



Brockhampton Pension Scheme Implementation Statement 2021

Overview

Brockhampton Pension Scheme is a Defined Benefit Pension Scheme and this Statement focuses on how the Trustees have actioned the engagement and voting policies as outlined in the Statement of Investment Principles (SIP). The statement is required to detail new obligations placed on a Trustees to publicly disclose their SIP and state how those principles have been implemented.

The Trustees believe that effective engagement and voting policies, and the monitoring of those policies are vital for the ongoing governance of the Scheme and this report details the actions carried out over the previous year to achieve those high levels.

Engagement and ESG Considerations

Responsible Investment and Environmental, Social and Governance (ESG) considerations have been specifically referenced by the Trustees within the SIP. A Responsible Investment Policy (RIP) has been drawn up to reflect the Trustees aims as detailed in the SIP and an ESG index devised by Sustainalytics has been chosen as the most appropriate benchmark to use. This rates each investment with an ESG rating – negligible, low, medium, high and severe. The Brockhampton RIP forbids investment managers from purchasing any investment which has a rating of high or severe. In addition, if current investments rise above a medium ranking, they are on ‘watch’ to make immediate changes to reduce that position or they will be sold.

The Trustees believe that ESG factors can have a material impact on the value of financial investments and on the long-term performance of investments. Well managed companies with strong governance are more likely to be successful long-term investments.

The Scheme does not take into account any non-financial considerations when considering the ESG approach and the Trustees will only appoint investment managers that consider ESG factors when considering investments.

During the year and as referenced in Appendix C of the SIP, the Trustees regularly reviewed the Scheme Investment Managers approach to ESG investment decision making to ensure minimum standards were met and noted that disposals have occurred in a number of companies due to them maintaining a ‘High’ ESG Risk Rating for a period of time. In total, since the start of 2020, £2,413,144 of funds have been moved due to the ESG considerations.

At the end of the year the Scheme did not hold any investments that breached the ‘high’ or ‘severe’ risk rating on the Sustainalytics Index.

As an example, the speciality chemicals company, Victrex, was sold due to its ‘High’ ESG Risk Rating. The company’s manufacturing process releases various negative externalities such as air pollution and effluents which could translate into regulatory scrutiny or friction with local communities. The handling of chemical substances like polymers exposes Victrex’s workers to health and safety hazards which further increases the company’s ESG Risk Rating.

Both of the oil and gas companies which the Scheme had previously been invested in - BP and Royal Dutch Shell - have also been sold due to their ‘High’ risk rating. As a result, the Scheme no longer has

exposure to this sector/industry.

Although this has potential short-term benchmark risks in not holding investments within such a major sector, the Trustees believe their approach to ESG will benefit the members in the long term.

Voting Activity

The Trustees view voting rights as an asset and encourage their Investment Managers to ensure its rights are exercised carefully to promote and support good corporate governance. External managers are encouraged to vote in every market in which they invest and to vote in line with ESG considerations.

The Trustees also expect the Investment Managers to meet and engage with companies as part of the investment process.

The Trustees received and reviewed a Report detailing how the Investment Managers have voted and engaged over the year. The report confirmed that the Manager votes on over 10,000 proposals a year and in the main, supports the management. There are a number of areas where that is not the case however, as they voted against over 350 proposals where the business was failing to address gender diversity on the board. In addition, they voted against 45 compensation plans where they did not properly reward pay with performance, and the third main area was 30 votes against re-election of auditors where they were unlikely to still be deemed independent.

The Trustees noted that most Shareholder Proposals were supported, most of which related to greenhouse gas emissions, climate change and human rights.

Individual company examples were also shared by the Manager to highlight some standalone issues.

For and on behalf of the Trustees:



Trustee



Trustee

30 September 2021