

VOITH ENGINEERING LIMITED PENSION & LIFE ASSURANCE PLAN (1971)

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

1 October 2019 to 30 September 2020

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 2020. 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 maximize 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 Scheme's SIP was updated over the course of the year. 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.

JLT Investment Management (JLT IM), now a part of Mercer, has fiduciary responsibility for the selection of pooled funds on the Mobius Platform.

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

In the relevant year the Trustees have not engaged with either Mobius, JLT IM, or the underlying pooled fund managers on matters pertaining to ESG, stewardship or climate change. However, the Trustees review the stewardship and ESG policies of the Fund managers periodically.

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:

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	abstentions		
Nordea Diversified Return Fund	<p>ISS – for the technical expertise and voting platform, as well as their global reach, and second opinion</p> <p>NIS – small niche player which provides input and third opinion</p>	1368	169	6	<p>Significant votes are those that are severely against Nordea’s principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmark the proposals against their policy.</p>	<p><i>FedEx</i> – a vote ‘against’ a Shareholder Proposal regarding a report on Lobbying Payments and Policy was cast as Nordea thought that FedEx spends large sums direct and through memberships in different organisations on lobbying with very limited transparency for shareholders.</p> <p><i>Estee Lauder Companies</i> - a vote ‘against’ an Ratifying Named Executive Officers’ Compensation was cast as they thought that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets which are aligned with interest of the shareholders.</p>
Columbia Threadneedle Multi Asset Fund	<p>ISS – for voting execution and recommendations</p> <p>IVIS - recommendations only</p> <p>Glass Lewis – recommendations only.</p>	6916 eligible for (98.40% cast)	650	263	<p>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.</p>	<p><i>Tesco Plc</i> – a vote ‘against’ an Advisory Vote to Ratify Named Executive Officers’ Compensation was cast as there were concerns with a misalignment between pay and performance.</p> <p><i>Aspen Technology, Inc.</i> - a vote ‘against’ an Advisory Vote to Ratify Named Executive Officers’ Compensation was cast as they thought that there were excessive one-time awards.</p> <p><i>Li Ning Company Limited</i> – a vote ‘against’ an Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights was cast as there were concerns with a dilutive impact for existing shareholders.</p>