relevant companies. Ruffer will ask for additional information or an explanation, if necessary, to inform its voting discussions, and will look to communicate decisions to the company before the vote, along with an explanation, when possible.

Ruffer states within its engagement policy that it views engagement as an effective tool in enhancing its investment decisions and understanding material ESG risks and challenges the investee companies face. It also allows Ruffer share its investment philosophy and approach with said companies. Ruffer engages directly with companies when an issue arises in order for "frank and forthright" discussions to take place. Ruffer will escalate these direct engagements to other stakeholders, such as non-executive directors, if necessary.

Schroders Diversified Growth Fund

All proxy vote instructions in all markets are submitted using the ISS global voting platform. ISS carry out the individual processing of vote instructions with the custodians and/or company/company agents. For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders have implemented a custom policy that reflects the views of their ESG policy and is administered by their proxy voting provider.

Engagement Policy Implementation Statement (continued)

Voting & Engagement Schroders Diversified Growth Fund (continued) (continued)

Schroders were unable to provide a response to a stewardship questionnaire issued by the investment adviser specifically with respect to the Schroders Diversified Growth Fund over the specific 12 months to Scheme year end. The investment adviser's manager research team have spoken with Schroders and believe this is a client service/reporting issue rather than an ESG issue. Therefore, it does not appear to be a lack of appreciation of ESG risks in the strategy or an indication that Schroders are not fulfilling their voting obligations.

Currently all of Schroders voting/engagement is conducted at a firm level not a strategy level which we would expect given a company may be held across multiple funds in multiple instruments. Schroder's systems are not set up for producing these reports at a strategy level in a timely manner across many clients requesting similar information as it is a manual process to covert this data. Schroders have indicated that systems and processes would be improved in anticipation of similar requests in the future.

Schroders do provide voting data at a manager level through their quarterly reports.

	Votes cast as a % of total eligible votes
Q4 2019	99.6%
Q1 2020	90.7%
Q2 2020	92.0%
Q3 2020	99.9%

The Q3 2020 Sustainable Investment report can be found here:

<https://publications.schroders.com/view/787153/i/>

Schroders generally engage for one of three reasons:

Engagement Policy Implementation Statement (continued)

Voting & Engagement Schroders Diversified Growth Fund (continued) (continued)

1. To seek improvement in performance and processes in order to enhance and protect the value of our investments
2. To monitor developments in ESG practices, business strategy and financial performance within a company
3. To enhance our analysis of a company's risks and opportunities

Their mechanisms for engagement varies but typically involves actions such as phone calls, written correspondence, one to one meetings with company representatives and voting. Engagements are prioritised based on the materiality of the issues and size of Schroders' exposure.

DRC UK Whole Loan Fund ("DRC")

The Trustees invest in real estate debt through DRC Capital. The Trustees acknowledge that the ability of alternative asset class managers to engage and influence companies/issuers may be less direct or even limited in comparison to equity holdings. However, the Trustees are of the opinion that all managers should be aware of their responsibility as stewards of capital and should implement stewardship activity within the constraints of their investment process. The Trustees, with the support of the investment adviser, will continue monitoring and engaging on an ongoing basis with all managers on how they implement such activity on behalf of the Scheme.

DRC states that it made five investments (c. 23% of the Fund) with "advanced" ESG aspects, which it defines as an investment where there is a significant impact on particularly the environmental aspects of the asset.

Engagement Policy Implementation Statement (continued)

Voting & Engagement DRC UK Whole Loan Fund ("DRC") (continued)

This is either through the Sponsor's ongoing work on Planning or the subsequent programs which include cost allocations specifically aimed at improving the ESG aspects of the loans.

DRC became a PRI signatory¹ in 2020. They are currently reviewing the UK Stewardship Code 2020 and will consider becoming a signatory as part of the Savills Investment Management and DRC partnership moving forward.

¹ The PRI (Principles for Responsible Investment) is the world's leading proponent of responsible investment. It works: to understand the investment implications of environmental, social and governance (ESG) factors; and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. More information can be found here <https://www.unpri.org/pri/about-the-pri>

Engagement Policy Implementation Statement (continued)

Voting & Engagement The AVC funds available to members are held through the providers Scottish Widows, Standard Life and Utmost Life & Pensions.

- AVC

The AVC funds the Scheme holds through Scottish Widows are managed by Schroders, who provided voting and engagement information at a manager level as outlined in the previous section.

Utmost have not provided voting and engagement information specifically for the AVC funds the Scheme invests in. The underlying managers for funds held with Utmost are ASI and, for new funds available from 1 January 2020, J.P. Morgan Asset Management ('JPMAM').

The AVC funds the Scheme holds through Standard Life are managed by Aberdeen Standard Investments (ASI). The voting statistics for these funds are as follows;

	Resolutions voted "for"	Resolutions voted "against"	Resolutions "abstained"	Resolutions voted "do not vote"
Multi asset managed (20- 60% shares) pension fund	88%	6%	2%	3%
Standard life stock exchange pension fund	90%	5%	2%	2%
Managed pension fund	90%	5%	2%	2%
At retirement multi-asset universal pension fund (lifestyle profile)	90%	5%	2%	2%
Standard life ethical pension fund	93%	2%	1%	4%

Engagement Policy Implementation Statement (continued)

Voting & Engagement – AVC (continued)

ASI make use of the Institutional Shareholder Service (ISS) for proxy voting research and voting recommendations. This is alongside ASI's own analysis from AGMs and other shareholder meetings. ASI seek to discuss any vote against a resolution with the company before, explaining the reasons for doing so. More detail on ASI specific votes can be found here:

<https://www.aberdeenstandard.com/en/ireland/responsible-investing/proxy-voting>

ASI state that they seek to generate the best long-term outcomes for clients and will actively take steps as stewards and owners to protect and enhance the value of their clients' assets. ASI generally meet representatives of investee companies at least once a year, while also routinely engaging on voting issues. If necessary, ASI will escalate an issue to ensure their views are represented by those with appropriate seniority and experience.

JPMAM retains the services of the ISS voting agency to implement its voting policy, and uses research from ISS and Glass Lewis as an input in evaluating how a proxy should be voted. JPMAM 'tag' certain votes in the ISS system, to allow them to be subject to extra scrutiny. For example, if engagement is ongoing, or if the company has been flagged as an 'ESG outlier', or if an analyst or portfolio manager has requested it be reviewed in more detail.

JPMAM votes at approximately 8,000 shareholder meetings per year, in over 80 markets worldwide. For key issues or core shareholdings, or where there is ongoing engagement, they endeavour to inform companies when opposing the company's recommendations.

Engagement Policy Implementation Statement (continued)

Voting & Engagement – AVC (continued) In their engagement with the companies they invest in, JPMAM have five main investment stewardship priorities that they believe are most applicable: governance, strategy alignment with the long-term, human capital management, stakeholder engagement and climate risk. Please see the link here for more information on Investment Stewardship at JPMAM. <https://am.jpmorgan.com/blob-gim/1383664293468/83456/J.P.%20Morgan%20Asset%20Management%20investment%20stewardship%20statement.pdf>

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

The Trustees believe that the investment managers are carrying out their engagement and voting responsibilities satisfactorily, in a manner consistent with the objectives set out in the Trustees' stewardship policy. Over time, the Trustees expect all investment managers will improve their processes in order to be able to report stewardship information at a fund-specific level in the future.


Signed:

M. F. V. =

Date:

21/4/2021

On behalf of the Trustees of The BRE and LPC Pension Scheme


23/4/21