
DRAKA UK PENSION PLAN – UK & COMTEQ SECTIONS

Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles ('SIP') produced by the Trustee has been followed during the year to 31 December 2022. 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 2018/2019 and the guidance published by the Pensions Regulator.

Investment Objectives of the Plans

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. As set out in the SIP, the Trustee's primary investment objective for the Plans is to ensure the Plans assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Plans as they arise. In addition, the Trustee also considers the following as investment objectives:

- To return the Plans funding level to 100% of the projected past service liabilities and then to maintain this funding level;
- To maximise investment returns subject to an acceptable level of risk, and by doing so, to minimise the level of contributions required of the employer; and
- To pay due regard to the interests of the sponsoring employer in relation to the funding of the Plans.

The Trustee believes that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Plan.

Investment Strategy

The Trustees agreed a new investment strategy in November 2020, which was implemented in the financial year to 31 December 2021 (in April 2021).

The new strategy focused on reducing the Value at Risk ("VaR") of the Scheme by increasing diversification of the return seeking assets (i.e. lowering the reliance on the equity premium as a source of return), and increasing the interest rate and inflation hedge ratios. With greater hedge ratios, a larger proportion of the interest rate and inflation risk is mitigated, which serves to stabilise the Scheme's funding level.

In order to assess the effectiveness of the investment strategy and investment manager selection, the Trustee receives quarterly monitoring reports on the performance of the underlying investment managers from Mercer on a quarterly basis. The report presents performance information over 3 months, 1 year and 3 years, and shows the absolute performance, performance against the manager's stated target performance (over the relevant time period) on a net of fees basis.

Review of the SIP

The Plan's SIP was updated in March 2023, to account for the investment strategy change and to update it to include the current investment structure (mentioned below). The SIP also includes the requirements under The Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019 relating to the following:

- How arrangements with the asset managers incentivise the asset managers to align their investment strategy and decisions with the Trustee's policies in SIP.
- How those arrangements incentivise the asset managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- How the method (and time horizon) of the evaluation of asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in the SIP.
- How the Trustee monitors portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range.
- The duration of arrangements with the asset managers.

Plan's Investment Structure

Over the course of the year, the Scheme's assets were invested via Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers.

As such, the Trustees have no direct relationship with the Scheme's underlying investments managers.

Policy on ESG, Stewardship and Climate Change

The Plan's SIP includes the Trustee's policy on ESG factors, Stewardship and Climate Change. The policies were last reviewed in September 2020. The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

The Trustee recognises that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Plans' portfolio and it is therefore in members' and the Plans' best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated, as best as possible.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Plan invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

Engagement

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with and monitoring investee companies as well as exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

Mercer's Manager Research Team ("**MMRT**") receives regular reporting from the underlying investment managers / funds that includes information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund investors. If required, **MMRT** will raise any concerns directly with the investment manager and notify the Trustee if appropriate.

The Trustee, in conjunction with their advisors, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. If the Trustee has any concerns, they will raise them with Mercer verbally or in writing.

In particular, the Trustee will monitor:

- The performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time-periods will be considered, the focus will be on the medium to long-term performance of the investment manager/fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund may be replaced with a suitable alternative;
- Performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustee must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements. The level of risk will be monitored on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately;
- The ESG and Stewardship policies of the underlying investment manager are available for the Trustee to review. As the Scheme invests in pooled funds, the Trustee recognises that its ability to influence the stewardship policies of the underlying investment manager is limited. As such, any changes to the Trustee view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

The Trustee also receives regular performance reports from investment managers (this includes ratings, both overall and specific to ESG, from the investment consultant) and meets them on a periodic basis to review and discuss the operation of their portfolios, including past and future policy decisions.

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Voting Activity

The Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustees have not been asked to vote on any specific matters over the reporting period.

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.

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 following tables set out a summary of the key voting activity over the financial year, and details on the voting processes and beliefs of each manager:

Fund	Votes cast		
	Votes in total	Votes against management endorsement	Abstentions
Columbia Threadneedle – Multi Asset Fund	6,082	477	124
Nordea Diversified Return Fund	2,353	215	32

Fund	Proxy voter used?	Most significant votes (description)	Significant vote examples
Columbia Threadneedle – Multi Asset Fund	<p>Columbia Threadneedle Investments utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services.</p> <p>Columbia Threadneedle have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities. Additionally MSCI ESG research is also considered in the process.</p>	<p>Threadneedle defines "significant" votes to be any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.</p>	<p>Threadneedle have provided a number of examples. These were predominantly where they had voted against election of a director or changes remuneration benefits.</p> <p>For example, Amazon.com Inc., Threadneedle voted against an election of a director, as there were concerns that the director was not independent.</p>
Nordea Diversified Return Fund	<p>Nordea rely on their bespoke voting policy, and/or vote manually, for an overwhelming majority of all votes. Nordea initiated a large scale-up in 2021, during which they have managed</p>	<p>Significant votes are those that are severely against our principles, and where we feel we need to enact change in the company. The process stems from first identifying the most important</p>	<p>Nordea have provided a number of examples. These were predominantly where the manager had voted against the</p>

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to vote in more than 4000 individual AGMs/EGMs, and have for some minor holdings relied on ISS' standard sustainability policy. However, Nordea still review all ESG related issues and most other contentious issues for those small holdings. This is due to a current lack of resources on ISS' part to do bespoke policy recommendations in peripheral markets and for very minor holdings. Nordea expect ISS to have ratified this by 2022.

NIS –provides analytical input/external opinion to facilitate proxy voting and execution.

holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, we benchmark the proposals against our policy.

advisory to Ratify Named Executive Officers' Compensation.

For example, on Oracle, Nordea voted against the advisory to Ratify Executive officer's compensation. Nordea Believe that bonuses and share based incentives only should be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. For a majority of executive officers, Nordea deemed the current targets in some cases as overly vague and in some cases bonuses are extremely high. Nordea also voted against re-election of the proposed board members in the Compensation Committee.

Notes: ISS = Institutional Shareholder Services Inc.
 IVIS = Institutional Voting Information Service
 NIS = Nordic Investor Services