Denholm Pension Scheme (the “Scheme”)
ENGAGEMENT POLICY IMPLEMENTATION STATEMENT
Financial Year Ending 30 June 2022

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees, has been followed during the year to 30 June 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 as amended, and the guidance published by the Pensions Regulator.

Trustees’ Investment Objective

The Trustees’ 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 Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment strategy objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Effective on 31 May 2022, all of the Scheme’s assets were used to fund the purchase of a bulk annuity contract with Aviva Life and Pensions UK Ltd (“Aviva”). The Trustees entered the bulk annuity contract with Aviva in May to secure 100% of the Scheme’s known liabilities. Under this contract the insurer is obligated to make payments to the Trustee in order to meet the Scheme’s liabilities to those beneficiaries insured under the policies.

The Trustees’ key short term objective is to ensure an efficient progression towards an insurer buy-out of the Scheme’s known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Scheme’s governing documentation and relevant legislation.

In due course, in order to complete the buy-out, the known members’ benefits will be secured by means of individual annuity policies directly with the members, in accordance with the terms of the bulk annuity policy. The Scheme will then be wound up. The aim is to complete the Scheme’s buy-out and wind up as soon as practical.

Statement of Investment Principles

The Scheme’s SIP was last updated in September 2022. The changes made to the Statement reflected the Scheme’s position of entering into a bulk annuity contract with Aviva in May 2022.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all 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 and climate change.

The Addendum to the Scheme's SIP dated August 2019 first included the Trustees' policies on ESG factors, stewardship and climate change. These policies were last reviewed in September 2022 when the SIP was updated. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Scheme's Investment Structure

For the majority of the year, the Scheme invests in pooled investment vehicles managed by their investment managers. The Trustees have the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Effective on 31 May 2022, all of the Scheme's assets were used to purchase a bulk annuity contract with Aviva.

Engagement prior to Aviva contract (effective 31 May 2022)

In the relevant year the Trustees have not engaged with their investment managers on matters pertaining to ESG, stewardship or climate change, and are satisfied that the current ESG measures taken by their investment managers are in the best financially material interests of the Scheme's members.

Mercer's ESG ratings of investment managers were included in Mercer's annual monitoring reports with effect from 31 December 2020. The Trustees are satisfied that the scores are satisfactory in the context of the mandates of the funds that were held throughout the year.

The Trustees understand that Aviva have full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments underlying the buy-in policy, in accordance with their own corporate governance policies and current best practice. The Trustees' Investment Consultant has highlighted the broad sustainability policies of Aviva, and their efforts in relation to ESG matters. The Trustees may look to explore these with the insurer if they evolve in the future.

Voting Activity

The Trustees have delegated their 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 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.

This includes information on what the fund managers consider to be a significant vote, and examples of these. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	abstentions		
Artemis Institutional Equity Income (Exclusions) Fund Accumulation Units	**ISS** – Institutional Shareholder Services	921 (100% cast)	0.4% of votes cast	None	Significant votes are defined as votes against management and where Artemis was voting in excess of 1% of the issued share capital.	**Informa** – A vote 'for' the approval of the management proposed remuneration report. Artemis appreciate that the use of discretion to adjust to performance outcomes can be problematic, and believe the overall pay outs were fair and proportionate. Artemis believe it is in the best interests of our clients that they support the board as they manage through the challenges of the COVID pandemic and appropriate reward the senior leadership team. Artemis regard attracting and retaining talent as a key long-term success factor in Informa and steward their investors' capital accordingly. Artemis continue to engage with the company on remuneration and have found them to be open and constructive in the discussions. The vote did not pass. The 2021 remuneration report also did not receive support at last year's AGM; this followed a series of poor responses to pay by shareholders in previous years. Artemis have been consistent in our view and have supported management throughout. **BP –** A vote 'for' the approval of the climate change report. BP sought shareholder approval for its 'Net Zero – from ambition to action' report which set out the Company's net zero ambitions and actions to achieve this. The company first announced its net zero ambition in 2020, updated it in August 2020, and then made further statements in February 2022 to accelerate the targets. The company has engaged with its shareholders and the later updates reflect feedback received. This transition plan was the first 'say on climate' resolution from BP. While there is incomplete disclosure of scope 3 emissions, Artemis believe the net zero aims to operations, productions, and sales as well as capital expenditure plans are clear, realistic and robust. Artemis therefore believe that on balance support was warranted. However, Artemis will continue to keep progress on climate strategy and targets under review. The resolution passed.

Manager / Fund	Proxy voter used?	Votes cast	Most significant votes	Significant vote examples

		Votes in total	Votes against management endorsement	abstentions	(description)	
Artemis Global Select Fund Class 'I' Accumulation Units	**ISS** – Institutional Shareholder Services	729 (100% cast)	8% of votes cast	1% of votes cast	Significant votes are defined as votes against management and where Artemis was voting in excess of 1% of the issued share capital.	**Cognex –** A vote 'for' the ratification of named executive officers' compensation. Artemis were happy with the performance of the business and quality of management team. Artemis also reached out to the investment relations team to request a meeting with them after earnings to make clear going forward that they would prefer rigorous performance criteria for the long term incentive plan and may vote against future compensation ratification in future if not. **Amazon –** A vote 'for' the report on efforts to reduce waste plastic as well as a vote 'for' to ratify named executive officers' compensation. Artemis expect the management to manage the workforce and executives without external interference (external shareholder hold a minority of votes to influence executive arrangements), but they want to signal that minority shareholder want the company to improve its environmental impact.

Note: Voting information is shown to 30 June 2022, manager voting information is provided quarterly.