

## **IMPLEMENTATION STATEMENT – DB Section**

### **Ideal Stelrad Group Pension Plan**

The Trustees of the Ideal Stelrad Group Pension Plan have prepared this implementation statement in compliance with the governance standards introduced under The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. Its purpose is to demonstrate how the Plan has followed the policy on voting, stewardship and engagement as set out in the Plan's Statement of Investment Principles (SIP), dated 27 September 2019 and updated on 29 September 2020. This statement covers the period 31 March 2020 to 31 March 2021.

#### **A. Review of the Statement of Investment Principles**

During the Plan year, there was a review of the Statement of Investment Principles and an update to the policy on ESG. The Trustees adopted a policy of delegating responsibility for the consideration of ESG issues to the Investment Manager, SEI. SEI will take account of all financially material factors including ESG in the selection of investments and no exclusions are applied to investments based on non-financially material factors.

There were no changes to the investment strategy, objectives or fund range as part of this review.

#### **B. Plan Governance**

During the Statement Period the Trustees continued to have responsibility for the governance and investment of the Plan's assets whilst delegating the day-day aspects of investment management to their Fiduciary Manager, SEI. SEI is required to manage the Plan in line with the principles and policies set out in the SIP.

A strategy review was carried out in June 2020 and a new journey plan was implemented on 30 June 2020. Over the reported period after improvement in the funding level of the Plan the investment strategy de-risked according to the Journey Plan on 29 January 2021.

#### **Implementation of the Statement of Investment Principles**

The SIP sets out the policies in the following matters:

- i. Investment Objectives
- ii. Choosing Investments
- iii. Risks
- iv. Expected return on investments
- v. Financial and non-financial material considerations
- vi. Voting and Engagement
- vii. Asset Manager arrangements

The Trustees have implemented the policies as described in the SIP during the year. As part of the Trustees governance of the Plan, the Trustees review quarterly investment reports from SEI to track performance against the Investment Objectives, and to verify that the Plan is being managed by SEI in line with the policies and principles in the SIP. Further details regarding the implementation of the Voting and Engagement policy are provided in the next section.

The Trustees have not identified any areas where the Plan's investments have diverged from the policies set out within the SIP.

### **C. Voting and Engagement Policy**

The policy as set out in the SIP in respect of voting, stewardship and engagement is in summary as follows:

- i. The Plan only invests via pooled investment funds, meaning that the Scheme's investments are pooled with those of other investors. It can be harder for those invested in pooled funds to exert their influence, given the other investors with a stake, but the Trustees still monitor and engage as much as possible.
- ii. Voting decisions on stocks are delegated to the investment manager of the pooled funds held by the Plan.
- iii. SEI, the Fund's Fiduciary Manager, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments.
- iv. Where the investment manager is SEI, they have pooled their holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services.
- v. SEI will report on voting and engagement activity to the Trustees on a periodic basis together with its adherence to the UK Stewardship Code. The Trustees will consider whether the approach taken was appropriate or whether an alternative approach is necessary.
- vi. The SIP dated 29 September 2020 set out new policies in respect of asset manager arrangements. In relation to voting, stewardship and engagement, a policy was introduced that the Trustees will assess the Fiduciary Manager's performance against objectives annually including how well the Fiduciary Manager is aligned with the SIP in terms of ESG factors. No other changes were made to the voting, stewardship and engagement policies.

The Trustees are of the opinion that this policy has been followed during the year. In particular:

- The Trustees have received and reviewed quarterly reports from SEI that set out
  - How SEI has voted on all the shares where SEI has voting rights including number of votes for, against and abstentions. For votes against, details of the issue to which the vote relate is provided.
  - SEI's engagement priorities which for 2020 included priorities in each of the following categories:
    - Climate Change
    - Public Health

- Environmental stewardship
  - Labour Standards
- o The number of companies engaged and the number of milestones achieved by engagement issue and a rating of its significance.
- The Trustees reviewed the above quarterly reports throughout the Scheme year and monitored performance. The Trustees were satisfied with the content of the report and that SEI's performance was in line with the SIP and the Trustees' expectations.
  - The Trustees have considered SEI's voting practices and stewardship policies noting that they are a Tier 1 signatory to the UK Stewardship code and a signatory to the UN Principles for Responsible Investment.
  - The Trustees have a process in place to review SEI's performance against objectives, including ESG factors.

In light of the above and otherwise, the Trustees have considered their policy in regard to voting and stewardship and concluded that

- o SEI's voting and stewardship policies and implementation on behalf of the Trustee remain aligned with the Trustees' views on these matters.
- o The current policy is appropriate and no further action is required at this stage, albeit the Trustees will continue to monitor the performance of this policy and SEI's performance in the future.

#### D. Voting Record

All underlying securities in pooled funds that have voting rights are managed by SEI with SEI having the legal right to the underlying votes. SEI in turn use a Specialist ESG Provider, namely BMO REO for 2020 and Glass Lewis for votes cast in 2021, as a proxy for all voting. The proxy votes according to a policy set out by SEI. SEI provide the Specialist provider with the holdings across all SEI's pooled funds. During the period from 31 March 2020 to 31 March 2021, across the Plan's holdings<sup>1</sup> SEI voted as follows, including the percentage of overall votable items voted on:

Fund Name	Global Managed Volatility	Global Select Equity	Dynamic Asset Allocation	UK Fundamental Equity	UK Quantitative Equity
ISIN	IE00B19H3542	IE00B8FH1426	IE00B5NNKL10	IE00B3KF4Q98	
Number of Votable Meetings	584	510	760	52	214
Number of Votable Items	7905	8796	14927	982	3738
% of Items Voted	97%	97%	97%	96%	100%
For	74%	80%	81%	93%	96%
Against	22%	18%	17%	6%	4%
Abstain/ Withheld/ Other	4%	2%	2%	1%	0%

<sup>1</sup> SEI has shown voting data for the relevant quarters the fund was invested in.

% of votes with management	75%	81%	82%	93%	96%
% of votes against management	25%	19%	18%	7%	4%
Voting Against/Abstain by Category					
Capital Related	4%	4%	5%	8%	0%
Board/Directors/Governance	54%	43%	40%	26%	33%
Remuneration Related	23%	28%	30%	48%	45%
Shareholder Proposals	7%	9%	9%	0%	4%
Other	13%	15%	16%	18%	18%

## E. Significant Votes

A highlight of some of the significant votes during the period are shown in the table below. These votes are considered to be significant as they have a material impact on the company or the wider community. SEI's selects votes based on one or more of the following criteria's:

- Votes SEI consider to be high profile which have such a degree of controversy that there is high client and/ or public scrutiny.
- Votes relating to companies with a high or severe ESG risk rating.
- Votes relating to companies on one of SEI's watch lists. Watch lists cover ESG topics such as climate and diversity as well as initiatives including Climate Action 100 + and the United Nations Global Compact.
- Votes that are part of a wider engagement that SEI has been conducting and reflect the achievement of an ESG engagement milestone.
- Votes relating to our 2021 thematic priorities as described in section A.

To date the Trustees have accepted SEI's position on what constitutes a significant vote but this will be kept under consideration.

Company Name	Held in Fund(s)	Theme	Description
Kellogg Company	Global Managed Volatility Global Select Equity Dynamic Asset Allocation	Corporate Governance	Introduced annual election of directors (instead of staggered or classified election) through their voting.
Intel	Global Managed Volatility Global Select Equity	Labour Standards	Voted against a report on Global Median Gender/ Racial Pay Gap due to the shortcomings of the report methodology . While SEI are overall supportive of enhanced diversity and pay equity disclosure, SEI consider that a 'global median gender/racial pay gap' report would not produce meaningful information about

	Dynamic Asset Allocation		the worker fairness because categories or underrepresented minorities differ from country to country.
Kroger co	Global Managed Volatility  Global Select Equity  Dynamic Asset Allocation	Human Rights	Although the Management recommendation was Against the proposal, SEI voted For the report on Human Rights Due Diligence Process in Operations and Supply Chain. The company faces risks related to human rights in its global operations. Good practice includes developing a clear code of practice along with monitoring and effective disclosure to ensure risks are managed effectively and communicated to shareholders.
Marathon Petroleum Corp	Dynamic Asset Allocation	Corporate Governance	Introduced annual election of directors by declassifying the board. The annual election of directors provides greater board accountability to shareholders. SEI pushed for declassification through their voting.
Bakkavor Group Plc	Quantitative UK Equity	Corporate Governance	Voted Against the reappointment of PricewaterhouseCoopers LLP as Auditors. The lead audit partner of PricewaterhouseCoopers LLP was also the lead partner at Redcentric plc during FY2016, where a number of accounting issues were identified which resulted to significant restatements in the 2016 accounts of Redcentric. The UK's accounting regulator – the Financial Reporting Council (FRC) – has fined PwC and the lead audit partner for its role in restatement of Redcentric accounts. The FRC also noted that in certain cases the breaches were of a basic and / or fundamental nature, evidencing a serious lack of competence in conducting audit work.
Vistra Energy Corp	Dynamic Asset Allocation	Corporate Governance	Introduced annual election of directors by declassifying the board. The annual election of directors provides greater board accountability to shareholders. SEI pushed for declassification through their voting.
Citizens Financial Group Inc	Dynamic Asset Allocation	Corporate Governance	Enhanced shareholder rights by giving shareholders the right to call a special meeting. Previously shareholders did not have the ability to do so. SEI advocated for this change through our votes at shareholders' meeting.

Colin Richardson

Chair of Trustees, The Ideal Stelrad Group Pension Plan

12 October 2021