

THE BRUSH GROUP (2013) PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee's Report)

Engagement Policy Implementation Statement ('EPIS')

Introduction

This implementation statement ("Statement") is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. Brush Group Pension Scheme (the "Trustee", "we" or "our") has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the "SIP") for the Brush Group (2013) Pension Scheme (the "Scheme") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Scheme's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 January 2023 to 31 December 2023. The Statement is publicly available at www.brushpensions.co.uk

Executive summary

The day to day management of the Scheme's assets is delegated to Cardano Risk Management Limited (the "Fiduciary Manager"). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme's assets and the Fiduciary Manager's policies were aligned with the Trustee's own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager's overall assessments once a quarter.

1. Scheme stewardship policy

"Stewardship" is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made. The Trustee notes that whilst the priority of the Scheme is to achieve its funding and investment objectives, the Stewardship Policy and related priorities are also of importance.

The Stewardship Policy in force during the financial year was:

'The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.'

'The Trustee reviews annually the stewardship activity of the fiduciary manager ... The Trustees receive annual reports on stewardship activity carried out by their fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers'

'The Trustee will engage with their fiduciary manager, who in turn is able to engage with underlying asset

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

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managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.'

Engagement Policy Implementation Statement ('EPIS') (continued)

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustee has selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind and aim to improve sustainability within the portfolio and have a direct real world impact to our members' current and future landscape. The Trustees' three stewardship priorities are:

- Climate Crisis (with a focus on climate change and net zero greenhouse gas emissions)
- Environmental Impact (with a focus on biodiversity, deforestation and water)
- Human Rights (with a focus on living wages gender equality and health & nutrition)

The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

Fund structuring

The Trustee holds investments only on an indirect basis through a pooled fund. The reason for this approach is that

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme's Stewardship Policy.

For example, in 2023 our Fiduciary Manager replaced some of our equity market exposures with a global fund that included explicit sustainability (as well as financial) performance targets. This enhanced the level of engagement possible with the companies we invest in and more actively aligned these efforts to our specific priorities.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

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External engagements (continued)

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations noted below:



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

- **Quality over quantity**
The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios.
- **Long-term**
The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years.
- **Real world impact**
The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)
- **Transparency**
The Fiduciary Manager is realistic that not all engagement will be successful, and they prefer transparency from managers
- **Collaboration**
Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+
- **Innovation**
The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

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Engagement beliefs (continued)

- **Integrated**

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes, and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate, focusing efforts on managers where voting and engagement is material.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1 How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year. Given that the Scheme gains the majority of its exposure through derivatives, there are only two manager to report on.

Note: All investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme.

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iShares Core FTSE 100 UCITS ETF

	Manager response
Number of meetings the manager was eligible to vote at over the year	108
Number of resolutions the manager was eligible to vote on over the year	2,221
% of eligible resolutions the manager voted on	98%
% of votes with management	98%*
% of votes against management	1%*
% of resolutions the manager abstained from	0%*
% of resolutions linked to Climate Crisis	-**
% of resolutions linked to Environmental Impact	-**
% of resolutions linked to Human Rights	-**

*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 in differing ways, or a vote of 'Abstain' is also considered a vote against management

**Data not provided by manager

Cardano Global Sustainable Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	883
Number of resolutions the manager was eligible to vote on over the year	9,146
% of eligible resolutions the manager voted on	99%
% of votes with management	84.6%
% of votes against management	15.1%
% of resolutions the manager abstained from	0.3%
% of resolutions linked to Climate Crisis	0.2%
% of resolutions linked to Environmental Impact	-***
% of resolutions linked to Human Rights	0.1%

***No resolution on these themes were presented to vote

2.2 Use of proxy voting services?

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

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Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
iShares Core FTSE 100 UCITS ETF	They use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply proxy voting guidelines to filter out routine or non-contentious proposals and refer any meetings where additional research and possibly engagement might be required to inform the voting decision.

Manager	Use of proxy voting service
Cardano Global Sustainable Equity Fund	We use Glass Lewis as a proxy provider to deliver vote recommendations and execution services. Glass Lewis applies the custom voting policy of Cardano.

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2.3 Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

iShares Core FTSE 100 UCITS ETF

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale /Outcome
Shell Plc	23 May 2023	Approve the Shell Energy Transition Progress	For	Pass

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Cardano Global Sustainable Equity Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale /Outcome
Amazon	24 May 2023	Shareholder resolution asking Amazon to commission an independent report to assess how the company's practices fit with its Freedom of Association and collective bargaining as guaranteed by the ILO Declaration on Fundamental Principles and Rights at Work and UN Universal Declaration of Human Rights.	Co-filed the resolution and supported it at the meeting	The shareholder resolution gathered 36% of support but did not pass

3. Engagement activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order to create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Cardano Global Sustainable Equity Fund

Key points	Engagement activity
<p>Engagement Theme: Living Wages</p> <p>Industry: Retail</p> <p>Outcome:</p> <ul style="list-style-type: none"> During engagement discussions, Sainsbury's announced a rise in its hourly rates for London based employees and all direct employees were receiving, at a minimum, the real living wage rates 	<p>Cardano co-filed a resolution to encourage Sainsbury's to pay their employees a real living wage. The resolution was co-filed with the ShareAction Good Work Coalition, which engages companies to push for better working practices.</p> <p>There is a strong business case to say that companies with strong labour rights, policies and practices, including the provision of a real living wage have a competitive advantage to attract and keep skilled employees.</p> <p>The resolution gathered 17% of shareholder support at the AGM and the announcement to pay all direct Sainsbury's employees a real live wage meant a pay rise for around 19,000 workers.</p>

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3 Engagement activity (continued)

Wellington

Key points	Engagement activity
<p>Engagement Theme: Climate change</p> <p>Industry: Agriculture</p> <p>Outcome:</p> <ul style="list-style-type: none">Wellington will continue to meet with the company regularly to measure their development in ESG initiatives	<p>Wellington continued to engage with a holding company who are one of the largest protein producers in the world, headquartered in Brazil, and recently noted at the top levels of management a focus on environmental, social and governance factors.</p> <p>Given the nature of the business and its geographical location, some of the most pressing issues in this space relate to deforestation of the Amazon and governance issues related to previous corruption issues.</p> <p>One aspect of addressing and moving forward with this issue is through tracking suppliers. Currently, the company track 100% of direct suppliers, and are aiming to track all indirect suppliers by 2025.</p>