

Ambuline Retirement Benefits Scheme

Engagement Policy Implementation Statement

Introduction

This document sets out the actions undertaken by the Trustee, its service providers and investment managers, to implement the stewardship policy as set out in the Scheme's Statement of Investment Principles (SIP) and includes voting and engagement information that has been gathered from the managers.

The report covers activities over the period 6 April 2019 to 5 April 2020. Not all managers shared information directly relating to the specific period covering the Scheme's financial year, and so we have used the information as it has been provided.

The Scheme's Stewardship Policy

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- where appropriate, engage with investee companies with the aim to enhance the long-term value of assets; and
- take into account social, environmental or ethical considerations in the selection, retention and realisation of investments; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes 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.

Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund manager or other stakeholder; the Trustee will consider the methods by which it would monitor and engage with such a fund manager or other stakeholders.

In determining which "Significant" manager votes to disclose within this report, Pension and Lifetime Savings Association (PLSA) guidance suggests focusing on a range of potential criteria including, but not limited to:

- impact on financial outcome;
- impact on stewardship outcome;

- size of holding;
- high profile (or controversial) nature of vote;
- potential conflicts of interest; and
- existing trustee policies and information.

It is the Trustee's (and their advisor's) expectation that the managers will provide a more comprehensive range of voting examples for future reports. This will ensure that the Trustee has more opportunity to provide examples which closer align to their specific policies.

Through this report, the Trustee reviews how the actions of its investment managers have aligned with the expectations and principles set out in the SIP. The Trustee will set out where they expect more information or engagement to be undertaken by managers (where necessary).

Scheme Activities over the year

The Scheme has a growth driven investment strategy due to the immaturity of the membership profile, investing across equities, property and fixed income funds.

The Statement of Investment Principles (SIP) for the Plan was reviewed and updated on September 2019 to take account of new regulations which came into effect on 1 October 2019. The regulations require the Trustee to include several policies relating to Responsible Investment and Stewardship. The Trustee expanded the SIP to set out:

- How it takes account of financially material considerations, including climate change, in selecting and retaining the Plan's investments over the appropriate time horizon for the Plan;
- How it takes account (if at all) of 'non-financial matters' in selecting and retaining the investments. This means the views of members, such as (but not limited to) ethical views, and views in relation to social & environmental impact and present & future quality of life of the members and beneficiaries;
- Its policies in relation to the stewardship of investments, including engagement, monitoring and exercising voting rights associated with investments; and
- Its policies in relation to the relationships it has with its asset managers.

Updates post year end

The SIP has since been reviewed and revised over the course of 2020 to take account of further regulatory changes. The Trustee has outlined its policies regarding how it incentivises asset managers to achieve their long-term objectives, their policies on cost transparency and their policies on voting & stewardship.

The most recent SIP, including the changes outlined here, was adopted on 30 September 2020, ahead of the 1 October 2020 deadline. The SIP can be found here: www.arrivapensions.com

The Trustee receives performance reporting from its investment advisors and engages with managers on performance, strategy, risk, corporate governance and ESG practice where needed.

Voting and Engagement

Over the year, the Scheme was invested in a number of funds managed across Scottish Widows (SW) and Royal London Asset Management (RLAM) platforms.

RLAM

Over 2019, RLAM voted For on 14,128 resolutions and Against on 1,357 resolutions, abstaining 133 times and taking no action 47 times. In 2019, RLAM voted on all their actively held stocks across their UK, EU, Sustainable and Global Equity funds where local market conditions permitted.

They also voted all their passive UK equity holdings and will vote on their fixed interest holdings where the occasion arises. While they haven't previously voted their global passive holdings they have started voting these in 2020.

The Responsible Investment team is responsible for executing equity proxy votes on behalf of RLAM according to their Standard Operating Procedures. RLAM use Glass Lewis' Viewpoint as their voting platform. All ballots are sent to Viewpoint by RLAM custodians or RLAM clients' custodians. For each agenda item, Glass Lewis applies RLAM's custom voting template which suggests a voting recommendation that reflects RLAM's high level Voting Policies and best practice standards.

The Responsible Investment team then conducts its own review of every vote, considering any unique circumstances facing the company, any engagement undertaken with the board, and any discussions with the fund managers. The vote is then approved by a member of the Responsible Investment team prior to being dispatched.

In 2019, RLAM engaged with 175 companies on 260 occasions, addressing 440 ESG topics.

One example of significant votes and engagement is with Metro Bank. RLAM carried out engagement with the objectives to encourage the company to address their significant concerns with board oversight and governance. RLAM engaged with Metro Bank on three separate occasions in 2019. A meeting in March followed up by a formal letter, voting at the AGM and following up with another letter in May, and taking part in a remuneration consultation in November. RLAM remained concerned over the quality of governance and audit at the company and voted against a number of proposals at the AGM. Amongst other votes, RLAM opposed the re-election of the founder and non-independent chairman, the CEO, and all Audit Committee members following the disclosure of accounting issues and investigations in January.

RLAM issued a press statement in May 2019 highlighting various concerns ahead of the AGM. Subsequently the chairman/founder, Vernon Hill, agreed to step down from the board and the company appears to be bringing the board into line with UK market practice. RLAM issued a

second press statement in October 2019 welcoming these changes. More detail on this case study and other information can be found at the RLAM 2020 Stewardship report.¹

The largest underlying equity manager on the RLAM platform is BlackRock. BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. BlackRock's voting decisions are informed by internally-developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year. Over the 12 months to 30 June 2020, BlackRock voted at 16,200 meetings on 153,000 proposals, with votes against management at 2,800 companies. More detail on the stewardship activity of BlackRock can be found within the latest BlackRock 2020 Stewardship Report.²

SW

SW largely delegate voting to their asset manager partners, however, SW reserve the right to direct voting on matters related to their core priorities. SW hold quarterly governance meetings with asset managers who manage SW own mandated funds³, to review and challenge stewardship and engagement activity in relation to SW engagement priorities, undertaken over the preceding period and planned for the following quarter. These asset managers report quarterly on their stewardship and engagement activity undertaken in relation to the engagement priorities as defined in this policy. Furthermore, compliance with the SW Stewardship policy is mandatory for delegated asset managers, where SW own the mandate.

Through their membership as part of the IIGCC⁴, Scottish Widows recently led a consortium of investors and shareholders, which approached BP calling for the business to become more transparent in the way it is managing climate change risk. As one of the original co-filers of the resolution, SW helped to ensure the filing reached the necessary 10% of shareholder threshold to be voted on at BP's 2019 Annual General Meeting, where it was accepted by 99% of BP shareholders.

Under the resolution put forward by Scottish Widows and other investors, BP will now provide a detailed strategy as to how it will meet the requirements of the Paris Climate Change Agreement, and how it will work to ensure the company represents a low-risk investment for SW customers.

¹ RLAM Stewardship and Responsible Investment 2020 Report: <http://www.rlam.co.uk/Documents-RLAM/Responsible%20Investing/Stewardship%20and%20Responsible%20Investment%20Report%202020.pdf>

² BlackRock Investment Stewardship Annual Report 2020 : <https://www.blackrock.com/corporate/literature/publication/blk-annual-stewardship-report-2020.pdf>

³ Scottish Widows mandated fund is a fund for which Scottish Widows is responsible for defining the fund objectives and determining how the fund should be run.

⁴ Institutional Investors Group on Climate Change: The European body for collaboration between institutional investors on climate change.

The majority of investments with Scottish Widows are in tracker funds which Aberdeen Standard Investments (ASI) currently manages.

ASI make use of 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.

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.

More detail on ASI specific votes can be found here:
<https://www.aberdeenstandard.com/en/ireland/responsible-investing/proxy-voting>.

Conclusion

The Trustee considers that the Scheme's platform providers and appointed fund managers are exercising their respective voting and engagement responsibilities in a considered manner consistent with the Trustee's stewardship policy.