

# *Implementation Statement, covering 1 April 2019 to 31 March 2020*

The Trustee of the Low & Bonar Group Retirement Benefit Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

## **1. Introduction – Last review of the voting and engagement policies**

The Trustee’s voting and engagement policies in the SIP were reviewed and updated during the Scheme year in August 2019 to reflect new requirements issued by the Department of Work and Pensions. In particular:

- The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attached to investments, protect and enhance the long-term value of investments.
- The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.
- The Trustee does not monitor or engage directly with issuers or other holders of debt or equity.
- The Trustee expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers’ general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.
- The Trustee has limited influence over managers’ stewardship practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

## **2. Voting and engagement**

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In March 2020, the Trustee reviewed LCP’s RI scores for the Scheme’s existing managers, funds and buy-in providers, along with LCP’s qualitative RI assessments and red flags for any managers or insurers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager and buy-in provider scores and red flags are based on LCP’s Responsible Investment Survey 2020.

The highest score available is 4 (strong) and the lowest is 1 (weak). This year, all the Scheme’s managers or buy-in providers scored a 2 or higher, and therefore the Trustee was satisfied with the results of the review and no further action was taken. The exception to this was Canada Life (buy-in provider), who declined to respond as it was part-way through a review of its ESG approach at the time.

During the Scheme year, as part of the Trustee’s decision to invest in the Aberdeen Standard Investment DGF, the Trustee satisfied itself that the manager had appropriate RI practices in place, which were aligned with the Trustee’s policies.

## **3. Description of voting behaviour during the year**

As at 31 March 2020, all of the Trustee’s holdings in listed equities were within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights (as stated in its SIP). Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year.

In this section, the Trustee sought to include voting data on the Aberdeen Standard Investments (“ASI”) DGF, as it is the only fund that held listed equities. The Trustee disinvested from the Ruffer diversified growth mandate in April 2019. As such, this mandate has been excluded on materiality grounds.

ASI confirmed it was unable to provide voting information at a fund level for the period under review. However, it expects to review this position over the next 12 months. The Trustee will continue to work with its advisers and ASI with the aim of providing fuller voting information in future implementation statements.

Over the year to 31 March 2020, the Scheme also invested in a range of other funds that do not hold listed equities (as detailed in the Report & Accounts). These funds are omitted from this Statement, given a description of voting behaviour is less relevant. The Trustee also confirmed this approach was consistent with the understanding of each of the investment managers.