

BOURNE GROUP HOLDINGS RETIREMENT BENEFITS SCHEME ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 March 2023

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 March 2023. 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 2018, as amended, and the guidance published by the Pensions Regulator.

Trustees Investment Objective

The Trustees primary investment objective for the Scheme is to achieve an overall rate of return that, in combination with deficit contributions, 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 its investment objectives, and the resultant investment strategy, are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Investment Strategy

The investment strategy of the Scheme was split between two portfolios managed by Mercer Limited (“Mercer”) and Rathbones Investment Management (“Rathbones”) during the year until March 2023. In March 2022, the Trustees reviewed the Scheme’s investment strategy and agreed to reduce the overall risk of the Scheme and move to a de-risked strategy. The strategy was implemented in June 2022.

Mercer utilise pooled investment vehicles, with the underlying holdings being split between equities, bonds and managed funds. Rathbones target a medium risk tolerance portfolio via pooled investment vehicles, bonds, equities and cash. The Trustees have fully delegated investment decisions to Rathbones in order to maintain their strategic objective. The Trustees retain decisions on changes recommended by Mercer. The managers operate within ranges rather than set strategic asset class targets.

Statement of Investment Principles

The Scheme's Statement of Investment Principles (SIP) was updated post year-end, in July 2023, to reflect new legislation and update to the Scheme's investment strategy. A copy of the SIP can be found online.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all financially relevant factors in making investment decisions on behalf of the Scheme. However, the Trustees may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Scheme's investments over the duration of the Scheme, if it believes that such factors reflect the views of members.

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including climate change, can all 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 and that ESG risks are identified and avoided or mitigated appropriately. The Scheme's current SIP includes the Trustees policies on these factors. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

Scheme's Investment Structure

The Trustees have appointed Mercer and Rathbones to manage the Scheme's assets to specific individual mandates and with appropriate investment objectives and targets. Mercer only invest in pooled investment vehicles. The Trustees therefore accept that they 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. Rathbones target a medium risk tolerance portfolio via pooled investment vehicles, bonds, equities and cash. The underlying investment managers are incentivised to meet these objectives as not doing so could potentially result in investors disinvesting assets.

Voting Activity

The Scheme is invested in multi-client pooled funds therefore the Trustees do not have direct voting rights in relation to the Scheme's investments. The Trustees have effectively delegated their voting rights to their investment managers. The Trustees have not been asked to vote on any specific matters over the Scheme year covered by this statement. Nevertheless, this statement sets out a summary of the key voting activity carried out on behalf of the Trustees by the investment managers of the multi-client pooled funds for which voting is possible (i.e. all funds which include equity holdings). The Trustees do not use the direct services of a proxy voter.

Voting information based on information available at time of writing.

Significant votes

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote" and that Trustees were required to include details on why a vote is considered significant and rationale for the voting.

The Trustees defines a "significant vote" as one that is linked to the Scheme's stewardship priorities/themes as outlined below:

- **Governance** For example a vote against the Chair of the nomination committee where the board is not sufficiently diverse or a vote against a director who is not independent;
- **Financial Outcomes** i.e. a vote which has the potential to substantially impact financial or stewardship outcomes; or
- Where the **Size of the holding** is >5% of the fund invested in.

As part of this monitoring, the Trustees will engage with the Scheme's investment managers where appropriate to understand the activity undertaken in relation to these topics. Where applicable, example of such votes are provided below.

Trustee Engagement

In the relevant year, the Trustees have not engaged directly with the underlying investment managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

Voting Activity

Rathbones Investment Management

Rathbones believe it is in their clients' best interests for the companies in which they invest to adopt best practice in managing environmental, social and governance risks. They have developed a robust approach to proxy voting and engagement with companies on ESG issues, which are a key consideration in regards to voting activity. Rathbones have developed four key guiding principles in regards to stewardship and governance related activities, which are Materiality, Engagement, Active voting and Transparency. They have a responsible investment committee and responsible investment policy with a focus on active proxy voting and engagement on ESG issues. This is integrated in the research process by the research team and investment committee alongside financial factors.

The stewardship committee is responsible for developing and maintaining a bespoke corporate governance policy which builds on established best practice, compliant with and inspired by the provisions of the UK Corporate Governance Code (which covers UK companies) and the AIC Code of Corporate Governance (specific to investment trusts). This policy underpins the voting decisions across the most widely held stocks. Rathbones is a signatory on the UK Stewardship Code 2020.

Rathbones voted on 11,029 resolutions during 2022, in 837 company meetings. There were 791 votes cast against management, 10,531 votes cast with policy and 555 votes against policy.

The table below outlines the significant votes carried out by Rathbones Investment Management. At the time of collecting the voting information, the next steps were not provided by the manager and votes occurred on holdings greater than 5% of the fund.

Company	Date	Why it is significant	Size of holding (% of Fund)	Summary of resolution	Vote cast	If against management, was intention communicated?	Rationale for voting decision	Outcome
Halma PLC	16/06 /2022	Financial Outcomes	1.43%	Approve Remuneration Report	For	N/A	"We decided to support management on all items at the upcoming AGM, as we disagreed with ISS' comments, which stated that the company had not sufficiently engaged with shareholders since the large vote against last year's remuneration policy. We felt the company took commendable steps to address various issues points we raised in a meeting that took place at start of the year. We also welcomed the commitment made by the company that it will be returning to its "normal approach of [pay] restraint after the 2023 fiscal year with future increases being aligned to those for the wider workforce."	Pass – 32.9% Voted Against
Jet2 PLC	01/09 /2022	Governance	1.08%	Re-election of Mark Laurence as Director	Against	Not provided by Manager	"We voted against management as Mr. Laurence is deemed non-independent - due to serving as Executive Chair for 13 years - but sits on the remuneration committee. The company is falling short of the requirements of the QCA Code regarding the composition of the remuneration committee. According to the Code, remuneration committee members "must be independent and must be able to resist inappropriate demands from executive directors and senior management". Most investors expect these crucial committees to be formed of independent directors who are free from potential conflicts of interest, as prescribed in UK best practice. It could be argued that having both the Chair and Mr. Laurence on the remuneration committee, despite being deemed non-independent, poses as an operational risk to shareholders. We said we would therefore welcome any move by the	Pass – 16.7% Voted Against

							board to ensure that all committees are comprised of fully independent directors to align with widely recognised best practice.”	
Microsoft PLC	13/12/2022	Governance and Financial Outcomes	1.42%	Report on Government use of MS Technology	For	Not provided by Manager	“We noted concerns with the board’s decision to oppose the proposal requesting that the company publish a report that assesses whether government use of its technology contributes to violations of its policies and principles. Given that any violation of the company’s human rights policies and principles would represent a significant reputational, operational and legal risk, we would be supportive of enhanced disclosure on how the company is managing and mitigating cyber risks and oversight related to government use of its technology.”	Failed – 20.4% voted in Favour of the shareholder resolution
Dollar General Corporation	25/05/2022	Financial Outcomes	1.14%	Report on Political Contributions and Expenditures	For	Not provided by Manager	“We noted that if approved, the board would be required to provide a detailed report on the company’s political contributions and policies for managing and overseeing such expenditures. This would provide shareholders with a much clearer picture of the policies and memberships Dollar General Corporation is involved with and the relevant risks and benefits of these memberships. Although the company has committed to improve the level of disclosure on political contributions over \$10,000 beginning with FY2022, greater disclosure of the company’s lobbying-related oversight, policies, and expenditures would allow shareholders to better assess the company’s management of related risks and benefits. For these reasons, we decided to support this item.”	Pass – 57% voted in Favour of the shareholder resolution

Mercer Limited

As the Scheme is invested in pooled investment vehicles, via Mercer, it has no direct relationship with the underlying companies in which it invests. Therefore, the Trustees do not have voting rights in relation to the Scheme’s investments. As such, the Trustees have effectively delegated their voting rights to Mercer.

The Trustees have not been asked to vote on any specific matters over the Scheme year.

Mercer vote only on corporate events such as changing the structure of the underlying funds. No such votes occurred during the period.