



# Samworth Brothers Superannuation Scheme (‘Scheme’)

05 April 2022

Implementation Statement

September 2022

**Schroders' Solutions Disclaimer:**

The Implementation Statement is a regulatory requirement under the 2018 changes to the Occupational Pension Schemes (Investment) Regulations 2005. It is important that the Trustee of the Scheme understand and consider financially material Environmental, Social and Governance ("ESG") factors and consider its own stewardship obligations. A failure to do this puts Trustee at risk of breaching your legal duties.

This is a Trustee document and the Trustee must review the Implementation Statement draft, provided by its investment adviser, and confirm that they have considered the content prepared and reviewed any associated documentation such as voting policies.

# 1. Introduction

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The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Samworth Brothers Ltd Superannuation Scheme (‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

There were no changes made to the Statement of Investment Principles over the Scheme Year.

The latest version of the SIP, which was adopted shortly after the Scheme Year, can be found here:

<https://schemedocs.com/samworth-brothers-statement-investment-principles.html>

This Implementation Statement covers the Scheme year from 6 April 2021 to 5 April 2022 (the “Scheme Year”). It sets out:

- How the Trustee’s policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

The Trustee is responsible for the investment of the Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme’s assets, within pre-defined constraints to professional Investment Managers. The Trustee, with advice from their advisers, appoints and monitors the Scheme’s Investment Managers.

A copy of this Implementation Statement is available on the following website: <https://schemedocs.com/samworth-brothers-statement-investment-principles.html>

## 2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

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The Trustee made no changes to the voting and engagement policies contained in the SIP during the year other than those noted above but keep this under review in future years.

The Scheme's SIP sets out the Trustee's policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Investment Managers where the Scheme's investments are pooled with other investors. Direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is delegated to those underlying Investment Managers.

The Trustee continues to believe it is appropriate to delegate voting and engagements decisions to their Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee, the Trustee is satisfied that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). However, the Trustee acknowledges that it remains responsible for the voting and engagement policies of its underlying managers (as set out in the Appendix) and routinely monitors their voting and engagement activity.

Over the Scheme Year, the Trustee undertook an ESG beliefs survey to review their current thoughts behind a range of different ESG factors. The survey provided the Trustee with an opportunity to consider and highlight any specific ESG factors which should be considered when reviewing the schemes investment strategy. The survey results concluded that the Trustee identify no strong specific ESG views. Therefore the Trustee agreed ESG should be integrated into the strategy in a simple to govern way with reliance on the expertise of the fund managers to take ESG and climate change factors into account when making investment decisions.

During the Scheme year the Trustee has carried out the following activity in relation to these policies:

- On behalf of the Trustee, monitoring of the Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustee's investment adviser with any important updates communicated to the Trustee over the Scheme Year.
- The Trustee with the help of their investment adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustee meetings during the Scheme Year.
- The Trustee reviewed the regulatory developments with regards to ESG and climate change disclosures.
- The Trustee has reviewed the voting and engagement activity carried out by its Investment Managers during the Scheme Year; a summary is provided in the next section.
- The Trustee agreed the Scheme should incorporate green gilts into the LDI portfolio, where appropriate to do so from an investment perspective. As a result, BlackRock, the Scheme's LDI manager, was permitted to acquire up to 20% of the interest rate risk in green gilts, subject to pricing and availability. Green gilts currently hedge c.5% of the interest rate risk the LDI manager is mandated to manage.

- As a result of the Russia-Ukraine war, the Trustee reviewed the Scheme's exposures to these countries in Q1 2022 and the Scheme's exposure was minimal. However, during the end of the scheme year, Hudson Bay increased their Russian exposure through secondary market bonds. The Trustee is currently reviewing Hudson Bay and deciding if action to enter a segregated mandate is necessary.

The Scheme's Investment Advisor was acquired by Schroders Group to form Schroders Solutions from 1 February 2022. Both Investment Advisor and Schroders Group have their specific engagement themes/priorities over the Scheme Year. However, going forward, the Investment Advisor's engagement priorities will be aligned with the broader Schroders Group's priorities. Schroders Group has a long history of engagement and active ownership, dated back to 1998 where the global asset manager appointed its first governance resource and since then have recorded & monitored ESG engagement spanning more than 20 years.

The Trustee also noted that their Investment Advisor's engagement priorities for 2021 included themes in each of the following categories:

- For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward given the acquisition of the business):
  - E Climate change: carbon emissions and footprint of our funds
  - S Human capital: employee engagement and satisfaction
  - G Corporate governance: board composition, executive pay / compensation
- For Schroder Solutions' engagement themes (from February 2022 onwards):
  - Climate: Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
  - Natural Capital and Biodiversity: Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
  - Human Rights: Overarching approach to human rights, works and communities, customers and consumers
  - Human Capital Management: Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
  - Diversity and Inclusion: Board diversity and inclusion, executive & Workforce diversity and inclusion
  - Corporate Governance: Board and management, executive remuneration, relationship with shareholders

Whilst the Trustee have not considered their engagement priorities over this Scheme Year, the Trustee will discuss this topic with its Investment Advisor and identify what themes are the most important to Trustee such that it can engage with the Investment Managers going forward. In the interim, the Trustee has aligned its stewardship priorities with its Investment Adviser's engagement themes over the Scheme Year set out above, as the Trustee believes these engagement themes/priorities are issues which are considered to be material to the long-term value of the investments and hence are in the members' best interests.

**Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.**

### 3. Voting and Engagement Summary

This statement includes information on the underlying investment managers investing in securities. Where proxy voting agents have been used, this has been included in the voting information.

#### Summary of voting activity – relevant mandates (31 March 2022)

Equity voting statistics	BlackRock – ACS World ESG Tracker Fund	BlackRock – Global Equity Aquila Funds	iShares Emerging Markets Fund	R&M DAA	Newton MTR Underlying Fund* – BNY Mellon Global Equity Fund	Newton MTR Underlying Fund* – BNY Mellon Multi-Asset Diversified Return Fund
<b>Proportion of total assets</b>	<b>10.5%</b>	<b>5.9%</b>	<b>4.7%</b>	<b>5.2%</b>	<b>16.5%</b>	
Total meetings eligible to vote	255	629	743	153	58	121
Total resolutions eligible to vote	3961	9654	7319	1969	963	1495
% of resolutions did you vote on for which you were eligible?	100.0%	89.3%	91.7%	92.9%	100.0%	95.4%
% did vote with management?	92.0%	82.8%	83.2	67.1%	80.6%	88.1%
% vote against management?	7.0%	6.5%	8.4%	22.5%	19.4%	11.9%
% abstained	0.7%	0.7%	5.6%	1.2%	0.0%	0.0%
% of meetings, for which you did vote, did you vote at least once against management?	33.0%	32.1%	38.8%	15.3%	59.0%	31.0%

\*The MTR Fund is a Fund of Funds, the columns relate to data provided for some of the underlying Funds within the Managed Targeted Return Fund.

Source: All data in this section has been provided by the investment managers. Voting statistics provided on the Scheme's equity holdings in both the outright equity managers and the equity held within the Dynamic Asset Allocation managers.

#### Note:

- BlackRock and Newton use Institutional Shareholder Services, "ISS", for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.

## Trustee’s conclusions on voting and engagement

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on its behalf during the Scheme Year within the Growth Assets and liability hedging portfolios and is pleased to report that the Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Investment manager showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Investment Managers against management.
- The ESG data quality provided by the investment managers has improved over the Scheme Year.
- For the Scheme, the general themes of the voting and engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board and firm diversity, and improving social outcomes, which includes health and safety practices for employees, were the other main themes identified.

Example summaries of engagement with the stated priorities: E Climate change, S Human Capital & G Corporate Governance;

- JP Morgan provided a number of significant engagement examples in relation to E: Climate Change as part of their long-term work with portfolio companies to decarbonise. Summit Utilities worked in partnership with other utilities, industry groups, and lawmakers, to pass several pieces of legislation in Arkansas, Missouri, and Oklahoma that will stimulate renewable natural gas development, drive investment in the development of low carbon and carbon neutral gases and allow Summit to begin bringing renewable gasses onto its systems.
- An example of a significant *S Human Capital* vote from BlackRock would be their vote in favour of a consumer discretionary company’s proposal to conduct a Civil Rights Audit. Blackrock concluded that by undertaking and publishing a third-party audit of the company’s corporate policies, practices, products, and services, above and beyond legal and regulatory matters; and assessing the racial impact of the company’s policies, practices, products and services; along with providing recommendations to improve the company’s racial impact - would complement the company’s current programs to advance racial equity and might yield further insights to accelerate its progress.
- An example of a significant *G Corporate Governance* vote from BlackRock would be their vote against Vedanta’s item to re-appoint the Chairman of the Board as a Director and to re-appoint a Non-Executive Independent Director for second and final term of 3 years because of poor transparency behind a \$1 billion loan to an unlisted company. This voting is deemed significant as it highlights the corporate governance structure and social responsibilities of the company.

**The Trustee is satisfied that the voting and engagement activity undertaken by the Investment Managers are in line with the Trustee's policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.**