

# SKIPTON BUILDING SOCIETY (2015) GROUP PENSION SCHEME

## YEAR ENDED 31 DECEMBER 2020

### ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 December 2020

#### 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 in the Statement of Investment Principles (SIP) produced by the Trustee, has been followed during the year to 31 December 2020. This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

#### Trustee Investment Objective

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.

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

The Trustee also ensures that its 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 Trustee understands 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 Trustee’s policies on ESG factors, stewardship and climate change. The policies were last reviewed in September 2020. The Trustee keeps 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 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) has fiduciary responsibility for the selection of pooled funds on the Mobius Platform. As such, the Trustee has no direct relationship with the Scheme’s underlying investments managers.

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### ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

#### Engagement

In the relevant year, the Trustee has not engaged with Mobius, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. At the time this document is being drafted, the Trustee is in the middle of a retender exercise to appoint a new Fiduciary Manager. Going forward, the Trustee expects to engage with the new Fiduciary Manager on ESG, stewardship, and climate change matters.

#### Voting Activity

The Trustee has delegated their voting rights to the investment managers of the Scheme. The Trustee has 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:

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### ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
<b>Nordea Diversified Return</b>	<p><b>Institutional Shareholder Services (ISS)</b> for proxy voting, execution, and recommendations</p> <p><b>Nordic Investor Services (NIS)</b> - recommendations only.</p> <p>Nordea makes its own voting decisions.</p>	3,466 eligible for (1,381 cast)	172	6	<p>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.</p> <p>From there, Nordea benchmark the proposals against their policy.</p>	<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 programs with large proportions of time based variable compensation</p> <p><b>Significance:</b> See definition</p>
<b>Threadneedle Multi Asset</b>	<p><b>ISS</b> for proxy voting, recordkeeping and disclosure, and research</p> <p><b>Glass Lewis</b> – for recommendations</p> <p><b>Institutional Voting Information Service</b> – for recommendations.</p>	6789 resolutions (98.5% votes cast)	5.88%	3.62%	<p>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>	<p><b>Facebook, Inc.:</b> Vote 'FOR' the organisation to report on Median Gender/Racial Pay Gap</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 form an integral part of Threadneedles research and investment process.</p> <p><b>Significance:</b> See definition</p>

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<b>Baillie Gifford Multi Asset</b>	<p><b>ISS and Glass Lewis</b> – for research and recommendations only.</p> <p>Baillie Gifford makes its own voting decisions.</p>	696 resolutions eligible for (95.98 votes cast)	7.93%	1.8%	<p>The list below is not exhaustive, but exemplifies potentially significant voting situations:</p> <ul style="list-style-type: none"> <li>— Baillie Gifford's holding had a material impact on the outcome of the meeting</li> <li>— The resolution received 20% or more opposition and Baillie Gifford opposed</li> <li>— Egregious remuneration</li> <li>— Controversial equity issuance</li> <li>— Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders</li> <li>— Where there has been a significant audit failing</li> <li>— Where we have opposed mergers and acquisitions</li> <li>— Where we have opposed the financial statements/annual report</li> <li>— Where we have opposed the election of directors and executives.</li> </ul>	<p><b>EDP Renovaveis:</b> Vote 'AGAINST' electing a particular director.</p> <p><b>Rationale:</b> Opposed the election of a director due to the lack of independence and diversity on the board.</p> <p><b>Outcome of vote:</b> Pass</p> <p>Implications: Baillie Gifford have taken action on the election of directors at the company since the 2018 AGM. Their concerns are regarding the attendance record of some directors, a lack of board independence and diversity. They have spoken to the company a number of times regarding these concerns and continue to raise the issue and take action where possible. As the company has an 82% controlling shareholder, Baillie Gifford's ability to influence is limited, however they believe it important to hold the board accountable for their concerns.</p> <p><b>Significance:</b> This resolution is significant because we opposed the election of a director.</p>
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### ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

#### **APPENDIX – POLICY ON ESG, STEWARDSHIP AND CLIMATE CHANGE**

The policies below are included within the 9 September 2020 SIP:

##### **Financially Material Considerations**

The Trustee understands that it must consider all factors that have the ability to impact 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 Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Scheme's assets are invested in pooled funds. The Trustee accepts the fact that it has very limited ability to influence the ESG policies and practices of the companies in which its managers invest.

The Trustee has reviewed the ESG policies of its managers and concluded that they are appropriate. The Trustee will therefore rely on the policies and judgement of its fund managers when assessing the impact on the value of the Schemes investments.

##### **Non-financially Material Considerations**

The Trustee only considers factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

##### **Stewardship**

JLT IM and Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustee. If the Trustee has any concerns, it will raise them with JLT IM or Mercer, verbally or in writing.