

The Pentax Pension 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 Trustees has been followed during the year to 31 March 2020. 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 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees' primary investment objective for the Plan is to act in the best interest of the Scheme's members and to make sure that they can meet their obligations to the beneficiaries of the Scheme. The main objective of the Trustees is therefore to reach a position such that the assets will be sufficient to at least meet the Scheme's liabilities.

In doing so, the Trustees also aim to maximize returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

When designing the investment arrangements, the Trustees also consider the requirements of legislation, the funding objectives for the Scheme and their views on the covenant of the Sponsor.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Scheme SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees believe that environmental, social, and corporate governance 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 Trustees also recognize that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees recognize that a proportion of the Scheme's current investment arrangements are implemented on a passive basis, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change.

The Scheme also has allocations to credit assets within which, whilst ESG issues are still relevant to risk control, there is less opportunity to influence investee company behavior

compared to equity holdings, although where relevant managers are encouraged to use their position as lenders of capital to engage with companies.

The Trustees have given the appointed investment managers full discretion in exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

This policy was reviewed and updated in September 2020. The Trustees keep their policies under regular review.

The Trustees are satisfied that their engagement and voting policies were followed during the year, from the date it was adopted. The following summarises how the Trustees' engagement and voting policies were followed and implemented during the year.

Scheme's Investment Structure

Majority of the Scheme's investments are held via a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. JLT Investment Management ('JLT IM') has fiduciary responsibility for the selection of pooled funds on the Mobius platform. Additionally, the Scheme has a buy-in policy.

Engagement

Monitoring

- The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers. Over the year, no changes were made to the Scheme's strategic asset allocation and no new investment managers were appointed by the Trustees. At the time of writing this statement, the Trustees were in the process of reviewing the Plan's investment strategy.
- Managers will be expected to report on their own ESG policies as and when requested by the Trustees.
- The Trustees received details of relevant engagement activity for the year to 31 March 2020, where available from each of the Scheme's investment managers, covering a wide range of different issues, including ESG factors. Examples of this are given below:
 - **Thread Life (Multi Asset Fund)** engaged with companies on ESG issues through collaborative bodies such as the Investment Association (IA), UN sponsored PRI, investor networks such as the Investor Forum, and Sustainable Investment Forums (SIFs). Although they may also engage bilaterally with other shareholders from time to time where serious issues and thematic concerns arises.
 - **Pictet (Multi Asset Portfolio)** have taken part in a number of collaborative investor engagement initiatives including Climate Action 100+ which they signed in 2018. In 2019 they joined Investor Initiative for Sustainable Forests (mitigating deforestation in the Amazon) and Mining & Tailings Safety Initiative (in the wake of Vale's Brumadinho dam disaster). In addition, Pictet Asset Management

supports and actively participates in multiple international and national RI initiatives, organisations and partnerships.

- **Nordea (Diversified Return Fund)** actively takes part in the discussions around responsible investment and promoting the best practices in the industry. During year 2019, they participated in 478 Confidential collaborative engagements, and took a leading role in 28 of those. Additionally, they participate in multiple international ESG initiatives such as Climate Action 100+, Corporate Human Rights Benchmark, Principles for Responsible Investing, and others.

Stewardship

- Over the year, the Trustees requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. All of the Scheme investment managers 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.
- Over the period, the Trustees did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Voting Activity

The Trustees have effectively delegated their voting rights to the managers of the funds the Scheme's investments are 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 invested.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

Over the last 12 months, the voting activity on behalf of the Trustees was as follows:

Thread Life - Multi Asset Fund (year to 30 June 2020)

Thread Life uses organisations such as ISS, IVIS and Glass Lewis as well as MSCI ESG Research to provide proxy voting research. Proxy voting is effected by Institutional Shareholder Services ("ISS").

Their RI team assesses the application of the policy and makes final voting decisions in collaboration with the firm's portfolio managers and analysts. Votes are cast identically across all mandates for which they have voting authority. All voting decisions are available for inspection on their website seven days after each company meeting.

Thread Life defines 'significant votes' as any dissenting vote i.e. where a vote is cast against (or where they abstain/withhold from voting) a management-tabled proposal, or where they

support a shareholder-tabled proposal not endorsed by management. They report annually on reasons for applying dissenting votes via their website.

A summary of the voting undertaken over the year to 30 June 2020 is provided below:

- Over the 12 months to 30 June 2020, across the funds in which TPEN MAF invested, 6646 individual votes were cast across 548 separate meetings.
- Over the 12 months to 30 June 2020, across the funds in which TPEN MAF invested, 380 individual votes were cast as 'against' in respect of proposals raised by management. A further 79 votes were cast in support of proposals raised by shareholders which had not been endorsed by management.
- Over the 12 months to 30 June 2020, across the funds in which TPEN MAF invested, 182 individual votes were cast as 'abstain' or 'withhold' in respect of proposals raised by management. A further 4 votes were cast as 'abstain' in respect of proposals raised by shareholders.

Pictet – Multi Asset Portfolio

Pictet uses the services of third party specialists (ISS) to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide.

ISS are tasked with collecting meeting notices for all holdings and researching the implications of every resolution according to voting guidelines as defined by Pictet Asset Management. They typically use the recommendations of ISS to inform voting decisions but Pictet Asset Management reserves the right to deviate from third party voting recommendations on a case by case basis in order to act in the best interests of clients. Such divergences may be initiated by Investment teams or by the ESG team and will be supported by detailed written rationale.

Pictet proxy voting policy is based on generally accepted standards of best practice in corporate governance including board compensation, executive remuneration, risk management, shareholder rights.

Pictet considers a vote to be significant due to the subject matter of the vote, for example a vote against management, if the company is one of the largest holdings in the portfolio, and/or they hold an important stake in the company.

A summary of the voting undertaken over the year is provided below:

- 87 votes were cast across the underlying companies in the fund in the six months to the end of Q2 2020.
- Voted against management seven times over the same period.
- They did not abstain from any votes over the same period.

Nordea - Diversified Return Fund

Nordea votes both by proxy and by attending annual general meetings (and extraordinary general meetings when applicable). Nordea funds utilize two external advisors, Institutional Shareholder Services and Nordic Investor Services (henceforth, "ISS" and "NIS").

They use ISS for the technical expertise and voting platform, as well as their global reach and analysis. NIS is a Nordic proxy advisor, which best practices are much in line with their own. ISS is a global player with international reach and practices, while NIS is a small niche player,

which gives them a broad range of input very valuable in the evolution of their own Corporate Governance principles.

Nordea defines 'significant votes' as any dissenting vote i.e. where a vote is cast against a management-tabled proposal. Their significant votes are also defined by standing up for best interests of shareholders and the impact that some companies have in society.

A summary of the voting undertaken over the year is provided below:

- Nordea have casted a total of 1,075 votes over the last 12 months.
- A total of 140 votes were cast against management, representing about 13% of the total 1,075 votes cast over the one-year period.
- Withhold votes are considered as votes against management.