

# **VOITH ENGINEERING LIMITED PENSION & LIFE ASSURANCE PLAN (1971)**

## **ENGAGEMENT POLICY IMPLEMENTATION STATEMENT**

**1 October 2021 to 30 September 2022**

### **Introduction**

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees of the Voith Engineering Limited Pension & Life Assurance Plan (1971) ("Plan") has been followed during the year to 30 September 2022. 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 and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Plan**

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The primary investment objective for the Plan 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 Plan.

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.

### **Investment Strategy**

During the course of the financial year, the Trustees did not make any changes to the Plan's investment strategy.

### **Review of the SIP**

The Plan's SIP was last updated in September 2020. The changes made to the SIP reflect new legislative wording requiring the Trustees to state their policies regarding 'financially material' and 'financially non-material' considerations.

### **Plan's Investment Structure**

The Plan's only investment is a Trustee Investment Policy (TIP) with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Plan to invest in pooled funds managed by third party investment managers. As such, the Trustees have no direct relationship with the Plan's underlying investments managers.

## **Policy on ESG, Stewardship and Climate Change**

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Plan's SIP includes the Trustee's 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.

## **Engagement**

The Trustees review the stewardship and ESG policies of the Fund managers periodically. In the relevant year the Trustees' investment consultant had requested, on behalf of the Trustees, details of relevant engagement activity for the year to 31 March 2022 on matters pertaining to ESG, stewardship or climate change. Examples of this are given below:

- **Columbia Threadneedle** engaged with companies with a sustainability and ESG focus, concerning on the impact of a company's products and services and how well companies manage their internal non-financial risks. The main engagements were on the themes of climate change (climate policies), energy transition (green hydrogen) and food and materials transition (reduction of crop loss and enhancement of productivity using biologicals).
- **Nordea** focus its engagement activities over three categories: companies that are involved in ESG-related incidents, ESG-related risks or opportunities identified by their portfolio managers and their thematic engagements centred on climate, human rights, good governance and biodiversity.

## **Voting Activity**

The Plan has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Plan's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Plan's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the Plan 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 equity holdings) in which the Plan's assets are ultimately invested.

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:

	<b>Fund</b>	<b>Nordea Diversified Return Fund</b>		
	<b>Proxy voter used?</b>	ISS – for the technical expertise and voting platform, as well as their global reach, and second opinion NIS – small niche player which provides input and third opinion		
<b>Votes cast</b>	<b>Votes in total</b>	2,353		
	<b>Votes against management endorsement</b>	215		
	<b>Abstentions</b>	32		
	<b>Most significant votes (description)</b>	Significant votes are those that are severely against Nordea’s principles, and where they feel they need to enact change in the company.		
	<b>Significant vote examples</b>	<p><b>Vote Example 1:</b> <b>Company:</b> Autozone <b>Resolution:</b> Report on Annual Climate Transition (shareholder proposal) <b>Vote:</b> For <b>Rationale:</b> The company's current targets for GHG emissions includes short-term Scope 1 and 2 targets for operations in the United States. Thus, the emission targets have not been formulated in line with the Paris Agreement as they do not cover the entire Group and Scope 3 emissions. The requested report would allow investors to better assess how the company is managing climate-related risks. <b>Outcome:</b> For</p>	<p><b>Vote Example 2:</b> <b>Company:</b> Meta platforms <b>Resolution:</b> Elect Director Mark Zuckerberg <b>Vote:</b> Against <b>Rationale:</b> Nordea considered that Mark Zuckerberg represents significant risks to shareholders stemming from severe ESG controversies have been identified at the company, which reflects a failure by the board to proficiently guard against and manage material environmental, social and governance risks. They also think that roles of CEO and Chair should be separated. <b>Outcome:</b> For</p>	<p><b>Vote Example 3:</b> <b>Company:</b> Johnson &amp; Johnson <b>Resolution:</b> Report on government financial support and access to COVID-19 vaccines and therapeutics (shareholder proposal) <b>Vote:</b> For <b>Rationale:</b> Nordea believe reporting on the impact of public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks. <b>Outcome:</b> Against</p>

	<b>Fund</b>	<b>Columbia Threadneedle Multi Asset Fund</b>		
	<b>Proxy voter used?</b>	ISS – for voting execution and recommendations IVIS - recommendations only Glass Lewis – recommendations only		
<b>Votes cast</b>	<b>Votes in total</b>	5,960		
	<b>Votes against management endorsement</b>	477		
	<b>Abstentions</b>	124		
	<b>Most significant votes (description)</b>	A dissenting vote, i.e., where a vote is cast against (or abstained from) a management – tabled proposal or where support is given to a shareholder – tabled proposal not supported by management.		
	<b>Significant vote examples</b>	<p><b>Vote Example 1:</b> <b>Company:</b> Nike <b>Resolution:</b> Report on Diversity and Inclusion Efforts <b>Vote:</b> For <b>Rationale:</b> Supporting better corporate governance practices <b>Outcome:</b> Against</p>	<p><b>Vote Example 2:</b> <b>Company:</b> General Motors <b>Resolution:</b> Report on the Use of Child Labor in Connection with Electric Vehicles <b>Vote:</b> For <b>Rationale:</b> Supporting better ESG risk management disclosures <b>Outcome:</b> Against</p>	<p><b>Vote Example 3:</b> <b>Company:</b> Alphabet <b>Resolution:</b> Report on Metrics and Efforts to Reduce Water Related Risk <b>Vote:</b> For <b>Rationale:</b> Supporting better ESG risk management disclosures <b>Outcome:</b> Against</p>

ISS: Institutional Shareholder Services

NIS: Nordic Investor Services

IVIS: Institutional Voting Information Service