

# Graham & Brown Retirement Benefits Scheme Implementation Statement for the year ended 31 May 2021

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustees of the Graham & Brown Retirement Benefits Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31 May 2021 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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The Trustees’ policy in relation to ESG and voting issues was documented in the updated Statement of Investment Principles dated September 2020.

Further, in Q1 2021, the Trustees were presented with a paper on Environmental, Social and Governance (“ESG”) issues and upcoming climate change related regulations. This enabled the Trustees to explore their beliefs further in this area and consider their exposure and approach to climate change.

## The Trustees’ updated responsible investing policy

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The Scheme’s responsible investment policy was updated to include the additional detail in September 2020, the full responsible investing policy can be seen in the statement of investment principles:

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustees have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

In April 2021, the Trustees completed a buy & maintain credit manager selection. The Schroders Buy & Maintain Credit Fund was recommended by XPS using various criteria, including the degree to which the manager selects opportunities based on their ESG credentials.

## Ongoing governance

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The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees’ views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

### Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

### Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has investments in private and public equities which form part of the strategies for the Partners Fund and Schroders Diversified Growth Fund in which the Scheme invests in. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

Based on this summary, the Trustees conclude that the investment managers have exercised their delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard.

### Partners Group Partners Fund SICAV

The following voting data is for the year to 31 December 2020. Partners Group are only able to provide voting information semi-annually therefore this voting information is the most appropriate data available to the Scheme.

#### Voting Information

The manager voted on 98.6% of resolutions of which they were eligible out of 763 eligible votes.

#### Investment Manager Client Consultation Policy on Voting

Partners Group do not consult with clients before voting.

#### Investment Manager Process to determine how to Vote

Partners Group's process is outlined in its Proxy Voting Directive. These are a set of principles that are not intended to provide a strict guide to how Partners Group votes, but rather how Partners Group typically approaches core aspects of corporate governance. This applies only to the listed portion of the Fund and is not applicable for private market investments, which make up the bulk of this Fund. In certain circumstance Partners Group may receive proxy requests for publicly traded securities within a private markets portfolio. Typically when this occurs it will be evaluated by Transaction Services together with the relevant investment team and/or the relevant Investment Committee.

#### How does this manager determine what constitutes a 'Significant' Vote?

Based on the size of the holding in the fund.

**Does the manager utilise a Proxy Voting System? If so, please detail.**

Partners Group hires the services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and they have been instructed to vote in-line with the manager's Proxy Voting Directive. Wherever the recommendations for Glass Lewis, Partners Group's proxy voting directive, and the company's management differ, the manager votes manually on those proposals.

**Top 5 Significant Votes during the Period**

Company	Voting Subject	How did the Investment Manager Vote?	Result
Ferrovial	<b>Remuneration report, intending to provide shareholders information and a voice on the implementation of the remuneration policy.</b>	<b>Against</b>	<b>In favour of management</b>
<p>The % of against votes for this proposal increased from 24% in 2019 to 35% in 2020. Management already made a few improvements to the remuneration plan, but these were insufficient. Partners Group will continue to vote against this proposal until they believe there is a reasonable remuneration policy in place.</p>			
Techem	<b>Amendment of subcontractor's contracts, GDPR compliance, sustainability improvement initiative</b>	<b>Control of board</b>	<b>n.a.</b>
<p>Techem completed the amendment of contracts with subcontractors in Germany, Poland and France in 2020 to ensure adherence with health and safety standards. Techem also started the assessment of contracts with subcontractors in the rest of the international markets. As of 30 September 2020, the company has completed 75% of the contract amendments.</p> <p>Further, as part of its commitment to promote and improve sustainability, Techem initiated a new program across the company led by a newly hired sustainability communication professional. As for the initiative to improve sustainability, the initial focus was to engage with key stakeholders within and outside the organization with the goal of defining priority topics. These topics will form the basis of Techem's sustainability management program, which the company will start to report on from 2021.</p>			
USIC	<b>Establishment of a zero-tolerance safety program, launch employee retention initiative and optimization of driving routes</b>	<b>Control of board</b>	<b>n.a.</b>
<p>USIC established a zero-tolerance safety program for the entire company to ensure that USIC employees are safe on the road and in the field. Some of the key steps USIC has taken to improve safety performance include: (i) Identifying 1'000 high-risk drivers to participate in a defensive driving course; (ii) training over 700 leaders to spot employees in need of driver safety training; And (iii) enhancing safety in the field by ensuring technicians have access to third-party traffic control services and proper safety equipment.</p>			
Fermaca	<b>Improvement of health and safety performance, management of climate-related impacts and strengthening of internal policies</b>	<b>Control of board</b>	<b>n.a.</b>
<p>Fermaca has continued its focus on improving health and safety performance, and compliance. The company set a goal to achieve a total incident rate (TIR) of less than 0.5.</p> <p>Some of the actions that Fermaca has taken to improve health and safety include organizing a phase two health and safety risk assessment, using an expert third-party firm to conduct an on-site assessment and confirm field behaviours. This assessment will supplement the phase one desktop risk assessment which Fermaca completed in 2019.</p> <p>Additionally, the company prioritized the management of its climate-related impacts, with the goals of ensuring</p>			

environmental compliance, reducing its carbon footprint, and demonstrating the environmental benefits of natural gas versus other carbon-intensive fossil fuels. In terms of managing its climate-related impacts, the company is measuring its CO2 footprint across all operations and is taking steps to reduce methane-related emissions. Fermaca is also continuing to execute its reforestation plan, which includes a goal to plant 37,000 trees over the next five years.

Further, Fermaca has continued to strengthen its internal policies, procedures and controls related to anti-bribery and anti-corruption based on recommendations from a desktop fraud risk assessment last year. In addition, the company will undergo a phase two assessment, which will include forensic accounting, to make further improvements in its internal policies.

<b>Civica</b>	<b>COVID 19 measurements, efforts on diversity and employee retention efforts</b>	<b>Control of board</b>	<b>n.a.</b>
<p>In 2020, Civica made a great effort to has made a great effort to support its clients through the COVID 19 situation. Apps and software launched include an interactive symptom tracker, a platform to coordinate rapid support and an e-recruitment tool.</p> <p>Employee retention remains a focus area for Civica. Due to the pandemic, the annual NPS exercise was not conducted this year, but they have done monthly pulse checks since the beginning of the lockdown to ensure employee engagement remained high.</p>			

**Schroders Diversified Growth Fund**
**Voting Information**
**Schroders Diversified Growth Fund**

The fund manager has not provided stewardship code data at present

The manager voted on 93.1% of resolutions of which they were eligible out of 24,906 eligible votes.

**Investment Manager Client Consultation Policy on Voting**

In order to maintain the necessary flexibility to meet client needs, local offices of Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether or not this is available for the type of investment(s) they hold with Schroders.

**Investment Manager Process to determine how to Vote**

Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. They utilise company engagement, internal research, investor views and governance expertise to confirm their intention. 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>

**How does this manager determine what constitutes a 'Significant' Vote?**

Schroders consider "most significant" votes as those against company management.

Schroders are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if they believe 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 votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance Schroders may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where they do not do this they classify the vote as significant and will disclose the reason behind this to the company and the public.

**Does the manager utilise a Proxy Voting System? If so, please detail**

Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that their own research is also integral to final voting decisions; this will be conducted by both financial and ESG analysts. For contentious issues, Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders continue to review their voting practices and policies during ongoing dialogue with portfolio managers.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Zoomlion Heavy Industry Science and Technology Co., Ltd.	Proposal 13 - Approve Carrying Out of Low Risk Investments and Financial Management and Authorize the Chairman to Make All Investment Decisions and Execute Relevant Contracts and Agreements	Against	Voted against Company Management
The proposed investment could expose the company to unnecessary risks.			
GS Home Shopping, Inc.	Proposal 1 - Approve Merger Agreement with GS Retail Co.,Ltd	Against	Voted against Company Management
Lack of disclosure on how the board handled the conflict of interest.			
Wuxi Xinje Electric Co., Ltd.	Proposal 9 - Approve Authorization Limit for Use of Idle Own Funds for Entrusted Asset Management	Against	Voted against Company Management
The proposed investment could expose the company to unnecessary risks.			
EXOR NV	Proposal 6e - Grant Board Authority to Issue Special Voting Shares A without Preemptive Rights	Against	Voted against Company Management
Schroders are supportive of the one share one vote principle.			
TP ICAP Plc	Proposal 1 - Approve Matters Relating to the Acquisition of Liquidnet Holdings, Inc.	Against	Voted against Company Management

Split vote - Investor feels price of deal not in companies best interests.			

Schroders define significant as any 'key vote' where they have gone against the voting recommendation of management. To determine which of these votes were most significant, XPS filtered down the list of votes provided by Schroders. The list was condensed to c15 votes, all of which involved issue of equity, sales, acquisitions, mergers as well as votes where Schroders felt that their voting decision would lead to the management and reduction of risks. The 5 most recent votes are included in this report.