

Budenberg 1996 Pension Scheme (“The Scheme”) - Investment Accounting Disclosures

Trustee’s Policies

This section sets out the policies in the Statement of Investment Principles (‘SIP’) in force at the Scheme year end relating to the following:

- Financially Material considerations
- Non-Financial considerations

Stewardship including the exercise of voting rights and engagement activities is set out in the ‘Voting and Engagement’ section.

The Trustee updated the SIP after the Scheme year end to include policies required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and will include those policies going forward.

Financially Material considerations

The Trustee has considered financially material factors such as environmental, social and governance issues as part of the investment process to determine a strategic asset allocation. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes they are investing in. However, the Trustee has not made an explicit allowance for risks associated with client change as they believe it is difficult to accurately quantify.

In endeavouring to invest in the best financial interest of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers to take account of financially material considerations.

The Trustee accepts that the scheme’s assets are subject to the investment manager’s own policy on socially responsible investment, The Trustee is satisfied that this corresponds with its responsibilities to the beneficiaries of the Scheme.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointment new managers and these policies are also reviewed regularly for existing managers with the help of their investment consultant.

Non-Financial considerations

The Trustee has not considered non-financial matters in the investment process.

Voting and Engagement

The Trustee is required to disclose the voting and engagement activity over the Scheme year. The Trustee has used Minerva Analytics (‘Minerva’) to obtain voting and investment engagement information (VEI) on the Scheme’s behalf.

This statement provides a summary of the key information and summarises Minerva’s findings on behalf of the Scheme over the Scheme year.

Voting and Engagement Policy and Funds

The Trustee's policy on stewardship is as set out below in the SIP dated 18 July 2019:

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should take account, where it believes appropriate, of social, environment and ethical factors in the exercise of such rights. The Trustee has reviewed the investment managers voting policies and decided that they are appropriate. The Trustee will continue to monitor this regularly with the help of their investment consultant.

The table below sets out the funds the Scheme invested in over the Scheme year and states the use of a proxy voter:

Fund / Product Manager	Investment Fund/Product	Made Via	Scheme / Inv Type	Requested Info Date Range	'Proxy Voter' Used?
BlackRock	BlackRock Over 15 Year UK Gilt Index Fund	Direct	DB	06/04/20 - 11/08/20	—
BlackRock	BlackRock All Stock UK Index Linked Gilt Index Fund	Direct	DB	06/04/20 - 11/08/20	—
BlackRock	BlackRock Currency Hedged World Ex-UK Equity Fund	Direct	DB	06/04/20 - 11/08/20	✓ ISS
BlackRock	BlackRock World Ex-UK Equity Fund	Direct	DB	06/04/20 - 11/08/20	✓ ISS
BlackRock	BlackRock UK Equity Fund	Direct	DB	06/04/20 - 11/08/20	✓ ISS
BlackRock	BlackRock Market Advantage Strategy Fund	Direct	DB	06/04/20 - 11/08/20	—
Phoenix Life	With Profits AVC	Direct	DC - AVCs	06/04/20 - 11/08/20	?
Utmost Life & Pensions	Unit-Linked AVC	Direct	DC - AVCs	06/04/20 - 11/08/20	?
Clerical Medical	With Profits AVC	Direct	DC - AVCs	06/04/20 - 11/08/20	?

 Confirmed by Manager
  Not Confirmed by Manager
  Not Applicable

— Indicates that the specific fund or product does not have voting information to report, and as a result there is no 'Proxy Voter' to confirm

ISS is a proxy voting service.

Exercise of voting rights

The voting activity was requested by Minerva from all of the Scheme's managers, where appropriate. Information was obtained from BlackRock but unfortunately no information was forthcoming from Phoenix Life, Utmost Life & Pensions and Clerical Medical. It was determined that the Scheme's BlackRock holdings in the Over 15 Year UK Gilt Fund, All Stock UK Index Linked Gilt and the Market Advantage Strategy Fund (which is derivative-based) had no voting information to report. Please see section on 'Outstanding Information' for further details.

Voting information was received in respect of the Currency Hedged World Ex-UK Fund, World Ex-UK Equity Fund and the UK Equity Fund. Based on data obtained from BlackRock, Minerva has concluded that BlackRock's voting policy broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices. Areas which Minerva concluded that BlackRock had some minor areas of divergence from good practice included audit and reporting and remuneration policies. Minerva concluded that BlackRock had followed its own voting policy and by extension the Trustee's policy.

Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour of BlackRock within the three funds where voting

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
BlackRock	BlackRock Currency Hedged World Ex-UK Equity Fund	1,464	20,331	89.4	89.3	8.8	0.3
	BlackRock World Ex-UK Equity Fund						
	BlackRock UK Equity Fund	628	11,496	99.1	91.6	5.3	2.2

appliedmanager.

Significant Votes

Set out in the following table is a summary of the Scheme's manager's significant voting behaviour.

A 'Significant Vote' relates to any resolution at a company that meets one of the following criteria:

- contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK)
- is one proposed by shareholders that attracts at least 20% support from investors; and
- attracts over 10% dissenting votes from shareholders.

Where the manager has not provided the level of data to identify the 'Significant Votes' based on the criteria explained above, Minerva has applied the definition provided by the managers themselves

Manager	Fund	Company Name	Date of Vote	Summary of Resolution	For / Against / Abstain	Outcome of Vote	Why Significant?	Vote Rationale
BlackRock	World Ex-UK Equity Funds (hedged and unhedged) UK Equity Fund	As the manager's response to our voting and engagement information request provided the raw underlying voting data for each of the Scheme's investee funds, this resulted in almost 32,000 individual resolutions being analysed for the Scheme's reporting period. Using the 'Significant Vote' criteria set out at the start of this section, we identified 1,625 instances of 'Significant Votes'. Clearly this is a very large amount of information for the Trustee to digest, and so we are currently considering how best to report such a large outcome of 'Significant Votes' without giving the Trustee 'information overload'.						

Manager Engagement Information

The Trustee believes that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The table below summarises the engagement activity of the managers that provided information.

		Summary of Company Engagement Activity										Outcomes	
		Corporate Governance							Sustainability				
Manager	Fund	No.	Strategy	Audit & Report.	Board	Capital	Corp. Action	Remun	Shrhdr Rights	Envir.	Social	Resolve	Open
BlackRock	BlackRock Currency Hedged World Ex-UK Equity Fund	?	?	?	?	?	?	?	?	?	?	?	?
	BlackRock World Ex-UK Equity Fund												
	BlackRock UK Equity Fund	341	31%	33%	49%	15%	13%	50%	15%	46%	43%	?	?

⚠ Not confirmed by Manager

Outstanding Information

This section sets out the status of outstanding information Minerva have requested.

Fund / Product Manager	Investment Fund/Product	Information Request Acknowledged	Voting Info Available?	Engagement Info Available	Info Rec'd by Minerva Deadline
BlackRock	BlackRock Over 15 Year UK Gilt Index Fund	⊖	✓	✓	✓
BlackRock	BlackRock All Stock UK Index Linked Gilt Index Fund	⊖	✓	✓	✓
BlackRock	BlackRock Currency Hedged World Ex-UK Equity Fund	✓	✓	✓	✓
BlackRock	BlackRock World Ex-UK Equity Fund	✓	✓	✓	✓
BlackRock	BlackRock UK Equity Fund	✓	✓	✓	✓
BlackRock	BlackRock Market Advantage Strategy Fund	⊖	✓	✓	✓
Phoenix Life	With Profits AVC	✓	?	?	✗
Utmost Life & Pensions	Unit-Linked AVC	✓	?	?	✗
Clerical Medical	With profits AVC	✓	?	?	✗

✓ Positive response ✓ Partial response ✗ Negative response ? Not confirmed by Manager ✓ No VEI information to report ⊖ Not Applicable

Minerva is continuing to engage with the relevant managers on the identification and provision of any missing VEI information and will provide the Scheme with an update as soon as all of the managers have formally reported back, and any information provided has then been analysed.

Conclusion

Minerva was able to determine that BlackRock has followed its own voting and engagement policies and by extension the Trustee's policies for the applicable funds.

No information was forthcoming from Phoenix Life, Utmost Life & Pensions and Clerical Medical, therefore Minerva was unable to determine if they followed the Trustee's policies. The Trustee will seek any outstanding information and will agree a way forward on any actions identified by Minerva once this information is available.