

CONNELLS (2014) GROUP PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Year ended April 2024

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

1. Introduction

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustee is required to produce an annual Engagement Policy Implementation Statement (“EPIS”). This statement outlines how, and the extent to which, the policies relating to stewardship, voting and engagement as outlined in the Statement of Investment Principles (“SIP”) have been followed.

This statement covers the Scheme’s accounting year to 30 April 2024. It is intended to meet the updated regulations and will be included in the Scheme’s Report & Accounts. In preparing this statement, the Trustee has taken advice from their professional advisers.

This statement details some of the activities taken by the Trustee and the Manager during the period, including voting statistics, and provides the Trustee’s opinion on the stewardship activities over the period.

2. Policies

The Trustee’s relevant policies regarding stewardship, voting and engagement are outlined in the SIP. The most recent version of the SIP is publicly available online and will be updated from time-to-time.

The SIP includes the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors and stewardship. This policy sets out the Trustee’s beliefs on ESG and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee has appointed BlackRock as the adviser and Fiduciary Manager (“the Manager”), as well as the investment manager, for the Scheme. The Trustee delegates the day-to-day investment decisions and asset allocation to the Manager. The Trustee retains responsibility for the strategic investment objective and oversight of the Manager.

During the year to 30 April 2024 the Trustee updated the SIP in March 2024. The policies contained in the March 2024 SIP are those which are relevant to this Statement, which can be found online.

The Trustee notes the “Guidance issued by the DWP relating to Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement” in July 2022. Going forwards, the Trustee plans to develop its policies and build more elements of this guidance into future iterations of this statement.

3. Scope of this statement

The Trustee acknowledges that the extent to which the policies in relation to stewardship, voting and engagement can be applied varies across the portfolio. For example, in general, voting rights are not attached to fixed income securities, and the applicability to the LDI (liability-driven investment) portfolio is limited. Nonetheless, the Trustee and the Manager expect all investment managers to take an active role in the stewardship of investments where relevant.

4. Scheme activity

The SIP includes the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors and stewardship. This policy sets out the Trustee’s beliefs on ESG and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee receives ESG reporting in the quarterly investment report, which includes aggregate and asset class level reporting of ESG scores relative to an appropriate benchmark. The Trustee uses this to measure how the overall Scheme assets are invested and assess the metrics over time.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

5. Voting and Engagement

The Trustee has delegated its voting rights to the Manager. The below sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds, which include physical equity holdings).

The Trustee also expects the Manager, in its capacity as Fiduciary Manager to monitor the voting activity in respect of the underlying strategies to ensure compliance and confirm that it remains a suitable investment for the Scheme. The Trustee is comfortable that under the governance structure the responsibility sits with the Manager to communicate with the underlying managers and on a regular basis collect information as required.

The Manager has noted that there is variability between asset classes in the extent of their engagement and voting policies, with equity managers generally having made more progress than fixed income. This Implementation Statement focuses on the Scheme's equities managers.

The section below details the approach to voting and engagement as well as some examples of significant engagements these managers have made over the 12 months in respect to the funds in which the Scheme is invested.

In addition, summary voting statistics in respect of the Scheme's equity funds over the year to 31 March 2024 have been included. Voting statistics have been reported over the one-year period to 31 March as this is likely to result in greater coverage and therefore provide greater comparability and consistency going forwards.

BlackRock:

Given the Manager's appointment as both the Fiduciary Manager as well as the investment manager for the Scheme, the Trustee recognises the importance of ensuring that the Manager's own policies and actions are appropriate for the Scheme. The Manager publicises its own policies as well as quarterly updates online (which can be accessed [here](#)) which the Trustee has visibility of. This includes details of any changes to policies and also reports at an aggregate level the impact of its voting and engagement. The Trustee is comfortable that the transparency of the Manager in publicising reports and developments online ensures alignment with the interests of the Scheme.

Whilst it is important to monitor the activities of the Manager at a high level through this publicly available information, it is also important to monitor the voting and engagement activities undertaken on behalf of the Trustee by the Manager on a more granular level.

The Scheme invests in a combination of both actively and passively managed BlackRock funds. In respect of passive strategies, there is a wide universe of underlying companies which may number in the hundreds if not thousands. Where strategies are actively managed, investments are typically more concentrated. As such, ownership is more concentrated for actively managed strategies and therefore there will be fewer resolutions in which to vote. In addition, actively managed strategies have the option to sell holdings in companies at its discretion. For these reasons, in the context of passive strategies, it is important that voting and engagement rights are exercised and that this is monitored.

Examples of a significant votes are included below. The summary voting statistics below illustrate that the voting rights attached the underlying investments in these instances have been exercised to a large extent.

The Manager's approach to voting is described in the table below, along with summary voting statistics for the equities funds.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

Approach to voting

BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to enhance the value of its clients' assets, using its voice as a shareholder on their clients' behalf to ensure that companies are well led and well managed.

The BlackRock Investment Stewardship team does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance matters and, for those clients who have given BlackRock authority, through voting proxies in the best long-term economic interests of its clients.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team ("BIS"), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts within each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

Whilst BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process, and it does not blindly follow their recommendations on how to vote. BlackRock does not follow any single proxy research firm's voting recommendations. It subscribes to two research providers and uses several other inputs in its voting and engagement analysis, including a company's own disclosures, public information and ESG research.

BlackRock uses 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, BlackRock works with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

YUM! Brands, Inc. (Yum!)

(US restaurant company)

YUM! Brands, Inc. (Yum!) is a restaurant company that owns and operates the KFC, Pizza Hut, Taco Bell, and The Habit Burger Grill restaurant franchises.

At the May 2023 AGM there were five shareholder proposals. Ahead of the May 2023 AGM, BIS engaged with members of Yum!'s management team to help inform their voting and sought to further their understanding of the matters on which shareholders requested additional disclosure and assess the business relevance and financial implications of each proposal. BIS did not believe it was in the financial interests of our clients to support these shareholder proposals and as such BIS voted against all 5 of the shareholder proposals, which was in line with management's recommendation. Of the 5 shareholder proposals, 2 of these were withdrawn and the remaining 3 were not passed.

One shareholder proposal addressed the company's plans to reduce single-use plastic packaging. This shareholder proposal requested that Yum!'s board issue a report "...describing how the Company will reduce its plastics use by shifting away from single-use packaging..." in response to recent regulatory trends in certain jurisdictions which have levied taxes on and/or banned the use of single-use plastic products. The proposal further clarified that such a report should explicitly "evaluate dramatically reducing the amount of plastic" used in the company's packaging.

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (CONTINUED)

BIS did not support this proposal, which requested Yum! to issue a report detailing the company's efforts to reduce plastics use. In their analysis, Yum!'s existing disclosures on plastics use – particularly their new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing the risks of plastics use.

In July 2022, Yum! updated their sustainable packaging policy, outlining the actions they have taken and those that they plan to take to address the issue of plastic-based packaging. Among other things, the company set goals to eliminate unnecessary plastics use, reduce virgin plastic content by 10%, and move consumer-facing plastic packaging to be reusable, recyclable, or compostable by 2025 across all brands. BIS notes that there are areas where, in their assessment, Yum! could improve their disclosure, particularly in setting targets for reusable packaging. However, Yum!'s existing disclosures and commitments are sufficiently comprehensive for investors to understand their approach. BIS did not consider it necessary for shareholders to direct management to undertake a review of Yum!'s sustainable packaging policy and targets less than a year after these were introduced as they believed it was not in the financial interest of their clients to support the shareholder proposal.

BE
Semiconductor
Industries N.V
(Besi)
(Dutch
manufacturer)

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BlackRock US Equities (Index)		Year to 31 March 2024
	Votable proposals	7,467
	% of resolutions voted	100%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%
BlackRock UK Equities (Index)		Year to 31 March 2024
	Votable proposals	14,770
	% of resolutions voted	96%
	% of resolutions voted against management	3%
	% of resolutions abstained	1%

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		Year to 31 March 2024
BlackRock Asia Pacific Equities (Index)	Votable proposals	3,119
	% of resolutions voted	100%
	% of resolutions voted against management	10%
	% of resolutions abstained	0%
		Year to 31 March 2024
BlackRock Japan Equities (Index)	Votable proposals	6,075
	% of resolutions voted	100%
	% of resolutions voted against management	4%
	% of resolutions abstained	0%
		Year to 31 March 2024
iShares Edge MSCI USA Value Factor ETF (Index)	Votable proposals	2,078
	% of resolutions voted	100%
	% of resolutions voted against management	1%
	% of resolutions abstained	0%
		Year to 31 March 2024
iShares MSCI EMU ETF (Index) <i>(Bought December 2023)</i>	Votable proposals	3,903
	% of resolutions voted	99%
	% of resolutions voted against management	9%
	% of resolutions abstained	1%
		Year to 31 March 2024
BlackRock Europe Equities (Active)	Votable proposals	843
	% of resolutions voted	82%
	% of resolutions voted against management	6%
	% of resolutions abstained	1%
		Year to 31 March 2024
BGF Emerging Markets Fund (Active)	Votable proposals	983
	% of resolutions voted	81%
	% of resolutions voted against management	7%
	% of resolutions abstained	3%
		Year to 31 March 2024
BlackRock Factor Equity Fund	Votable proposals	2,935
	% of resolutions voted	4%
	% of resolutions voted against management	2%
	% of resolutions abstained	0%

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		Year to 31 March 2024
BGF Multi-Theme Equity Fund (Active)	Votable proposals	22,012
	% of resolutions voted	96%
	% of resolutions voted against management	7%
	% of resolutions abstained	2%
		Year to 31 March 2024
BGF Systematic Global Small Cap Fund (Active)	Votable proposals	9,818
	% of resolutions voted	89%
	% of resolutions voted against management	6%
	% of resolutions abstained	1%
		Year to 31 March 2024
BGF Systematic China A-Share Opps Fund (Active) <i>(Sold October 2023)</i>	Votable proposals	4,777
	% of resolutions voted	100%
	% of resolutions voted against management	16%
	% of resolutions abstained	0%

6. Concluding remarks

The Trustee is comfortable that the policies in the SIP have been followed over the year to 30 April 2024. The Trustee expects that the format and content will evolve over time, in line with guidance and to reflect any future changes in the SIP.

The Trustee recognises the responsibility that institutional investors have or promote high standards of investment stewardship and will continue to use the influence associated with the Scheme's assets in order to positively influence the Scheme's investment managers.