

# Godiva Group Pension Scheme

## Engagement Policy Implementation Statement

Financial Year Ending 31 December 2020

### 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 31 December 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 2019 as amended, and the guidance published by the Pensions Regulator.

### Trustees 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 objectives of the Scheme included in the SIP are as follows:

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 also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

### Statement of Investment Principles

The Scheme's Statement of Investment Principles ("SIP") was updated on 14 September 2020. The changes made to the SIP reflect new legislation around additional information on the Trustees policy in relation to arrangements with their investment managers.

## Policy on ESG, Stewardship and Climate Change

The Trustees understand that it 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. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

## Scheme's Investment Structure

The Scheme's only investment is a Trustees 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 for the remainder of the period to 31 December 2020.

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 such, the Trustees have no direct relationship with the Scheme's underlying investment managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

## Voting Activity

The Trustees have delegated their voting rights to the investment managers of the Scheme. 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 (i.e. all funds which include physical equity holdings).

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

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

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
<b>Baillie Gifford UK Equity Fund</b>	ISS and Glass Lewis – for research and recommendations only.  Baillie Gifford makes its own voting decisions.	1019 resolutions (99.9% votes cast)	2.3%	0.6%	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.	<b>British American Tobacco - vote 'Against'</b> the executive remuneration report and incentive plan  <b>Rationale: Opposed the executive remuneration report and Incentive Plan due to concerns regarding the potential size of the pay award.</b>  <b>Outcome of vote:</b> Pass  <b>Implications:</b> Baillie Gifford opposed remuneration at British American Tobacco for a number of years due to concerns regarding the size of the potential awards. Baillie Gifford continue to engage the company on the issue and push for change. This year 38% of shareholders also opposed the remuneration report which is a clear signal to the company that shareholders have concerns. Baillie Gifford will continue to engage.  <b>Significance:</b> This resolution is significant because we opposed remuneration.

<b>Ardevora Global Long-Only Equity Fund</b>	Ardevora use Glass Lewis as the proxy voting administrator across all the funds and accounts Ardevora they manage. They vote on all proxies wherever possible (allowing for certain market-specific restrictions).	2,477 resolutions voted on	136 votes	19 votes	In general, Ardevora will follow the FCA threshold of 3% in the UK and 5% elsewhere. If Ardevora owns more than this percentage of a listed company, they will disclose it.	Due to the weighting of Ardevora's portfolios, there were no significant votes in the year-to-date 31st March 2021.
<b>Ninety One Emerging Markets Equity Fund</b>	ISS provide Ninety One with research recommendations and recommendations based on their internal voting policy, Ninety One consider and discuss this with the investment teams that hold the issuer to make a decision in the best interest of the shareholders (which may differ from ISS & management recommendations).	981 resolutions (94.95% votes cast)	9.78%	5.82%	Ninety One describes these as votes with significant client, media or political interest, material holdings, those of a thematic nature (i.e., climate change) and significant corporate transactions that have a material impact on future company performance, for example approval of a merger, etc.	<p><b>NetEase Inc: Vote 'AGAINST' the significant event.</b></p> <p><b>Rationale:</b> The nominee is a member of a less than majority independent board and is a member of the audit committee.</p> <p><b>Outcome:</b> N/A</p> <p><b>Implications: N/A</b></p> <p><b>Significance:</b> Ninety One opposed the election of several directors due to on-going independence concerns.</p>
<b>Columbia Threadneedle Multi Asset Fund</b>	ISS for proxy voting, recordkeeping and disclosure, and research  Glass Lewis – for recommendations  Institutional Voting Information Service – for recommendations.	6789 resolutions (98.90% votes cast)	5.88%	3.62%	A significant vote is deemed one to be any dissenting vote which is cast against (either abstaining or withholding from voting) a management tabled proposal or one which has been tabled by shareholders and not endorsed by management.	<p><b>Comcast Corporation: Vote 'FOR' the organisation to report on risks posed by failing to prevent sexual harassment</b></p> <p><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</p>

						form an integral part of Threadneedle's research and investment process.
						<b>Significance:</b> See definition
<b>Pictet Multi Asset Fund</b>	<b>ISS</b> – for voting execution and recommendations (but may diverge from ISS recommendations on a case-by-case basis).	341	20	None	Pictet consider a vote to be significant due to the 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><b>Mitchells &amp; Butlers:</b> Vote 'FOR' the supported the ISS recommendation on the resolution to vote against re-electing Robert King as director.</p> <p><b>Rationale:</b> Lack of diversity in the board and Robert King holding more than five mandates and as such classified as "overboarded".</p> <p><b>Outcome:</b> Although the appointment of Robert King was re-elected, 17.86% of the votes cast were against.</p> <p><b>Implications:</b> Where Pictet believe the subject of the vote could present a material concern perspective, Pictet will continue to monitor and engage with the company.</p> <p><b>Significance:</b> See definition</p>

## **Appendix – Policies in respect of arrangements with asset managers**

The policies below are included within the September 2020 Statement of Investment Principles (SIP).

### **1. How the arrangement with the investment managers incentivises them to align their investment strategies with the Trustee’s investment policies, including in relation to ESG**

JLT IM will only invest in pooled investment vehicles. The Trustee therefore accepts that it cannot specify the risk profile and return targets of the manager, but pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustees accept that they cannot influence the charging structure of the pooled funds in which the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund’s stated characteristics. The Trustees are therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees’ policies as set out in this SIP.

### **2. How the arrangement incentivises the investment managers to make decisions based on their assessment of investee companies’ medium to long term financial and non-financial performance and engage accordingly**

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. Where possible, discounts have been negotiated by JLT IM with the underlying managers on their standard charges and the Scheme benefits directly from these discounts.

None of the underlying managers in which the Scheme’s assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

The Trustees therefore consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

### **3. How the method and time horizon for evaluating the investment manager’s performance, and the basis of their remuneration, are aligned with the Trustee’s other investment policies**

The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mercer, which present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance, performance against the manager’s stated target performance (over the relevant time period) on a net of fees basis. They also provide returns of market indices so that these can be used to help inform the assessment of the underlying managers’ performance.

The reporting also reviews the performance of the Scheme’s assets in aggregate against the Scheme’s strategic benchmark.

JLT IM, as Investment Manager, has the role of replacing the underlying investment managers where appropriate. It takes a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by Mercer's Manager Research Team. This in turn would be due to a significant reduction in Mercer's confidence that the investment manager will be able to perform in line with their fund's mandate over the long term.

Changes will also be made to the underlying managers if there is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager.

**4. How they define and monitor portfolio turnover (frequency of buying or selling) costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although note that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested.

**5. The duration of the arrangements with the investment managers**

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees, after considering appropriate investment advice, have appointed JLT IM as investment manager to the Scheme. JLT IM was first appointed in December 2013.

**Additional information on the Trustee's stewardship policy**

**6. Additional information on the trustees' stewardship policy**

The Scheme is invested solely in pooled investment funds. The Trustees' 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.

The Trustees note that the investment managers' corporate governance policies are available on request and on their respective websites.

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