

# GK Group Limited Pension Scheme

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2021

### Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees has been followed during the year to 5 April 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

### Trustee's Investment Objectives

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

### Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustees' policies on ESG factors, stewardship and climate change. The policies were last reviewed in September 2020 when they received investment training on this topic and the Trustees intend to undertake further investment training in the coming year. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

## Investment Structure

The Scheme's main investment is a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. The Trustees have no direct relationship with the Scheme's underlying investments managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

## Engagement

In the year to 5 April 2021, the Trustees have not actively engaged with the pooled investment managers on matters pertaining to ESG, stewardship or climate change.

However, the performance monitoring reports produced by Mercer include ESG specific ratings of the funds held (with ratings derived by Mercer) and this will help to determine whether further action should be taken. The Trustees are also working with Mercer to consider actions that can be taken to engage with the investment managers going forward.

## Voting Activity

The Trustees have delegated their voting rights to the Scheme's investment managers. The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible.

The Trustees note that best practice in developing a statement on voting and engagement activity is evolving and will take on board industry activity in this area before the production of next year's statement.

The table on the following pages sets out a summary of the key voting activity over the financial year:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
<b>Threadneedle Multi Asset</b>	ISS and Glass Lewis, Institutional Voting Information Service - for recommendations only.	6988 resolutions (90.34% votes cast)	5.74%	3.92%	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.	<p><b>Facebook, Inc.:</b> Vote 'for' the organisation to report on Median Gender/Racial Pay Gap  <b>Rationale:</b> Material social risk for business and therefore in shareholders' interests.</p> <p><b>Outcome of vote:</b> Fail</p> <p><b>Implications:</b> Active stewardship (engagement and voting) continues to form an integral part of Threadneedles research and investment process.</p> <p><b>Significance:</b> See definition</p>
<b>Nordea Diversified Return Fund</b>	Institutional Shareholder Services (ISS) and Nordic Investor Services (NIS) - recommendations only.  Nordea makes its own voting decisions.	3,344 eligible for (44.89% cast)	9.93%	0.6%	Those that are severely against Nordea's principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason.  From there, Nordea benchmark the proposals against their policy.	<p><b>Microsoft:</b> a vote 'against' to ratify named executive officers' compensation</p> <p><b>Rationale:</b> Nordea think that bonuses and share based incentives only should be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. For a large part of the incentive program performance targets is still lacking and for some executives extremely high. On the positive side transparency has improved a lot.</p> <p><b>Outcome of vote.</b> For</p> <p><b>Implications:</b> Nordea see less and less support at many AGMs for remuneration packages, and Nordea will continue to be critical of badly structured remuneration</p>

						programs with large proportions of time based variable compensation
						<b>Significance:</b> See definition
<b>Vontobel Global Equity Fund</b>	<b>Institutional Shareholder Services (ISS)</b> - to place and store all of our votes as well as provide proxy vote-related research. We use the ISS Sustainability Policy for basic guideline advice	738 resolutions eligible for (100% cast)	7.5% of votes cast	0.4% of eligible votes	Regard significance as a balance between: 1) Weight held within the portfolio, 2) Aggregate holding across our portfolios as a proportion of a company's outstanding shares (across portfolios managed by Vontobel's Quality Growth boutique), and 3) Potential impact to long-term shareholder value from a proposal. Votes are aimed at aligning shareholder interests with those of the management teams to deliver sustainable long-term growth	<p><b>Microsoft Corporation</b> - a vote 'against' was cast the resolution to report on employee representation on the board of directors.</p> <p><b>Rational for vote:</b> The proposal asked the board for a report on options to encourage the inclusion of non-management employees on the board. Vontobel believe the board has been effective. There are procedures in place to allow employees to become a board director, the same as they do for non-employees. The company also has a process to address employee concerns including compensation. NEO incentives include a factors such as diversity, inclusion and workplace culture. Therefore, Vontobel voted against the proposal.</p> <p><b>Outcome:</b> Fail</p> <p><b>Significance:</b> See definition</p>
<b>Ardevora Global Long-Only Equity Fund</b>	<b>Glass Lewis &amp; Co ("GL")</b> – used as a proxy administrator to vote proxies on behalf of the various funds and accounts we manage. Ardevora vote in line with GL's proxy voting guidelines	2622 votes cast	170 of votes cast	19 votes	<b>Ardevora do not have a specific definition for a significant vote. In general, will follow the FCA threshold of 3% in the UK and 5% elsewhere. If Ardevora own more than this percentage of a listed company, they will disclose it. Due to the weighting of their portfolios, there were no significant votes in the year to 31st March 2021.</b>	