

CALDER GROUP (2001) PENSION SCHEME ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2022

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 5 April 2022. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Funds (Investment and Disclosure) (Amendment) Regulations 2018 as amended and the guidance published by the Pensions Regulator.

Trustee Investment Objective

The Trustee’s primary investment objective for the Scheme 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 Trustee aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee has 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

The investment strategy of the Scheme is split 67% growth (57% global equity, 10% Diversified Growth) / 33% matching (23% Active Corporate Bonds, 10% Liability Driven Investment). The strategy was updated in September 2021 with the introduction of the Diversified Growth and Liability Driven Investment allocations.

Statement of Investment Principles

The Scheme's Statement of Investment Principles (SIP) was updated in April 2022. The changes made to the Statement reflected the new investment Strategy and the changes set out above.

Policy on ESG, Stewardship and Climate Change

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

The Scheme's SIP includes the Trustee's policies on ESG factors, stewardship and climate change. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially.

Scheme's Investment Structure

The Trustee has appointed Legal & General Investment Management (LGIM) to manage the Scheme's assets to specific individual mandates and with appropriate investment objectives and targets. As the Trustee invests in pooled investment vehicles, it accepts that it has no ability to specify the risk profile and return targets of each fund held, but appropriate mandates have been selected to align with the overall investment strategy and the investment manager is incentivised to meet these objectives as not doing could potentially result in the Trustee disinvesting assets. LGIM is highly rated by Mercer Limited for its voting and engagement.

Engagement

In the relevant year, the Trustee has not engaged directly with LGIM on matters pertaining to ESG, stewardship or climate change. However, the Trustee reviews the stewardship and ESG policies of the LGIM periodically. LGIM has long prioritised company engagement over exclusion.

LGIM's top engagement topics over the year were:

- Public health
- Remuneration
- Water
- Climate change
- Board Composition
- Strategy
- Ethnic diversity

- Climate impact pledge

Engagement is implemented via company meetings, conference calls and emails/letters. Over the year LGIM globally held nearly 7000 engagements. For example over the last year it has engaged 5 times with Amazon to discuss its approach to and policies on human rights. LGIM also engaged with Moderna on overcoming barriers on the access to COVID-19 vaccines and with Sainsbury's on its pay for employees under the living wage.

Voting Activity

As the Scheme is invested in pooled investment vehicles, it has no direct relationship with the underlying companies in which it invests. Therefore, the Trustee does not have voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to LGIM, the manager of the pooled investment vehicles in which the Scheme invests. LGIM is highly rated by Mercer for its voting activity.

The Trustee has not been asked to vote on any specific matters over the Scheme 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 Scheme's assets are ultimately invested.

Legal & General Investment Management (LGIM)

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all clients. Their voting policies are reviewed annually and take into account client feedback. All decisions are made by LGIM's Investment Stewardship team and in accordance with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM relies on the service of proxy advisor, Institutional Shareholder Services ISS, but have developed and implemented their custom policies. LGIM has introduced a custom voting policy, which will cover developed markets in Europe and the rest of the world (excluding France, the UK, Japan, Hong Kong and Brazil, for which they have separate voting policies). LGIM continues to develop and follow their own policies rather than adopt those of third parties, as these may not fully reflect the nuances of companies, their future commitments or LGIM own engagement activity. Such policies also may be focused on a particular country, rather than being global in nature.

In determining “significant votes”, LGIM’s Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

The table on the following page sets out a summary of the key voting activity over the financial year:

| Manager / Fund | Votes cast | | | Significant vote examples |
|--|----------------------------------|--------------------------------------|--------------------|---|
| | Votes in total | Votes against management endorsement | Abstentions | |
| LGIM – Diversified Growth | 9010 eligible for (98.76% cast) | 20.47% | 0.79% | NextEra Energy, Inc – a vote “against” a resolution for the same individual to be the CEO and Board Chair. Union Pacific Corporation - a vote “against” a resolution for the same individual to be the CEO and Board Chair. |
| LGIM - UK Equity Index | 10813 eligible for (99.98% cast) | 6.9% of votes cast | 0.0% of votes cast | Informa Plc – a vote ‘against’ was cast in 4 resolutions – to re-elect three directors and approve the remuneration report. Due to consistent problems with the implementation of the company’s Remuneration Policy LGIM has voted against the Chair of the Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, LGIM has taken the decision to escalate its vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers. Sage Plc – a vote “against” applied because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least one-third female representation on the board. |
| LGIM UK FTSE 250 Index Fund | 4611 eligible for (100% cast) | 7.6% of votes cast | 0.0% of votes cast | Whizz Air – a vote ‘against’ was cast to re-elect William Franke as Director, LGIM prefers more gender diversity on boards. Grafton Group – a vote “against” was cast to re-elect Michael Roney as Director, LGIM prefers more gender diversity on boards. |
| LGIM - North America Equity Index | 8181 eligible for (100% cast) | 29.5% of votes cast | 0.0% of votes cast | Apple Inc – A vote ‘for’ the Company to produce a report on its Civil Rights Audit, LGIM supports this as part of its drive for better data on diversity and inclusion. |
| LGIM - Europe (ex UK) Equity Index | 9447 eligible for (99.8% cast) | 17.1% of votes cast | 0.7% of votes cast | Total – a vote ‘against’ the resolution to re-elect Patrick Pouyanne as Director, as he would be both the Chair and CEO of the Board. ABB – a vote “against” the re-election of Peter Vossler as Director and Board Chairman. L&G would like to see more gender diversity on the board. |
| LGIM - Japan Equity Index Fund | 6109 eligible for (100% cast) | 13.3% of votes cast | 0.0% of votes cast | Mitsubishi UFJ Financial Group, Inc. – a vote “for” the company to align its investments with the Goals of Paris Agreement. |
| LGIM - Asia Pacific (ex Japan) Developed Equity Index | 3457 eligible for (100% cast) | 26.4% of votes cast | 0.2% of votes cast | Seek Limited – a vote ‘against’ was cast as LGIM deemed the company not to meet the minimum standards with regard to climate risk management. |