

Bellway p.l.c. 1972 Pension Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 July 2021

Introduction

This statement sets out how, and the extent to which, the Stewardship Policy and related policies on Environmental, Social and Governance (ESG) factors and Climate Change set out in the Statement of Investment Principles (SIP) have been followed during the year to 31 July 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018, as amended 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 it has set. As set out in the SIP, the Trustee's primary investment objective 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 Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Bellway p.l.c. 1972 Pension Scheme (the Scheme).

The objectives set out above provide a framework for the Trustee when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Trustee understands that it must consider all factors that have the potential to affect 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 dated 24 September 2019 first included the Trustee's policies on ESG factors, stewardship and climate change. These policies are also included in the latest SIP, which was approved on 29 March 2021, and in the SIP dated 11 September 2020, which was also in force over the Scheme year.

As recorded in the SIP, The Trustee believes that ESG factors can influence the return and risk outcomes for the Scheme. It therefore believes that ESG factors should be taken into account in the management of the Scheme assets.

In order to establish these policies, the Trustee discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies at the Trustee meetings of 13 August 2019 and 5 May 2020. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

Scheme Investment Structure

The Scheme's only 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.

JLT Investment Management (JLT IM) had fiduciary responsibility for the selection of pooled funds on the Mobius Platform for the Scheme over the period to 1 August 2020, after which point this responsibility was novated to Mercer Limited.

Following a change of Mercer's corporate policy, the fiduciary overlay was terminated with effect from 31 March 2021, and subsequent to that date, the Scheme's assets remain invested through the Mobius TIP. As a consequence, the Trustee has no direct relationship with the Scheme's underlying investment managers.

Trustee engagement

As the Scheme invests through the Mobius Platform, the Trustee does not have the opportunity to influence the investment managers' actions in relation to ESG factors directly. Instead, the Trustee has defined policies in relation to ESG and will both select and monitor investment managers with regard to these policies. In this way, the Trustee is able to apply its policies on ESG in the context of the investment management structure.

During the Scheme year, the Trustee received Mercer's ESG scores for the funds in which the Scheme was invested. These scores have been included in Mercer's monitoring reports with effect from 30 September 2020.

The Trustee is satisfied that the scores are satisfactory in the context of the mandates of the funds.

The ESG information provided by Mercer helps the Trustee to determine whether further action should be taken in respect of specific funds.

The Trustee is currently reviewing the structure of the investment management services it receives, and the means by which it can apply its ESG policies will form part of that review.

A further update will be provided in next year's Statement.

Voting Activity

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore the Trustee has no voting rights in relation to the Scheme's investments and no direct ability to influence the managers of the pooled funds.

If the Trustee were specifically invited to vote on a matter relating to the corporate policy, it would exercise its right in accordance with what it believes to be in the best interests of the majority of the Scheme's members.

Over the Scheme year, the Trustee has not been asked to vote on any specific matters and has therefore not cast any votes itself.

Nevertheless, Appendix 2 of this Statement sets out a summary of the key voting activity of the pooled funds in which the Scheme's assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote, and examples of these. The Trustee has no influence on the managers' definitions of significant votes but has noted these and is satisfied that they are all reasonable and appropriate.

The Trustee notes that best practice in developing a statement on voting and engagement activity is evolving and it will continue to consider industry activity in this area.

Adopted by the Trustee

September 2021

Appendix 1 – Policy on ESG, Stewardship and Climate Change

The policies below are included within the 29 March 2021 SIP:

Financially Material Considerations

The Trustee considers many risks which it anticipates could have the ability to impact the financial performance of the Scheme's investments over the Scheme's expected life time. Such risks are set out in Section 5 of this SIP.

The Trustee recognises that environmental, social and governance (ESG) factors, such as climate change, can influence the investment risk and return outcomes of the Scheme's portfolio. Given the Trustee's 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, it believes ESG factors should be taken in to account within the investment process to limit the negative impact on performance.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance as omitting such risks in the investment analysis could underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

In setting the investment de-risking framework for the Scheme, the Trustee has prioritised funds which provide leveraged protection against movements in the Scheme's liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be paramount.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustee intends to review and understand the ESG policies of the managers in which they invest and consider whether further action is required.

The Trustee also intends to build an ongoing review of ESG considerations into their annual business plan to make sure that their policy evolves in line with emerging trends and developments.

The Trustee is therefore satisfied that it has appropriate plans in place to make sure that ESG factors are appropriately reflected in the overall investment approach.

Non-Financial Matters

The Trustee has determined that the financial interests of the Scheme members are their first priority when choosing investments.

The Trustee has decided not to consider non-financial considerations, such as ethical views, or take members' preferences into account when setting the investment strategy.

Stewardship

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Where the Trustee is specifically invited to vote on a matter relating to corporate policy, it would exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

The Trustee does not currently envisage the need to engage with other stakeholders on their engagement activities other than the Sponsoring Employer, who reviews this statement and is consulted on when investment decisions are made.

Appendix 2 – Voting Activity

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
Nordea Diversified Return	<p>Nordea rely on ISS for proxy voting, execution as well as research, while Nordic Investor Services (NIS) is used for analysis.</p> <p>ISS is a global player with international reach and practices, while NIS is a small niche player whose best practices are much in line with those of Nordea. This gives a broad palette of input which is very valuable in the evolution of their Corporate Governance principles.</p> <p>Normally, every vote cast is considered individually on the background of their in house bespoke voting policy.</p> <p>In 2021 Nordea have massively scaled up their voting to cover a majority of all voting activities and have contracted ISS to vote on some minor holdings as per their policy.</p> <p>Nordea’s Corporate Governance unit will continue to oversee all voting activities.</p>	2,339 votable proposals (87.04% votes cast)	267 (12.79% of votes cast)	5 (0.24% of votes cast)	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>McDonald’s – vote for shareholder proposal of report on sugar and public health.</p> <p>Rational: Additional disclosure would benefit shareholders by increasing transparency regarding the company’s efforts to address the risks related the use of sugar and serve to provide greater assurance to shareholders in that the firm’s initiatives and practices sufficiently guard against potential financial, litigation and operational risks to the company. Nordea also supported the shareholder proposal regarding Report on Antibiotics and Public Health Costs.</p> <p>Outcome of Vote: Against</p> <p>Implications: Nordea will continue to support shareholder proposals on these issues as long as the company is not showing substantial improvements.</p>
Pictet Multi Asset	<p>ISS – to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide.</p> <p>ISS recommendations are communicated to relevant Investment teams and Pictet’s in-house ESG team.</p> <p>ISS recommendations inform voting decisions but Pictet may deviate from third party voting recommendations on a case by case basis. Such divergences may be initiated by Investment teams or by the ESG team and will be supported by detailed written rationale.</p>	651 (100% of eligible votes)	44 (6.76% of votes cast)	2 (0.31% of votes cast)	Classified as significant depending on subject matter of the vote. For example a vote against management, if the company is one of the largest holdings in the portfolio, and/or we hold an important stake in the company.	<p>Mitchells & Butlers - Vote against approval of restricted share plan</p> <p>Rationale: They did not support this plan as: (i) the Company is replacing performance shares with restricted shares, the latter being time-based instruments without conventional performance conditions; and (ii) the introduction of the plan and its relevance to Company strategy was not been supported with sufficient rationale.</p> <p>Outcome: The resolution was approved.</p> <p>Implications: Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company. If warranted, they will consider actions as part of their escalation strategy,</p>

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						including future voting decisions. Significance: This resolution is significant because they voted against management.
Threadneedle Multi Asset	ISS and Glass Lewis – for research and recommendations only. ISS ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. Threadneedle makes its own voting decisions.	5066 resolutions (99.8% votes cast)	3.87% of votes cast	6.00% of votes cast	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 they support a shareholder-tabled proposal not endorsed by management.	AIA Group Limited – vote against electing Chung-Kong Chow as director Rational: there were gender diversity concerns Outcome of vote: Pass Implications: Active stewardship (engagement and voting) continues to form an integral part of their research and investment process. Significance: Vote against management
Baillie Gifford Diversified Growth Fund	ISS and Glass Lewis – for research and recommendations only. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide more nuanced market specific information. Baillie Gifford makes its own voting decisions.	1486 resolutions eligible for (96.9% cast)	3.68% of votes cast	1.04% of votes cast	The list below is not exhaustive, but exemplifies potentially significant voting situations: — Baillie Gifford’s holding had a material impact on the outcome of the meeting — The resolution received 20% or more opposition and Baillie Gifford opposed — Egregious remuneration — Controversial equity issuance — Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders — Where there has been a significant audit failing — Where we have opposed mergers and acquisitions — Where we have opposed the financial statements/annual report — Where we have opposed the election of directors and executives.	DP Aircraft I Limited – a vote against the resolution to approve the Remuneration Report. Rational: In light of COVID-19 BG opposed the increase to directors fees. Whilst very modest, given the suspension of dividends, dilution to shareholders through capital raising and concerns around the business generally, BG feel it is inappropriate to raise directors fees. Outcome of vote: Pass Significance: This resolution is significant because BG opposed remuneration.

Source: Investment Managers

Note: Information shown is for 12 months to 30 June 2021.