# Brother Staff Retirement Benefits Scheme

# Engagement Policy Implementation Statement for the year ending 31 March 2023

### Introduction

The Trustees of the Brother Staff Retirement Benefits Scheme (the 'Scheme') have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustees, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 March 2023. This statement also describes the voting behaviour by, or on behalf of, the Trustees including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustees, in conjunction with their investment consultant, appoints their investment managers and choose the specific pooled funds to use in order to meet specific policies. They expect that their investment managers make decisions based on assessments about the financial performance of underlying investments (including environmental, social and governance (ESG) factors), and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

### Stewardship - monitoring and engagement

The Trustees recognise that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for cash and liability-driven investments. As such the Scheme's investments in these asset classes are not covered by this engagement policy implementation statement.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

The Trustees' also delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees seek to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

| Investment manager | UN PRI Signatory | UK Stewardship Code Signatory |
|---|---|---|
| LGIM | Yes | Yes |
| Partners Group | Yes | No |

The Trustees review each investment manager prior to appointment and monitor them on an ongoing basis through the regular review of the manager's voting and engagement policies, their investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustees will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustees from time to time.

If the Trustees find any manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

**Investment manager engagement policies**

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustees with information on how the investment managers engage in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental and corporate governance aspects.

Links to the investment managers' engagement policy or suitable alternative is provided in the Appendix.

The latest available information provided by the investment managers (for mandates that contain public equities or bonds) is as follows:

| Engagement | Period | Engagement definition | Number of companies engaged with over the year | Number of engagements over the year |
|---|---|---|---|---|
| LGIM All World Equity Index – GBP Hedged | 01/04/2022 - 31/03/2023 | Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement. | 422 | 668 |
| LGIM Maturing Buy & Maintain Credit 2020-2024 | 01/04/2022 - 31/03/2023 | See above | 60 | 124 |
| LGIM Maturing Buy & Maintain Credit 2025-2029 | 01/04/2022 - 31/03/2023 | See above | 77 | 144 |
| LGIM Maturing Buy & Maintain Credit 2030-2034 | 01/04/2022 - 31/03/2023 | See above | 79 | 139 |
| Partners Group Partners Fund (firm-level) | 01/07/2021 – 30/06/2022 (latest available) | Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement. | Not provided | Partners Group set clear expectations with newly acquired assets through a standard ESG onboarding process. In 2020, this resulted in 39 tailored ESG engagements across our direct investment portfolio comprising at least 3 target ESG projects per year. Collectively, these engagements mean that we have over 100 ongoing ESG value creation projects across private equity, private real estate and private infrastructure at present. |

## Exercising rights and responsibilities

The Trustees recognise that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment managers are expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustees do not carry out a detailed review of the votes cast by or on behalf of their investment managers but rely on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustees consider the proportion of votes cast, and the proportion of votes against management and believed this to be an important (but not the only) consideration of investor behaviour.

The latest available information provided by the investment managers, covering equity voting rights for the year ending 31 March 2023, is as follows:

| Voting behaviour | | | | | | | |
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| | **Period** | **Number of meetings eligible to vote at** | **Number of resolutions eligible to vote on** | **Proportion of votes cast** | **Proportion of votes for management** | **Proportion of votes against management** | **Proportion of resolutions abstained from voting on** |
| LGIM All World Equity Index – GBP Hedged | 01/04/2022-31/03/2023 | 6,728 | 68,320 | 99.9 % | 79.1 % | 19.7 % | 1.2 % |
| Partners Group Partners Fund | 01/01/2022-31/12/2022 | 58 | 853 | 100.0 % | 94.0 % | 4.0 % | 2.0 % |

## Trustees' assessment

The Trustees have reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustees recognise that engagement and voting policies, practices and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

**Appendix**

Links to the Engagement Policies for each of the investment managers can be found here:

| Investment manager | Engagement policy |
|---|---|
| Partners Group | https://www.partnersgroup.com/en/sustainability/responsible-investment/ |
| Legal & General Investment Management | https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf |

Information on the most significant votes for the LGIM All World Equity Index – GBP Hedged fund and the Partners Group Partners Fund during the year ending 31 March 2023 and 31 December 2022 respectively, is shown below.

| LGIM All World Equity Index - GBP Hedged | Vote 1 | Vote 2 | Vote 3 |
|---|---|---|---|
| Company name | Amazon.com, Inc. | Alphabet Inc. | Meta Platforms, Inc. |
| Date of Vote | 25 May 2022 | 1 June 2022 | 25 May 2022 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 1.7 | 1.1 | 0.7 |
| Summary of the resolution | Resolution 1f - Elect Director Daniel P. Huttenlocher | Resolution 7 - Report on Physical Risks of Climate Change | Resolution 5 - Require Independent Board Chair |
| How the fund manager voted | Against | For | LGIM voted in favour of the shareholder resolution (management recommendation: against). |

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| Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. | | |
| Rationale for the voting decision | Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings. | Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. | Shareholder Resolution - Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair. |
| Outcome of the vote | 93.3 % | 17.7 % | 16.7 % |
| Implications of the outcome | LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress. | LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress. | LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress |
| Criteria on which the vote is assessed to be "most significant" | LGIM pre-declared its vote intention for this resolution, demonstrating its significance. | LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote. | LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). |

| **Partners Group Partners Fund** | **Vote 1** | **Vote 2** | **Vote 3** |
|---|---|---|---|
| Company name | Confluent Health | EyeCare Partners | Pharmathen |
| Date of Vote | Data not provided | Data not provided | Data not provided |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | Data not provided | Data not provided | Data not provided |
| Summary of the resolution | As Partners Group control the Board, please see below the ESG efforts of the portfolio company. | | |
| How the fund manager voted | Control of board | Control of board | Control of board |
| Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote | Data not provided | Data not provided | Data not provided |
| Rationale for the voting decision | Confluent has an environmental impact assessment underway and has also engaged a third-party consultant to determine its greenhouse gas footprint.<br><br>Meanwhile, Confluent has established a Diversity, Equity & Inclusion council, which is currently creating goals and roadmaps | In 2022, the number of patients served by EyeCare Partners (ECP) rose to 3 million, with the company exceeding its targets for average net promoter score (NPS) for its ECP clinics and Medicare/Medicaid patients served.<br><br>In 2021, ECP clinics had an NPS score of 89 compared to the target | In May 2022, Pharmathen launched a sustainability assessment with EcoVadis. The results will be incorporated into Pharmathen's ESG Strategy. |

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| | with a target to complete by the end of the third quarter of 2022. Thereafter, ownership of each initiative will be identified. | score of 87 and had served 37% of Medicare/Medicaid patients. | |
| Outcome of the vote | Data not provided | Data not provided | Data not provided |
| Implications of the outcome | Confluent has also expanded its stakeholder benefits program. For instance, in 2022, the company launched stock options for all physical therapists and made significant investments in benefits, including reduced Eligible Employee premiums and increased communication around its wellness programs. | Meanwhile, several initiatives were implemented to improve stakeholder benefits. For instance, significant investment in benefits were made in 2021 and 2022. In addition, the company increased communication around its ECP Cares Foundation, a non-profit organization dedicated to giving back to ECP team members in need. Meanwhile, Incident Frequency Rate (IFR) measures were established and are being captured to drive root-cause analysis and drive prevention strategies. This has engaged employees and helped to increase employee retention to 31% (exceeding the target of 27%).<br><br>Lastly, baselines and specific initiatives were established based on the doctor and employee engagement surveys conducted during the first half of 2022. | The company has a strong ESG culture as reflected in its core mission of making a positive impact on the lives of people by ensuring that they enjoy better health. |

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| Criteria on which the vote is assessed to be "most significant" | Size of holding in fund | Size of holding in fund | Size of holding in fund |

Information on the most significant engagement case studies for each of the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below.

| **LGIM - Firm-level** | **Case Study 1** | **Case Study 2** | **Case Study 3** |
|---|---|---|---|
| Name of entity engaged with | ExxonMobil | BP Plc | J Sainsbury Plc |
| Topic | Environment: Climate change (Climate Impact Pledge) | Environment: Climate change (Climate Impact Pledge) | Social: Income inequality - living wage (diversity, equity and inclusion) |
| Rationale | As one of the world's largest public oil and gas companies in the world, LGIM believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US.<br><br>At LGIM, they believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 | As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. As members of the CA100+ LGIM commit to engaging with a certain number of companies on their focus list and on account of LGIM's strong relationship with BP, they lead the CA100+ engagements with them.<br><br>At LGIM, they believe that company engagement is a crucial part of | Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of our stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM's work on income inequality and their expectations of companies regarding the living wage have acquired a new level of urgency.<br><br>LGIM's expectations of companies: |

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| | climate-critical sectors. LGIM select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag our minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).<br><br>UN SDG 13: Climate action | transitioning to a net zero economy by 2050. Under LGIM's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate- LGIM sectors. We select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions). | i) As a responsible investor, LGIM advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.<br><br>ii) LGIM expect the company board to challenge decisions to pay employees less than the living wage.<br><br>iii) LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.<br><br>iv) In the midst of the pandemic, LGIM went a step further by tightening their criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to |

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| | | UN SDG 13: Climate action | remain a going concern.<br><br>With over 600 supermarkets, more than 800 convenience stores, and nearly 190,000 employees, Sainsbury's is one of the largest supermarkets in the UK. Although Sainsbury's is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.<br><br>UN SDG 8: Decent work and economic growth |
| What the investment manager has done | LGIM have been engaging with Exxon Mobil since 2016 and they have participated willingly in LGIM's discussions and meetings. Under our Climate Impact Pledge, LGIM identified a number of initial areas for concerns, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack if integration or a comprehensive net zero commitment; | LGIM have been engaging with BP on climate change or a number of years, during the course of which LGIM have seen many actions taken regarding climate change mitigation.<br><br>BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with | Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. LGIM joined forces with ShareAction to try to encourage the company to change its policy for outer |

lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities.

LGIM's regular engagements with Exxon Mobil have focused on their minimum expectations under the Climate Impact Pledge. The improvements made have not so far been sufficient in our opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with our Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Exxon Mobil on their Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as LGIM considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, LGIM's engagement with the company continues. In terms of further voting activity, in 2022 LGIM supported two climate-related shareholder

Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. LGIM's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.

LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline

London workers. As these engagements failed to deliver change, LGIM then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living wage accredited employer.

This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. LGIM welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely.

Levels of individual typically engaged with include the Chair, the

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| | resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting LGIM's continued wish for the company to take sufficient action on climate change in line with their minimum expectations.<br><br>Levels of individual typically engaged with include lead independent director, investor relations, director and CFO. | in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.<br><br>Levels of director typically engaged with include the chair, the CEO, head of sustainability, and investor relations. | CEO, and head of investor relations. |
| Outcomes and next steps | Since 2021, LGIM have seen notable improvements from Exxon Mobil regarding LGIM's key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, and improved disclosure of lobbying activities. However, there are still key areas where LGIM require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. LGIM are also seeking further transparency | LGIM will continue engaging with BP on climate change, strategy and related governance topics. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss their concerns. | Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these actions which demonstrate the value the board places on its workforce. LGIM have asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff. |

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| | on their lobbying activities.<br><br>The company remains on LGIM's divestment list (for relevant funds), but LGIM's engagement with them continues. | | |

| **Partners Group – firm level** | **Case Study 1** | **Case Study 2** | **Case Study 3** |
|---|---|---|---|
| Name of entity engaged with | VSB Renewables Platform | Techem Metering GmbH | Civica |
| Topic | Environment - Climate change | Environment - Climate change | Social - Sustainability |
| Rationale | Size of holding in fund | Size of holding in fund | Size of holding in fund |
| What the investment manager has done | VSB initiated the "VSB Goes Green Initiative", which includes several ESG projects aimed at deepening the alignment of business units and employees with the climate friendly nature of the company. One of the initiatives include assessing Scope 1 and Scope 2 emissions with the support of an external advisor. VSB aims to reduce its carbon footprint.<br><br>The company has also initiated a comprehensive health and safety review to promote the well- | Techem completed a climate change engagement with an external advisor where a detailed greenhouse gas inventory was established including Scope 1, Scope 2 as well as material Scope 3 emissions. Initial carbon reduction opportunities were identified, and this analysis forms the basis for the development of Techem's carbon neutrality target.<br><br>In addition, the organization added health and safety terms in all contracts with suppliers in | Civica formalized its sustainability working group, which focuses on three areas: employees, customers and suppliers.<br><br>The company aims to build on its previous achievements on employee net promoter score (eNPS) and diversity and inclusion. The group's eNPS is over 50 and the company was placed 73rd in Europe in the 2021 Financial Times Diversity Leaders list.<br><br>Following the rise in COVID-19 cases in India, Civica increased its |

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| | being of its employees. | Germany, Poland and France to improve its oversight across its supply chain. | assistance in the region, including support for BAPS Shri Swaminarayan Mandir, which has established a dedicated, 500-bed hospital to provide medical assistance to the people of Vadodara. Civica also raised funds to support the setup of an intensive care unit to ensure patient access to ventilators, oxygen, food and medicine, while directly funding the purchase of patient monitors. |
| Outcomes and next steps | VSB completed a detailed assessment of its IT and cyber security setup across offices with an external consultant. VSB will make the necessary improvements based on the outcome of this engagement. | After successfully completing a detailed materiality assessment, Techem published its first Corporate Sustainability Report in June 2021, which highlights key ESG achievements and lays out a detailed sustainability roadmap for the company. In the roadmap, the company commits to the development of a carbon neutrality target by 2022 and to increase the number of women in management from 17% in 2020 to 35% in 2025. | The focus on employees also includes managing the environmental impact of their offices. In September 2021, Civica formalized its first carbon plan. |