

Engagement Policy Implementation Statement

Prowting Pension Scheme

Introduction

This document sets out the actions undertaken by the Trustees of the Prowting Pension Scheme (the "Scheme"), its service providers, including the investment adviser and the investment managers; to implement the policies as set out in the Statement of Investment Principles ("SIP"). The document includes engagement information that has been gathered from applicable asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

Due to the Scheme's investments being fixed income assets and cash assets only, there is no voting information to report.

This is the first engagement policy implementation statement the Trustees have prepared and covers the year ending 31 March 2021.

Scheme stewardship activity over the year

Training

In March 2021 the Investment Committee received a training session from Aon's investment manager research team and the importance of stewardship activity and appropriate consideration of Environmental, Social and Governance (ESG) factors in investment decision making.

Updating the Stewardship Policy

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustees reviewed and expanded the Stewardship policy in 2020. The updated wording in the SIP illustrates how the Trustees recognise the importance of its role as a steward of capital, as well as indicating how the Trustees would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing Monitoring

Investment monitoring takes place on a quarterly basis with a monitoring report being provided to the Trustees by their investment consultant, Aon, which monitors the performance and strategic asset allocation of the Scheme.

Manager Meetings

During the year, the Investment Committee received several updates from Barings at Investment Committee meetings. The Investment Committee engaged with them on a number of areas including performance, strategy, and risk.

Engagement activity – Fixed Income

The Scheme invests in a fixed income strategy: Barings European Loan Fund.

Barings believe that value is derived from transparent communication with the entities in which they invest coupled with the expertise and discretion of experienced analysts and portfolio managers.

Barings broadly prioritize engagements according to the materiality of a topic to the investment case, as determined by their analysts' environmental, social and governance ("ESG") research, as well as by the size of the

holdings. The former affects the value that may be realized, and the latter may affect the chance of success. Barings prefer to engage proactively and on longer-term issues that may meaningfully affect investors, but will also engage reactively and on shorter-term threats to value on an incident-driven basis. Barings believes that the most productive exchanges occur within the context of established relationships and rapport.

Barings aim to set objectives, milestones and appropriate timelines for each engagement, and monitor the success or failure of these milestones and objectives. They may escalate unsuccessful engagements by increasing the intensity or frequency of the engagement, by joining together with other investors in a collaborative engagement, or in some cases by divesting or declining to participate in future offerings. What Barings learn in engagements feeds back into their fundamental ESG analysis and may result in changes to their investment thesis.

Company engagement is an increasing focus for the fixed income business at Barings. They have developed their own proprietary system that allows analysts to track engagement with portfolio companies to improve ESG disclosure. The expectation is that this system will materially improve their processes.

Engagement Example:

During the year, a global software company held as an investment by Barings implemented a number of employee restructuring programmes, including a forced furlough scheme for employees and pausing defined-contribution pension payments. This was undertaken in reaction to disruption caused by the COVID-19 pandemic and also as a cost saving exercise. The company is based in Silicon Valley and Barings was concerned about the impact of the restructuring on employee morale and attrition. Barings engaged with senior management to obtain further disclosure on staff turnover and employee satisfaction metrics. Initial data obtained indicated lower morale at the company, but through further engagement Barings understood that performance metrics have been sequentially improving. What Barings discovered through its engagement has been reassuring, and Barings continue to hold an investment in the company.

In summary

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that Barings were able to disclose strong evidence of engagement activity.