

Dowdeswell Engineering Co. Ltd Pension and Employee Benefits Plan ('The Plan') - Investment Accounting Disclosures over the period 6 April 2019 to 27 January 2020.

This Statement has been prepared in accordance with applicable legislation, taking into account guidance from The Pensions Regulator.

Under applicable legislation, the Plan, for the purpose of this Statement, is therefore a hybrid scheme (a scheme providing both DB and DC benefits).

In this Statement we seek to:

- set out the Trustees' policies;
- comment on the voting and engagement behaviour and how the Trustees' policies have been followed during the Scheme Year;
- set out the changes made to the SIP in 2019; and
- set out how, and the extent to which, the SIP has both been followed during the Scheme Year.

Trustees 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

Policies relating to Stewardship including the exercise of voting rights and engagement activities are set out in the 'Voting and Engagement' section.

The Trustees 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 Trustees duty is to act in the best financial interests of the Scheme's beneficiaries. This includes undertaking due diligence when appointing Investment Managers, by reviewing each potential Investment Manager's policies and procedures regarding Environmental, Social and Governance (ESG) issues. The Trustees believe that a considered approach to ESG issues can enhance the investment processes of the Investment Manager that they employ. They believe that responsibly managed companies are better placed to achieve a sustainable competitive advantage and provide strong long-term growth.

The Trustees expect the appointed Investment Manager, when assessing financial attractiveness and overall risk of any investment, to have due regard for all relevant issues, including the impact of ESG matters. This includes continually monitoring their ESG efforts, principles and processes and making their records of engagement available to investors.

The Investment Manager utilised by the Plan has opted to sign the Principles for Responsible Investment, a set of six voluntary and aspirational principles supported by the United Nations, which offer an assortment of possible actions for incorporating ESG issues into investment practice. The principles were developed by investors, for investors, and aim to assist signatories in developing a more sustainable global financial system.

At this time the Trustees do not take into account members' ESG considerations and have no plan to seek the views of the members. The Trustees have delegated the ESG considerations to their Investment Manager and have taken the Investment Managers ESG policies into account when appointing them.

Non-Financial considerations

The Trustees have not considered non-financial matters during the accounting period.

Voting and Engagement

The Trustees is required to disclose the voting and engagement activity over the Scheme year. The Trustees has appointed 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 Trustees' policy on stewardship and responsible investment is set out below in the SIP dated July 2019:

The Investment Manager utilised by this Scheme has also produced individual statements on their compliance with the UK Stewardship Code, as published by the Financial Reporting Council. This code aims to enhance the quality of engagement between investors and companies to help improve long-term risk adjusted returns to shareholders and includes details on matters such as voting rights. The code was last updated in 2012 and is currently undergoing consultation for its next update.

The Trustees have also delegated to their Investment Manager the exercise of corporate governance issues, including the exercise of voting rights to investments.

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?
LGIM	LGIM AAA-AA-A Corporate Bond All Stocks Index	Manager	DB Fund	06/04/19 - 27/01/20	N/A
LGIM	LGIM Managed Property Fund	Manager	DB & DC Funds	06/04/19 - 27/01/20	N/A
LGIM	LGIM Multi-Asset (formerly Consensus) Fund	Manager	DB & DC Funds	06/04/19 - 27/01/20	ISS
LGIM	LGIM Cash Fund	Manager	DC Fund	06/04/19 - 27/01/20	N/A
LGIM	LGIM Global Equity (70:30) Index Fund	Manager	DC Fund	06/04/19 - 27/01/20	ISS
LGIM	LGIM Over 15 Year Gilts Index Fund	Manager	DC Fund	06/04/19 - 27/01/20	N/A

ISS is proxy voting services, N/A – not available/not applicable

Exercise of voting rights

The voting activity was requested from LGIM for all funds, but it is generally expected that voting activity would not take place in the Property, Cash, Gilts and Corporate Bond funds implying the key funds where voting activity needed to be analysed were the Multi-Asset Fund and the Global Equity Fund. Based on data obtained from LGIM, Minerva has concluded that LGIM voting policies and disclosure broadly comply with the ICGN Voting Guidelines Principles and good corporate governance

practices. However, they were unable to undertake an assessment on the extent to which the manager’s voting activity has followed their own voting policy (and by extension, the Trustees’ policy). Please see section on ‘Outstanding Information’ for further details.

Manager Voting Behaviour

The Trustees believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, they expect 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 LGIM disclosed by the manager.

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
LGIM	LGIM Multi-Asset (formerly Consensus) Fund	8,099	85,312	97.1%	82.2%	17.5%	0.3%
	LGIM Global Equity (70:30) Index Fund	4,523	51,736	97.68%	84.5%	15.1%	0.4%

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
LGIM	LGIM Multi-Asset (formerly Consensus) Fund LGIM Global Equity (70:30) Index Fund	BP PLC	21/05/19	Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures.	For	Passed	Manager identification	LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change. LGIM worked with the board of BP to secure its support for the motion.
		Bayer AG	26/04/19	Approve Discharge of Management Board for Fiscal 2018	Against	Defeated	Manager identification	LGIM were concerned that the Bayer supervisory and management boards had not fully considered the significant risks related Monsanto’s glyphosate-based weedkiller.
		Essilor Luxottica	16/05/19	Res A, B and C: Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director	For	Passed	Manager identification	Followed an internal disagreement between the two heads of the merged entity, two of the company’s shareholders – Comqest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM publicly announced its support.
		FirstGroup plc	25/06/19	Remove Wolfhart Hauser as Director	For	Defeated	Manager identification	LGIM decided to cast a vote against the board chair to signal their concerns around the pace of execution of the strategy and poor performance. LGIM supported the rest of the board and opposed the activist’s nominees.

Manager Engagement Information

The Trustees 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. As such, they expect the Scheme’s managers to engage with investee companies where they have identified any such issues.

Set out in the table overleaf is Minerva’s summary of Scheme’s managers reported engagement activity.

Summary of Company Engagement Activity													Outcomes	
Corporate Governance									Sustainability					
Manager	Fund	Number	Strategy	Audit & Report.	Board	Capital	Corp. Actions	Remun.	Shrhldr Rights	Environ'tal	Social	Resolved	Outstanding	
LGIM	Firm-level data only	739	13%	2%	19%	3%	3%	28%	2%	34%	37%	?	?	

⚠ Not confirmed by Manager

Outstanding Information

This section sets out the status of outstanding information Minerva have requested on the Trustees’ behalf.

Fund / Product Manager	Investment Fund/Product	Made Via	Information Request Acknowledged	Voting Info Available?	Engagement Info Available	Info Rec'd by Minerva Deadline
LGIM	LGIM AAA-AA-A Corporate Bond All Stocks Index	Manager	✓	✓	✓	✓
LGIM	LGIM Managed Property Fund	Manager	✓	?	?	✗
LGIM	LGIM Multi-Asset (formerly Consensus) Fund	Manager	✓	✓	✓	✓
LGIM	LGIM Cash Fund	Manager	✓	✓	✓	✓
LGIM	LGIM Global Equity (70:30) Index Fund	Manager	✓	✓	✓	✓
LGIM	LGIM Over 15 Year Gilts Index Fund	Manager	✓	✓	✓	✓

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

Conclusions

LGIM confirmed to Minerva that there was no reportable voting and engagement information for the Gilt, Cash or Corporate Bond funds. LGIM did not provide a response to Minerva on the Property fund and therefore Minerva was unable to determine if that fund followed the Trustees’ policies but is assumed that there will be no voting data.

Minerva have been unable to undertake an assessment on the extent to which the manager has followed the Trustees’ voting policies on the Global Equity (70:30) and Multi-Asset Fund as LGIM did not provide sufficient data.

Minerva have concluded that the number of engagements conducted by LGIM and the topics covered during the reporting year are broadly in line with their engagement policy and the objectives set by the manager, however, as engagement data was not provided at the fund level Minerva was unable assessing how LGIM is implementing their engagement policy.

Changes made to the SIP in 2019

The Trustees reviewed the SIP over the Scheme year to 27 January 2020. The 2013 SIP was updated, and a new SIP was signed on 21 August 2019. Changes to the SIP were made to comply with the requirements on clarifying and strengthening Trustees' duties that came into force on 1 October 2019.

The Trustees replaced the Socially Responsible Investment and Voting Rights section in the SIP with the Environmental, Social and Corporate Governance Considerations. The Trustees set out the following:

- How they take account of financially material considerations over the appropriate time horizon of the investments, including those arising from Environmental, Social and Governance ('ESG') considerations, including climate change.
- Their policies in relation to the stewardship of the investments, including engagement with investee firms and the exercise of the voting rights associated with the investment.
- The Trustees decided not to set a policy on non-financial matters in the selection, retention, and realisation of investments. Whilst the Trustees believes it looks out for the best interest of the members, they have not yet explicitly taken into account the member views on ESG or ethical views.

The Trustee believes these policies will help to deliver long-term value for all its members.

In accordance with further new regulations effective 1 October 2020, the SIP was subsequently updated in September 2020 to build on the requirements that were introduced in 2019. This was done after the Scheme year end and will be addressed in next year's statement. The latest SIP can be found here <https://sites.google.com/view/dowdeswell-engineering-co-pebp/>

Extent to which the SIP has both been followed during the Scheme Year

The Trustees is of the opinion that the SIP has been followed over the Scheme year.

SIP Objectives

The objectives in the SIP have been met. The Trustees aim to hold a portfolio of assets that will achieve returns in excess of investment returns indicated in the statement of funding principles without exposing the scheme to excessive risk.

Investment governance

The investment governance structure and processes have been followed and have supported the implementation of the Trustees' investment policies and any changes made during the year.

The following can be noted in respect of the Scheme and documented objectives as a whole:

- The Trustees invests the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Trustees believes this objective was met during the Scheme year.

The Trustees investment consultant Trigon Pensions provided training on the new regulatory requirements impacting the SIP and the Trustees responsibilities which benefitted the scheme as it enabled the Trustees to better able make decisions.

No change took place to the strategic asset allocation over the accounting period.