

# Engagement Policy Implementation Statement

## Prowing Pension Scheme

### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual statement called an Engagement Policy Implementation Statement ("EPIS") which:

- Explains how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles ("SIP").
- Describes the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Scheme year and states any use of third party provider of proxy voting services.

The EPIS has been prepared by the Trustees and covers the Scheme year 1 April 2021 to 31 March 2022. Due to the Scheme's investments being fixed income, loan, and cash assets only, there is no voting information to report.

### Scheme stewardship policy

The below bullet points summarise the Scheme's stewardship policy in force over the Scheme year to 31 March 2022.

The full SIP can be found here: <https://www.persimmonhomes.com/corporate/sustainability/policies-and-statements/pensions-governance/>

- The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.
- The Trustees regularly review the suitability of the Scheme's appointed fund managers and take advice from their investment advisor with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed fund managers. If an incumbent asset manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees undertake to engage with the manager and seek a more sustainable position but may look to replace the fund manager.
- The Trustees review the stewardship activities of their fund managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of the Trustees' policies to those of the Scheme's fund managers and ensure their fund managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner.
- The Trustees expect transparency from their fund managers on their voting and engagement activity. Where voting is concerned, the Trustees expect fund managers to, where relevant, provide a summary of their voting actions on an annual basis. The transparency offered for engagement activity should include the objectives of the engagement action, the ultimate outcome and the processes for escalating unsuccessful engagements.
- From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders.

## **Scheme stewardship activity over the year**

### **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**

The Scheme is invested in the Barings European Loan Fund.

Barings attended the Scheme's November 2021 Investment Committee meeting and provided the Committee with a review of bond markets and an update on their European Loan Fund, including an overview of performance, strategy and risk.

### **Engagement activity – Fixed Income**

Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. Debt financing is continuous, and therefore a vested interest on the part of debt issuers is to ensure that institutional investors are satisfied with the issuer's strategic direction and policies. Whilst upside potential may be naturally limited in comparison to equities, downside risk mitigation and credit quality is a critical part of investment decision-making.

#### Engagement

Barings' engagements involve interactions between the investor and current or potential investees on ESG issues. Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

Through engagement, Barings aims to enhance the performance of its investments for the benefit of its clients. Barings does not, however, attempt to impose an inflexible approach that ignores local norms and contexts. Barings believes that value is derived from transparent communication with the entities in which it invests, coupled with the expertise and discretion of its experienced investment professionals. As Barings invests in multiple asset classes, when appropriate approaches to and priorities for engagements differ, it gives its investment teams the flexibility to choose when to engage with investments. This is supplemented with general top-down guidance and assistance.

Barings will monitor controversies and escalate any issues that are not aligned with its ESG philosophy and approach as they occur. Escalation will involve articulating its ESG concerns primarily through private meetings with management teams. In cases where the company has significantly failed to improve, Barings will divest from the company at the earliest possibility.

The majority of engagements in 2021 were directly with issuers and companies in which Barings invests. A key focus in 2022 will be to enhance Barings' stewardship reporting processes based on Barings' relevant data to increase transparency against these reporting questions.

#### Engagement example:

In Q4 2021, Barings engaged with a soft drinks manufacturer. Barings met with senior management to encourage the company to improve its supply chain monitoring regarding key imported food ingredients, to better promote recycling in its end markets and improve the mix of recycled materials in its production processes. During the initial engagement, the company was open to feedback and subsequently entered into a collaboration to produce polyethylene furanoate ("PEF") bottles that are plant-based and recyclable and co-initiated an industry platform to improve transparency and traceability for sustainable juice products. The engagement was partially successful as Barings believes ongoing monitoring is required for the engagement to be determined fully successful. As a result of the company's involvement

in the industry collaboration, Barings increased its internal ESG outlook rating to Improving. The three categories for ESG outlook scores are Deteriorating, Stable and Improving.

## **Summary**

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

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered engagement activities.