

# Bristol Street Pension Scheme – Annual Engagement Policy Implementation Statement (the ‘Statement’)

## Introduction

This Statement sets out how, and the extent to which, the Engagement Policies in the Statement of Investment Principles (‘SIP’) produced by the Trustee have been followed during the year to 5 April 2020. This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

## Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The investment objectives of the Scheme included in the SIP are as follows:

- The Trustee’s primary investment objective is to invest the Scheme’s assets in such a manner that members’ benefit entitlements can be paid as and when they fall due.
- The Trustee is therefore aiming to achieve a funding level of 100% of the Scheme’s Technical Provisions and thereafter to maintain 100% funding.

## Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustee’s policy on Environmental, Social and Governance (‘ESG’) factors, stewardship and climate change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was reviewed in September 2019 and reviewed again in September 2020.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their Investment Consultant on responsible investment which covered ESG factors, stewardship, climate change and ethical investing. This training was held on 11 April 2019.

The following work was undertaken during the year relating to the Trustee’s policy on ESG factors, stewardship and climate change, and sets out how the Trustee’s engagement and voting policies were followed and implemented during the year.

### 1. Engagement

- The Trustee requested that the investment managers confirmed compliance with the principles of the UK Stewardship Code. All managers confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.
- The investment managers’ performance reports are reviewed by the Trustee on a quarterly basis – one of the reports includes ratings from the Investment Consultant (both for general investment prospects and specifically on the extent to which ESG factors are integrated into the managers’ investment process for the corporate bond and liability hedging assets).
- The types of investment funds held by the Trustee do not offer significant opportunities for ESG engagement by the investment managers. The positions taken by the diversified growth fund (‘DGF’) managers are taken across total markets (i.e. taking exposure to US equities for example) as well as picking individual stocks. This reduces the scope for ESG factors to be taken into

account. Despite this the Investment Consultants' ESG ratings for the three DGFs are in line with, or better, than the average of those for other similar DGFs. ESG based decision making is also more challenging for the balance of the Scheme's assets invested in corporate bonds and government debt-based funds as these investments do not have voting rights (as is the case with equities for example). Again, the Investment Consultant's ESG ratings for these funds are in line with or better than the ESG ratings of similar funds.

- When selecting a new investment manager the Trustee takes into account the ESG ratings of the prospective managers. The investment performance report from each manager includes how they are delivering against their specific mandates.
- The investment managers have provided the following examples of engagement activity over the year.
  - The Scheme's investment managers engaged with companies over the year on a wide range of different issues including Environmental, Social and Governance factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy. The Scheme's managers provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in positive outcomes. These engagement initiatives are driven mainly through regular engagement meetings with the companies in which the managers invest or by voting on key climate-related resolutions at companies' Annual General Meetings. The resolutions are often co-filed by a number of investors who indicate their support (or not) for the resolution to the company's management.
  - Examples where the Scheme's managers had engaged with companies they were invested in/about to invest in are as follows:
    - **BlackRock:**  
BlackRock has engaged with companies they are invested in about board diversity. For example, where women and minority groups have been actively involved in the corporate world, their representation on boards and in senior executive leadership is often the main criterion for having diverse perspectives on company boards.
    - **Newton:**  
Newton engaged with Anglo American over the year about climate change, tailings\* and COVID-19. They held an update meeting with the CEO and chief financial officer (CFO) of the company. The meeting focused on coal mining, tailings facilities and the impact of the COVID-19 on the workforce.  
\*Tailings are the waste left over after the process of separating the valuable materials from an ore.
    - **Standard Life:**  
Standard Life have engaged with companies about board structure, climate change, COVID-19 vaccine development, employee management amongst other topics. As a company specific example, they engaged with Verizon about their employee management.
    - **Mercer:**  
Mercer have appointed Insight as the third manager into the Tailored Credit Fund. They have an ESG rating of 2 which was a big factor in their appointment. The Mercer ESG ratings are on a scale of ESG1 to ESG4 with 1 being the best.

## 2. Voting Activity

The Trustee has delegated their voting rights to the investment managers.

Investment managers are expected to provide a voting summary reporting on a regular basis, at least annually. This summary reporting highlights key voting activity and the impact on the portfolio.

When the investment managers are invited to present to the Trustee at Trustee board meetings, the Trustee will ask the investment managers to highlight key voting activity and the impact on the portfolio.

The Trustee does not use the direct services of a proxy voter.

Over the last 12 months, the key voting activity on behalf of the Trustee is as follows:

- BlackRock – Dynamic Diversified Growth Fund ('DDGF') – Active
  - BlackRock's in-house corporate actions team vote on its behalf. Key votes undertaken over the prior year are summarised below:
    - There were 971 votable meetings over the year to 31 March 2020, of which BlackRock voted in 940 of these meetings on behalf of the Trustee. In these meetings, there were a total of 11,900 votable proposals;
      - BlackRock voted on 11,565 votable proposals for investments held within the DDGF over the year to 31 March 2020. Key votes are summarised below:
        - AstraZeneca Plc – In April 2019, BlackRock voted for the company's purchase of ordinary shares (share buyback program) and approved the annual Remuneration Report of its directors and upper level management.
        - Celgene Corporation – In April 2019, BlackRock voted in favour of the merger agreement between Celgene and Bristol-Myers Squibb Co.
    - In around 92% of votable proposals, BlackRock indicated their support to the companies' management.
    - Over the prior 12 months, the Trustee has not actively challenged the manager on its voting activity.
- Aberdeen Standard – Global Absolute Return Strategies Fund – Active
  - Aberdeen Standard's in-house responsible investment team vote on its behalf. Key votes undertaken over the prior year are summarised below: