

# BIG THINKING FOR SMALL SCHEMES

## Implementation Statement

George Corderoy & Co Pension & Assurance Scheme

September 2021



# 1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principals outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of George Corderoy & Co Pension & Assurance Scheme (the Scheme). In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

## 2. ESG Principles

### Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. It acknowledges that it cannot directly influence the environmental, social and governance (“ESG”) policies and practices of the companies in which the pooled funds invest. The Trustee also acknowledges that where index tracking pooled vehicles are employed ESG considerations cannot be taken into account due to the nature of the investment.

In principle, the Trustee believes that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustee expects the fund managers to have integrated ESG factors as part of their investment analysis and decision-making process where appropriate.

Appropriate weight will be given to ESG factors in the appointment of fund managers. The Trustee’s advisor in these matters will have liaised with the fund managers regarding ESG matters.

The Trustee views that the stewardship responsibilities attached to the ownership of shares is important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustee expects their investment managers to report in detail on how they have exercised voting rights attached to shares (including across passive equity mandates). Managers are expected to be signatories to the FRC UK Stewardship Code.

Further information on the Trustees’ policies can be found in the latest SIP dated September 2019.

In the Trustees’ opinion, their policies, as recorded in the SIP, have been followed over the 12 -month period to 28 February 2021.

The following pages illustrate how the Trustees, through their fund managers, have followed their stewardship and engagement policies.

### 3. Investments Attitudes to ESG

Fund Manager/Fund	ESG Description
<p><b>LGIM</b></p> <p>Managed Property Fund</p> <p>World Emerging Market Equity Index Fund</p> <p>Active Corporate Bond - Over 10 Year Fund</p> <p>LDI Matching Core Fixed (Long) Fund</p> <p>LDI Matching Core Real (Long) Fund</p> <p>Cash Fund</p>	<ul style="list-style-type: none"> <li> <p><b>Fund Manager Overview</b></p> <p>LGIM's ultimate goal is to protect and enhance the investment returns generated by their clients' assets whilst aiming to have a long-standing commitment to raising corporate governance and sustainability standards to ultimately enhance the value of companies in which they invest.</p> </li> <li> <p>LGIM has publicly committed to the following three goals as part of their five-year strategic plan:</p> <ul style="list-style-type: none"> <li>• Influencing the transition to a low-carbon economy</li> <li>• Making society more resilient with our financial solutions</li> <li>• Creating new investments for the future economy</li> </ul> <p>Further information on how they can receive these goals is publicly available on the parent company <a href="#">Legal &amp; General Group plc's reporting on corporate responsibility</a>.</p> </li> <li> <p><b>ESG Integration</b></p> <p>LGIM uses a bottom-up and a top-down approach to monitoring and analysis as well as using ESG information that comes out from engagement meetings with companies. LGIM's ESG scoring tool assesses companies in 17 different sectors on their disclosure, policies and processes for managing ESG risks. LGIM has set up three long-term thematic working groups (demographics, energy and technology) that undertake top-down research and analysis of macroeconomic issues, related to responsible investment and ESG. The direct engagement with companies is a way LGIM seek to identify ESG risks and opportunities. LGIM have an escalation policy to tackle difficult and inter-connected ESG issues that materially impact the value of assets.</p> <p>LGIM has an Active ESG View tool that forms an essential component of the overall active research process. The tool brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company. ESG risks vary across sectors and therefore the proprietary tool LGIM has developed evaluates sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporates a qualitative approach on top of this as data alone may not tell the full story.</p> </li> </ul>

- **Active Ownership (1 year to 28 February 2021)**  
LGIM reports annually on their active ownership to 31 March, and provides quarterly reporting on their proxy voting. LGIM's Corporate Governance team casts proxy votes in a manner consistent with the interests of all clients. They direct the vote of a significant proportion of a companies' shares by exercising the shareholder rights of almost all clients. LGIM acknowledges that the Scheme, in giving LGIM their mandate, requires LGIM to vote with the shares on the behalf of the Scheme. LGIM therefore aims to minimise abstaining from voting, only doing so if it is technically not possible to cast a vote in any other way.

LGIM's voting decisions are made internally within the corporate governance team, and independently from the investment teams. LGIM have in place supplementary regional policies setting out their voting approaches publicly on their website however various other factors may also help them form a view on voting matters. These consist of; previous engagement, third party research (e.g. ESG reports, broker research), company performance and LGIM's in-house views with respect to their investment teams.

The following paragraphs relate to the active ownership or approaches to ESG specific to the LGIM funds in which the Scheme is currently invested:

#### **World Emerging Market Fund**

Over the 12 months to end March 2021, LGIM were eligible to vote at 3,998 meetings and on 36,036 resolutions over the 12- month period. LGIM voted on 99.9% of resolutions. 85.2% of votes were votes for management, 13.4% were votes against and 1.4% were votes abstained from.

#### **Managed Property Fund**

LGIM focuses on the EPC ratings of their buildings. Where there is a new build, LGIM undertakes due diligence audits specifically for ESG qualities, both for the build itself and for the ongoing tenancy.

#### **Active Corporate Bond - Over 10 Year Fund**

LGIM screens the companies in which they hold corporate bonds for ESG factors. They review quantitative and qualitative factors as well as overall governance.

	<p><b>Matching Core LDI Real and Fixed Funds</b></p> <p>LGIM aims to embed ESG where appropriate. Following a research meeting with LGIM on their LDI ranges, we could expect to a flexible incorporation of green gilt(s) in LDI mandates. These may be tailored to client-specific ESG objectives, such as targeting a minimum proportion in green gilts. LGIM also considers how ESG is incorporated in their choice of counterparties, which they use by reviewing quantitative and qualitative factors as well as overall governance.</p> <p>A case study by LGIM looks at the company Cardinal Health in which in November 2020, paid out an above - target bonus to the CEO who was head of pharma globally during the worst years of the opioid crisis. LGIM voted against the resolution to signal their concern over the bonus payment to the CEO in the same year that the company recorded a total pre-tax charge of \$5.63bn for expected opioid settlement.</p> <p>A case study by LGIM looks at the company Barclays in which at the end of March 2020, issued a statement, outlining the ambitious target of aligning the entire business to the goals of the Paris Agreement through plans to shrink its carbon footprint to net zero by 2050. LGIM endorsed this proposal, which was voted on by shareholders at the 2020 AGM on 7th May alongside a shareholder resolution on the same topic.</p> <ul style="list-style-type: none"> <li>• <b>References</b>        LGIM aims to implement best practice reporting to stakeholders including an:       <ul style="list-style-type: none"> <li>○ <a href="#">Annual Active Ownership report</a></li> <li>○ Quarterly ESG Impact Report</li> <li>○ <a href="#">Public monthly voting reports</a></li> </ul> </li> </ul>
<p><b>PineBridge</b></p>	
<p><b>Global Dynamic Asset Allocation Fund</b></p>	<ul style="list-style-type: none"> <li>• <b>Fund Manager Overview</b>        Although PineBridge is a mid-sized firm, they have the breadth and geographic reach usually associated with the very largest in the asset management industry. They believe their size is a key strategic advantage to harness the power of collaboration across their teams to deliver superior investment outcomes for their clients. In addition, PineBridge seeks to combine the structure and reach of a globally connected investment manager with the client-focused advantages of a private company. This means identifying investment opportunities for their clients, delivering superior investment performance through collaboration across teams, and providing a high degree of attention and service at every client touchpoint. They are governed</li> </ul>

by a corporate structure that ensures regulatory compliance, the achievement of client objectives, and adherence to their firmwide principles – including those related to environmental, social, and governance (ESG) issues and stewardship.

PineBridge believes businesses that are sustainable create the most value for investors and for society at large – and this is true both for PineBridge as a firm and for the companies in which they invest. PineBridge integrated ESG principles into their investment processes when they began the journey in 2006. PineBridge is a signatory of the Principles for Responsible Investment ("PRI"), which provide a framework through which to report and assess ESG factors.

- **ESG Integration**

PineBridge performs due diligence on companies with ESG either fully integrated or considered on most of their end-to-end investment processes. As investors and global citizens, they look for continuous improvement in ESG metrics rather than a narrow focus on a company's current state of being, which is prevalent in the industry through its overreliance on data vendors. With their research-driven, active, high-conviction approach, they are able to advocate for, and encourage, change in the select companies in which they invest. They do this by maintaining an active dialogue with management and co-investors and partnering with them to define and advance best practices, leading to improvement over the medium to long term. Reflecting their journey since 2006, they are among the top 25% of UN Principles for Responsible Investment (UNPRI) signatories, with an A+ rating for their strategy and governance efforts.

PineBridge believe that as responsible corporate citizens, they understand that being a good steward of their clients' capital is not only about integrating ESG into their investment decisions; it is also about engaging to ensure corporate improvement and aligning their proxy voting principles with their investment processes and engaging practices.

Another key priority to PineBridge, is thinking about how they conduct themselves as a firm. This means being a supportive and empowering employer, an involved member of their communities, a trusted partner for their clients, and a respectful, compliant firm in the numerous jurisdictions in which they operate.

	<ul style="list-style-type: none"> <li> <b>Active Ownership across all eligible PineBridge funds (1 year to 28 February 2021)</b>  Over the 12-month period PineBridge attended 882 meetings and cast 9,563 votes for proposals and 656 votes against proposals.   Some examples include: <ul style="list-style-type: none"> <li>The Boeing Company PineBridge voted against the re-election of long time directors Collins, Giambastiani, Schwab and Williams due to the board's failure to exercise sufficient oversight of management strategy and corporate culture.</li> <li>Cintas Corp Voting was in line with management and ISS recommendations to elect Ronald W. Tysoe to the board of directors. PineBridge will continue to monitor the company's progress, particularly the anticipated GRI report. The company has been family run since inception and has been gradually moving toward the standards expected from a larger company in terms of transparency.</li> </ul> </li> <li> <b>References</b>  More information on PineBridge's ESG policies and principles can be found in their document on "<i>ESG Integration</i>." This has further information also on how PineBridge actively incorporates ESG.   PineBridge provided a statement on the specifics to their active ownership and voting case studies shown above. </li> </ul>
<b>Aegon (Formerly Kames)</b> <b>Diversified Growth Fund</b>	<ul style="list-style-type: none"> <li> <b>Fund Manager Overview</b>  Aegon claim responsible investment is a key element of their investment philosophy and process as they believe investment practices can help generate long-term value for their clients. As such they have the following principles: <ul style="list-style-type: none"> <li>Responsible Investing aligns with clients' interests</li> <li>Responsible Investing can contribute to long-term value</li> <li>Environmental and social risks are investing risks</li> <li>Integrating ESG factors can help uncover opportunities</li> <li>Active ownership is active management</li> </ul> </li> <li> <b>ESG Integration</b>  Aegon's ESG integration process is focused on managing the financial risks and identifying </li> </ul>

opportunities by including more information in investment analysis to help inform decision making. Aegon believe that ESG integration does not explicitly seek to make ethical, sustainable or responsible value judgements and instead there are potential ESG factors that could be material. Some of the potential environmental factors are climate change, energy efficiency and waste pollution. Social factors considered involve human rights and labour standards as well as workplace safety. Governance issues vary from board independence to shareholder rights. More information on this face be seen on page 11 of Aegon's Responsible Investment Report in 2019.

Some examples of key engagement themes:

- Health and Well-being
- Climate change
- Corporate governance

- **Active Ownership across all eligible Aegon funds (1 year to 31 March 2021)**

As active asset managers, they believe that their responsibility extends beyond today's investment opportunities. With a long-term focus, they have built a robust active ownership program that includes exercising shareholder voting rights in the best interest of their clients and engaging with bond or equity issuers in an effort to mitigate ESG risk, to help better understand the opportunities that companies face and encourage more sustainable practices. Aegon produce calendar year annual Responsible Investment reports.

Aegon, over 2020:

- voted at 2511 company meetings
- had 575 ESG engagements.
- had 14 professionals in a dedicated Responsible Investment team.

Aegon also provide quarterly proxy voting reports. For the 12-months to end March 2021, Aegon voted by proxy 477 times, with 296 votes for, 104 votes against and abstaining for 105 votes. Total does not sum due to multiple votes at meetings.

Some examples include:

- China Resources Land Limited – Q2 2020  
For a second consecutive year, Yan Biao had poor Board attendance. Given this continued poor attendance, Aegon questioned the value and contribution he brought and voted against.
- Informa – Q2 2020

	<p>Aegon voted against the LTIP (long -term incentive plan) due to a significant fall in share price.</p> <p>The Company provided an assurance that the pension issue would be addressed which Aegon voted in favour of.</p> <ul style="list-style-type: none"> <li>• Just Eat Takeaway.com NV – Q4 2020 Approved supplement to the Remuneration Policy of the Management Board. The policy was being amended to facilitate awards of shares which vest without reference to the achievement of performance targets.</li> </ul> <ul style="list-style-type: none"> <li>• <b>References</b> More information on Aegon's ESG policies and principles, Active Ownership and specific data referred to above can be found in their document "<i>Responsible Investment Report 2019</i>" Further information on the proxy voting can be found in Aegon's Proxy Voting Quarterly reports.</li> </ul>
<p><b>Schroders</b></p>	
<p><b>Diversified Growth Fund</b></p>	<ul style="list-style-type: none"> <li>• <b>Fund Manager Overview</b> In 2017, the Schroders Sustainable Investment Team introduced a sustainability accreditation process to help distinguish how environmental, social and governance (ESG) factors are considered across our products. This is intended to help investors understand the different roles that ESG plays in their investment processes. There are three key sustainability categories <ul style="list-style-type: none"> <li>• Screened - Negative screening beyond cluster munitions, anti-personnel mines and biological and chemical weapons.</li> <li>• Integrated - ESG factors are systematically integrated into the investment process and can be clearly evidenced.</li> <li>• Sustainable - Sustainability is a building block of the investment process.</li> </ul> </li> <li>• <b>ESG Integration</b> Schroders embeds ESG into their multi-asset approach through: research with priority sustainability tools and ESG integrated multi-asset research; asset allocation via a 30-year asset class return adjusted for climate change and tactical trade screening for sustainability; stock selection/engagement with sustainable security selection expertise, active engagement and voting; and ESG measurement through a sustainability budget and measurement through a variety lenses.</li> </ul> <p>Schroders measure in quarterly reports the sustainability and carbon reporting metrics using their</p>

	<p>inhouse SustainEx. SustainEx measures the net benefits or harms to society that companies create per \$100 of revenue they produce, expressed as a percentage. For this DGF, a SustainEx score of +2.0% means that the aggregated companies in the active equity, credit, high yield, convertible bond and alternative energy holdings add \$2.0 of benefit to society for every \$100 of sales relative to the comparator.</p> <ul style="list-style-type: none"> <li>• <b>Active Ownership – Schroder Diversified Growth Fund (1 year to 31 March 2021)</b> Schroders report quarterly on their active ownership. We have provided the period to 31 March 2021 as the year period to 28 February 2021 is unavailable. Over the period Schroders participated in 885 engagements discussing 1,477 topics consisting of 259 Social, 471 Environmental and 747 Governance issues. Over the year period to March 2021, Schroder were eligible to vote at 1,711 meetings and on 20,478 resolutions. Schroder voted on 99.6% of resolutions. 91.9% of their votes were with management, 7.7% of their votes were against and 0.3% of resolutions were abstained from voting.</li> </ul> <p>The top 10 engagement topics consisted of corporate strategy, remuneration, human capital management, board structure, climate change, environmental policy/strategy, governance oversight, transparency and disclosure, human rights and diversity.</p> <ul style="list-style-type: none"> <li>• <b>References</b> More information can be found in the following documents: <ul style="list-style-type: none"> <li>• Schroder DGF quarterly investment reports.</li> <li>• Integrating Sustainability into Schroder Diversified Growth Fund</li> </ul> </li> </ul>
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Approved by PTL Governance Ltd as Trustee of the George Corderoy & Co Pension & Assurance Scheme on 21 September 2021.