

## **The Dylan Retirement Benefit Plan – Annual Engagement Policy Implementation Statement**

### **Introduction**

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustee, has been followed during the year to 30 September 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

### **Investment Objectives of the Plan**

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Plan included in the SIP are to invest the Plan's assets in the best interest of the members and other stakeholders and, in the case of a potential conflict of interest, in the sole interest of the members. Within this framework, the Trustee's primary aim is to ensure all benefits are paid when they fall due.

The Trustee has adopted an investment strategy for the Plan's assets that is designed to approximately hedge the interest rate and inflation sensitivities of the Plan's liabilities. To achieve this, the Trustee has invested in a range of Liability Driven Investment ("LDI") funds that invest in government bonds as well as some derivatives to allow the Plan to closely match the characteristics of the liabilities.

The Plan is also invested in an actively managed corporate bond fund, which provides some interest rate sensitivity while at the same time providing the Plan with an expected excess return above gilts.

### **Policy on ESG, Stewardship and Climate Change**

The Plan's SIP includes the Trustee's policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. This was last reviewed in August 2020.

The Trustee keeps their policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the year relating to the Trustee's policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

### **Engagement**

The Trustee believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given the appointed investment manager (Legal and General Investment Management) full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with its own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The strategic rationale for holding different asset classes that help the Trustee to achieve the Plan's investment objectives and constraints remains the primary driver behind the Plan's investment strategy. However, within this context, the Trustee is increasingly considering how ESG, climate change and stewardship issues are integrated within investment processes. Monitoring is undertaken on a regular basis by receiving updates from the investment manager and by Mercer providing the Trustee with ESG ratings for the strategies in which the Plan invests.

The Trustee requested that the Plan's investment manager confirm compliance with the principles of the UK Stewardship Code. Legal and General Investment Management confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.

The Trustee receives the investment manager's investment performance report on a quarterly basis – this includes notices of any updates to their ESG approach and publications. When implementing a new mandate the Trustee considers the ESG rating of the fund/manager.

The Trustee also separately received details of relevant engagement activity for the year from the Plan's investment manager.

The Plan's investment manager engaged with companies over the year on a wide range of different issues including Environmental, Social and Governance factors. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (i.e. those linked to the Paris agreement). The Plan's manager provided examples of instances where they had engaged with companies they were invested in/about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings (where the investments are in equities). The resolutions are often co-filed by a number of investors who indicate or not their support for the resolution to the company's management.

As an LDI/corporate bond investor, it is important to note that investors have no voting rights due to the nature of the investments. However, the investment manager has a strong engagement program with their counterparties and state that responsible investing is a core component of their beliefs.

### **Voting Activity**

As noted in the paragraph above, as the Plan only invests in an LDI mandate and corporate bonds, there are no voting rights due to the nature of the investments. Therefore, we have not included any details of significant votes as it is not applicable.