

Your Engagement Policy Implementation Statement

This document sets out the actions undertaken by the Trustee, its service providers and investment managers to implement the stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the investment managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the Engagement Policy Implementation Statement ("EPIS" or "the Statement") the Trustee has prepared and covers the year ending 31 December 2020.

Scheme Stewardship Policy Summary

Over the year to 16 September 2020, the Scheme's stewardship policy was to delegate responsibility to the applicable investment managers in the exercising of voting rights. The extent to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments was also delegated to the investment managers. As part of their delegated responsibility, the Trustee expected the Scheme's investment managers to engage with investee companies, where appropriate, with the aim to protect and enhance the value of the assets.

The latest Scheme SIP was updated in September 2020, and can be found at this website:

<https://www.belfasttelegraph.co.uk/editorial/pension/belfast-telegraph-pension-scheme-september-2020.pdf>.

The below text summarises the Scheme's Stewardship Policy in force from 17 September 2020 to 31 December 2020.

The Trustee recognises the importance of its role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustee expects the Scheme's investment managers to use their influence as institutional investors to carry out the Trustee's rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustee reviews the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund manager or other stakeholder; they will consider the methods by which they would monitor and engage with such a fund manager or other stakeholders.

Scheme stewardship activity over the year

Training

Over the year, the Trustee had responsible investment (“RI”) training sessions with its investment adviser, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of Environmental, Social, and Governance (“ESG”) factors in investment decision making.

Updating the Stewardship Policy

In line with regulatory requirements to expand the SIP for a number of policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020 to be more explicit on expectations and recourse where necessary.

Ongoing Monitoring

Over the year, the Trustee reviewed the investment adviser, Aon's, ESG ratings on their Buy-rated funds.

Over the year, there were no major changes to the manager ratings and all applicable managers remain at least 2 rated (out of 4). This means that the fund management team is aware of potential ESG risks in the investment strategy and has taken some steps to identify, evaluate and potentially mitigate these risks. Aon's manager research team engage on behalf of the Scheme (and all their clients) with Buy-rated strategies regularly on a variety of ESG issues.

Manager Meetings

The Trustee meet with their managers on a regular basis. In September 2020, Arrowstreet presented at the Trustee meeting where they outlined their ESG integration and their approach to stewardship.

Voting and Engagement activity – Equity and multi-asset funds

The Scheme invests in the following equity and multi-asset funds:

Manager	Fund Name
Arrowstreet	Global Equity Fund
Nordea	Stable Return Fund
Schroders	Diversified Growth Fund

Nordea Investment Management (“Nordea”)

Voting approach

Over the year the Scheme was invested in the Nordea Stable Return Fund.

Nordea's proxy voting is supported by two external vendors, Institutional Shareholder Services (“ISS”) and Nordic Investor Services (“NIS”) to facilitate the proxy voting, execution and to provide analytic input. Specifically, they rely on ISS for proxy voting and execution as well as research, while NIS is mainly used for analysis. Their corporate governance function oversees all voting activities.

Over the year, in relation to the Stable Return Fund, Nordea voted 40% of all voteable resolutions, voting against management recommendation 12% of the time and abstaining 0% of the time (please see the table below for the voting statistics).

Nordea provided the following comments to explain why they voted 40% of the time. Nordea have an aggregated voting setup, meaning that they vote on the most important assets of their aggregated positions. Although the focus is at aggregate level, they strive to vote for a large proportion of the holdings and pay special attention to the holdings in Nordea's RI-enhanced products. Nordea's decision whether to vote or not is mainly based on the size of the holding and the ownership level in the specific company. For companies in which Nordea has a very limited opportunity to enact changes, or if they are unable to efficiently utilise shareholder rights, Nordea might choose not to vote or engage.

While the Scheme does not have a formal policy on the minimum acceptable level of asset manager voting frequency, Nordea's current voting approach is inconsistent with the Trustee's expectations of asset managers and there is a concern that their approach may contribute to sub-optimal voting outcomes. On behalf of the Trustee, the investment adviser Aon's manager research team, has discussed these concerns with Nordea's stewardship team. During the meeting, Nordea explained that the reason their voting frequency is low is because of their philosophy to analyse votes on a case by case basis rather than using a generic policy-based approach that may see nuances missed. Having said that, Nordea acknowledge the current voting frequency is insufficient and discussed their plans to increase voting frequency while retaining their core philosophy.

Summary Voting Statistics

The following table comprises the voting statistics provided by Nordea specific to the Stable Return Fund invested in by the Scheme. The statistics provided are from 1 January 2020 to 31 December 2020.

<u>Stable Return Fund over year to 31 December 2020</u>	
Number of resolutions eligible to vote on over the year	3,466
% of resolutions voted on for which the fund was eligible	40%
Of the resolutions on which the fund voted, % that were voted against management	12%
Of the resolutions on which the fund voted, % that were abstained from	0%

An example of a significant vote in the fund was when Nordea voted against the proposal by Starbucks to elect Director Jorgen Vig Knudstorp. Mr. Knudstorp is the Chair for the Nominating and Corporate Governance Committee, responsible for sustainability. However, Starbucks's new sustainability goals do not include any human rights related issues and so Nordea decided to vote against the re-election of Mr. Knudstorp as director. Nordea has been engaged with the company for several years and will continue to engage with the company on this matter.

Engagement approach

Nordea undertakes a range of engagement activities on behalf of its clients to affect and influence investee companies to improve their corporate governance practices, as well as ensuring a more long-term approach in investee companies. For areas where Nordea typically deems it could affect and influence relevant investee companies, Nordea has established ESG principles.

An example of engagement was in January 2020, where Nordea initiated an incident-driven engagement with Siemens. While the company has a sophisticated process framework in place, its impact assessments proved to be less than air-tight in a recent joint venture. Siemens signed a contract to provide signal technology for a railway exporting coal from a mine in Australia. The construction of the Carmichael coal mine project, which is expected to be one of the largest in the world, has been controversial almost from the start, both locally and globally. Although Siemens is only a minor player, the company has met mounting protests, and many have questioned its contribution to climate change.

Nordea met with Siemens' Investor Relations and Head of Sustainability to discuss the governance and process for evaluating sensitive/high risk business activities. Nordea suggested Siemens prepare a policy to clarify its role as a climate leader and establish a sensitive industry policy that includes joint ventures like the mine project. Siemens is currently improving its risk framework with ESG data to secure escalation of sensitive projects. The company will also strengthen its governance with external providers so that it can detect potential scenarios like this in the future and avoid reputational risk.

Schroders

Voting approach

Schroders have been unable to provide significant voting examples at a fund level, in line with the Pensions and Lifetime Savings Association ("PLSA") template. Schroders have stated they are reviewing the information they provide and are considering the best way to communicate this to their clients. This has been an ongoing issue for a number of months and the investment adviser, Aon, will follow up on this concern on behalf of the Trustee to encourage improved disclosure in a timely manner.

Summary Voting Statistics

They did however provide us with voting information relevant to the Diversified Growth Fund the Scheme invests in. This has been summarised here:

<u>Schroders Diversified Growth Fund over year to 31 December 2020</u>	
Number of resolutions eligible to vote on over the year	134
% of resolutions voted on for which the fund was eligible	89%
Of the resolutions on which the fund voted, % that were voted against management	3%
Of the resolutions on which the fund voted, % that were abstained from	0%

Schroders use research from both ISS and the Investment Association's Institutional Voting Information Services ("IVIS") to inform their voting; however they state that this is only one component of the analysis which feeds into their voting decisions. They will also seek information from company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts. They stress that their own research is also integral to their final voting decision. This research is conducted by their financial and ESG analysts. For contentious issues, their corporate governance specialists will engage with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders consider most significant votes as those against company management. They state that they are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. Examples of such circumstances include if they believe that a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such issues will lead to votes against management typically following an engagement. Schroders will inform the company of their intention to vote before any meeting and will explain their rationale for doing so. Where there have been ongoing and significant areas of concerns with a company's performance they may choose to vote against individuals on the board.

Further information can be found in their Environmental, Social and Governance Policy for Listed Assets policy: <https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf>

Engagement approach

Schroders will engage and vote on any issue affecting the long-term sustainable value of a company in which it is invested. Issues may include, but are not limited to, business strategy, performance, financing and capital allocation, management, acquisitions and disposals, operations, internal controls, risk management the membership and composition of governing bodies/boards and committees, sustainability, governance, remuneration, climate change, environmental and social responsibility.

Schroders state that they generally engage for one of three reasons:

- 1) To seek improvement in performance and processes in order to enhance and protect the value of their investments
- 2) To monitor developments in ESG practices, business strategy and financial performance within a company
- 3) To enhance our analysis of a company's risks and opportunities

They prioritise their engagement activities based on the materiality of the issue, and the size of their exposure to the individual company, either by the total amount of assets invested on behalf of clients or by the percentage of shares held.

An example of engagement was in May 2020 regarding Tesco's executive pay. Tesco awarded their CEO, Dave Lewis (who left the helm of the supermarket in September) a pay package worth £6.4m. As the Guardian reported at the time, "his basic salary alone is 355 times that of the lowest-paid average employee". Schroders have been questioning Tesco on remuneration issues since 2015 and they voted against its pay policy in 2018 when Tesco shifted its remuneration policy to focus on earnings per share, something that Schroders felt was less aligned with the interests of shareholders.

Also, executive pay is influenced by Tesco's share performance relative to a custom list of rivals. In 2020, Tesco removed Ocado from that custom list, with effect from May 2018. By doing so, Tesco's relative share performance notably improved, leading to a handsome benefit for company executives.

Schroders state that they will keep engaging with Tesco ahead of the 2021 annual general meeting, and that they are regularly engaging with hundreds of companies on remuneration and, especially in light of Covid-19, about how they're dealing with executive pay and using their discretion.

More information on this case study can be found here: <https://publications.schroders.com/view/851406/>

Arrowstreet

Voting approach

Arrowstreet's voting policy is to engage third party service provider ISS to provide proxy-voting services for client accounts, including vote analysis, execution, reporting and certain recordkeeping services. ESG principles are taken into account in the service provider's standard proxy voting policies. In addition, they make available enhanced ESG specific proxy voting services upon request. Proxy voting services are monitored periodically by their client operations team.

Summary Voting Statistics

<u>Global Developed Equity Fund</u>	<u>Q1 2020</u>	<u>Q2 2020</u>	<u>Q3 2020</u>	<u>Q4 2020</u>
% of resolutions voted on for which the fund was eligible	100%	98%	97%	84%
Of the resolutions on which the fund voted, % that were voted against management	6%	9%	7%	12%
Of the resolutions on which the fund voted, % that were abstained from	0%	1%	1%	0%

Where Arrowstreet engage a third-party proxy voting service like ISS on a client's behalf, they report the results of the voting activities to that client on a monthly basis; however they have not shared detailed examples with Aon. They also periodically review and monitor the performance of the third-party's proxy voting policy and guidelines to ensure, among other things, that client securities are being voted in accordance with the provider's stated policies and that any changes to such policies are in the client's best interest.

Arrowstreet stated that they do not engage with companies due to the quantitative nature of their strategy, which includes a high turnover of investments. The manager is considering the possibilities of using a third-party engagement provider.

In summary

Based on the activity over the year by the Trustee and their service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee note that most of their applicable investment managers were able to disclose evidence of voting and engagement activity to a greater or lesser extent. There are some areas of concern around the lack of activity and provision of information by certain managers. The Trustee's investment adviser, Aon, has engaged with the relevant managers to encourage better practices and will continue to engage on a case by case basis.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.