

# *EC Harris Group Pension Scheme*

## *Implementation Statement, covering the Scheme Year from 6 April 2023 to 5 April 2024*

The Trustees of the EC Harris Group Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

### **1. Introduction**

The Trustees updated their voting and engagement policies in the SIP during the Scheme Year in July 2023.

The policy was updated to reflect the Trustees’ chosen stewardship priority of climate change (see further commentary on this in Section 2). As part of this update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees took a number of steps to review the Scheme’s existing managers and funds over the Scheme Year, as described in Section 2 below.

### **2. Voting and engagement**

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustees take ownership of the Scheme’s stewardship by monitoring and engaging with managers. As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q1 2023 meeting, the Trustees discussed and agreed that climate change would be the Scheme’s stewardship priority. This priority was selected as the Trustees believe that it reflects a key market-wide risk and is an area where good stewardship and engagement can improve long-term financial outcomes for the Scheme’s members. The Trustees communicated these priorities to its managers during the Scheme Year and at the same time communicated the Trustees’ more general expectations in relation to ESG factors, voting and engagement.

The Trustees regularly invite the Scheme’s investment managers to present at Trustee meetings. Over the Scheme Year, the Trustees met with Ruffer and Pyrford to discuss the Scheme’s investments. Ahead of the presentations, the Trustees reviewed LCP’s latest responsible investment (“RI”) scores and view of each manager’s responsible investment credentials. During presentations from Ruffer and Pyrford over the Scheme Year, the Trustees asked several questions about the managers’ RI practices and were satisfied with the answers they received.

The Trustees also monitor the RI scores of the Scheme’s investment managers on a quarterly basis as part of their regular investment monitoring.

Over the Scheme Year, the Trustees undertook a manager selection exercise for new low-risk bond mandates. In selecting and appointing the investment managers for this mandate, the Trustees reviewed the investment advisers’ RI assessments of the managers. The Trustee’s chosen investment managers all have strong RI credentials and all are signatories to the Net Zero Asset Managers Initiative. The short duration credit fund that the

Trustees selected has a target for carbon emissions reductions aligned to a net zero pathway. This aligns with the Trustee's new stewardship priority.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

### 3. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

In this section the Trustees have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that held equities as follows:

- Pyrford Global Total Return Fund; and
- Ruffer Absolute Return Fund.

We have also included commentary on the following funds, provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that may have had voting opportunities during the period:

- Alcentra European Direct Lending Fund III;
- Arcmont Direct Lending Fund III; and

We have not included the Columbia Threadneedle UK Equity-Linked Gilt Fund and Columbia Threadneedle Overseas Equity-Linked UK Gilts Fund since their equity components consist of synthetic exposure gained through futures contracts, rather than physical equity holdings (therefore they do not hold voting rights on the equities).

#### 3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which the managers have in place. The Trustees will monitor the voting policies of the Scheme's investment managers as part of the annual Implementation Statement, to ensure that they align with the Scheme's agreed stewardship priority (climate change). Overall the Trustees are satisfied that the investment managers' voting behaviour over the Scheme Year was aligned with the Scheme's stewardship priority.

The following wording was provided by Pyrford and Ruffer to describe their respective voting processes:

##### **Pyrford**

Pyrford's voting policy reflects the issues that it considers important in making investments. Pyrford seeks to invest in well financed companies with a strong management team and sound strategy which is capable of delivering attractive earnings and dividend growth over the long term. This practice will involve the active consideration of all relevant and material factors pertaining to ESG issues. Pyrford's policy is to consider every resolution individually and to vote on each issue. The sole criterion for reaching these voting decisions is being in the best interests of the client. This is part of Pyrford's broader fiduciary responsibility to its clients.

Pyrford does not consult with clients prior to voting, however, are always happy to hear its clients' views on upcoming votes.

Pyrford has appointed ISS Proxy Voting Services to monitor meetings data and to produce a voting schedule based upon individual client proxy voting guidelines, or Pyrford's guidelines where a client does not provide their own. While it considers ISS to be providing a 'proxy adviser' service, Pyrford's portfolio managers have the final authority to decide on how votes are cast in line with the relevant guidelines.

Pyrford believes that all proxy votes are important and aim to vote on all ballots received on behalf of its clients. All votes are reviewed by Pyrford's ESG Forum on a quarterly basis.

Pyrford does not have specific climate-related voting guidelines in its policy, though there are a number of guidelines framed to steer companies towards improving the sustainability of their operations. As signatories to the Net Zero Asset Managers Initiative (NZAMI), Pyrford's voting will increasingly focus on encouraging companies to develop their own net zero policies.

## Ruffer

It is Ruffer's policy to vote on Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions, as well as corporate actions. Ruffer endeavours to vote on the vast majority of its holdings but it retains discretion to not vote when it is in its clients' best interests (for example in markets where share blocking applies). Ruffer votes on its total shareholding of the companies held within its flagship funds. Voting on companies not held within these funds is subject to materiality considerations. Ruffer applies this policy to both domestic and international shares, reflecting the global nature of its investment approach.

To apply this policy, Ruffer works with various industry standards, organisations and initiatives and actively participate in debates within the industry, promoting the principles of active ownership and responsible investment. For example, Ruffer are signatories to the Principles for Responsible Investment (PRI), participate in several working groups at the Investment Association and, through its commitment to Climate Action 100+, have co-filed resolutions where Ruffer felt this was the most appropriate course of action.

Ruffer also has a specific section under its voting policy regarding climate change, specifically that it would support shareholder proposals for climate change reporting in line with the Financial Stability Board Task Force on Climate related Financial Disclosures (TCFD) and/or Task Force on Nature related Financial Disclosures (TNFD).

### 3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the Scheme Year is provided in the table below. Voting data is for the year ending 31 March 2024, the value of Scheme assets is as at 5 April 2024.

	Pyrford	Ruffer
Fund name	Pyrford Global Total Return Fund	Ruffer Absolute Return Fund
Total size of fund at end of the Scheme Year	c.£800m	c.£2.7bn
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	c.£3.0m (c.4.5% of assets)	c.£10.4m (c.15.5% of assets)
Number of equity holdings at end of the Scheme Year	64	61
Number of meetings eligible to vote	62	64
Number of resolutions eligible to vote	1,001	1,020
% of resolutions voted	94.3	100.0
Of the resolutions on which voted, % voted with management	94.6	94.9
Of the resolutions on which voted, % voted against management	5.4	3.1
Of the resolutions on which voted, % abstained from voting	0.0	2.0
Of the meetings in which the manager voted, % with at least one vote against management	60.0	26.6
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	3.1	9.6

### 3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below. The Trustees have largely interpreted "significant votes" to mean:

- votes in relation to the Trustees' chosen stewardship priority (climate change);
- votes where the holding that the vote relates to makes up a significant portion of the fund's portfolio; or
- votes against management.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustees believe that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

#### Pyrford

- **Novartis, September 2023**

**Summary of resolution:** Spin-off of Sandoz Group AG.

**Approx size of the holding at the date of the vote:** 0.53%.

**Why this vote is considered to be most significant:** Vote is in relation to a holding that made up a large proportion of the fund's portfolio.

**Fund manager vote:** For proposal (with management).

**Rationale:** The decision to spin-off Sandoz follows a considered and thorough strategic review of all the options available to the business. This corporate action will allow each company to pursue their own (differing) strategic ambitions, backed by independent capital structures and capital allocation policies that can be targeted to the individual needs of the business. The spin-off should allow greater focus on maximising value creation for shareholders of both companies.

**Was the vote communicated to the company ahead of the vote:** N/A (vote was with management).

**Outcome of the vote and next steps:** Passed. Where it is deemed necessary to follow up, Pyrford's portfolio managers will do so directly through a process of direct engagement with the company. In most cases, follow up is not required.

- **Intel Corp, May 2023**

**Summary of resolution:** Amend Omnibus Stock Plan.

**Approx size of the holding at the date of the vote:** 0.08%.

**Why this vote is considered to be most significant:** Vote was against management.

**Fund manager vote:** Against proposal (against management).

**Rationale:** Management should be incentivised to improve the operational performance of the company and only really benefit if meaningful shareholder value is created. With the share price at current levels this is yet to be achieved. The option for management to amend the omnibus stock plan, as well as the cost of the program, loose change-in-control language and the option for accelerated vesting all warranted a vote against this proposal. Management and shareholder interests should be closely aligned and warrant close future monitoring.

**Was the vote communicated to the company ahead of the vote:** No.

**Outcome of the vote and next steps:** Passed. Pyrford has confirmed that it intends to raise this resolution with the company at its next meeting in late 2024.

- **Brenntag, June 2023**

**Summary of resolution:** Elect named supervisory board member.

**Approx size of the holding at the date of the vote:** 0.32%.

**Why this vote is considered to be most significant:** Vote is in relation to a holding that made up a large proportion of the fund's portfolio.

**Fund manager vote:** For proposal (with management, against ISS recommendation).

**Rationale:** Pырford voted for the election of the named member to the Supervisory Board, against ISS (the voting rights advisor) recommendation. After reaching out to the company ahead of the AGM to make an informed voting decision, Pырford believes that the named member is the correct candidate to lead the Board because in their view; he did an excellent job as in previous CEO roles and has strong experience in Life Sciences sector benefitting Brenntag's shareholders.

**Was the vote communicated to the company ahead of the vote:** N/A (vote was with management).

**Outcome of the vote and next steps:** Passed. Where it is deemed necessary to follow up, Pырford's portfolio managers will do so directly through a process of direct engagement with the company. In most cases, follow up is not required.

- **SGS SA, March 2024**

**Summary of resolution:** Increase in share capital to issue a scrip dividend.

**Approx size of the holding at the date of the vote:** 0.27%.

**Why this vote is considered to be most significant:** Vote is in relation to a holding that made up a large proportion of the fund's portfolio.

**Fund manager vote:** For proposal (with management).

**Rationale:** The company has made the offer of a stable cash dividend but also with the option for shareholders to take a scrip dividend (giving investors the option to receive additional shares instead of a cash dividend). Pырford voted for this as they believe that the dilution is not too large, and the scrip should allow the company to retain balance sheet strength.

**Was the vote communicated to the company ahead of the vote:** N/A (vote was with management).

**Outcome of the vote and next steps:** Passed. Where it is deemed necessary to follow up, Pырford's portfolio managers will do so directly through a process of direct engagement with the company. In most cases, follow up is not required.

## Ruffer

- **BP Plc, April 2024**

**Summary of resolution:** Approve Shareholder Resolution on Climate Change Targets.

**Approx size of the holding at the date of the vote:** 0.48%.

**Why this vote is considered to be most significant:** Vote was in relation to the Trustees' chosen stewardship priority (climate change).

**Fund manager vote:** Against proposal (with management).

**Rationale:** This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Ruffer believed that the resolution would require a wholesale shift in strategy, which it believes is unnecessary given the Board has already published a strategy on net zero. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. Ruffer believed this burden to be unfair, particularly in the context of BP making long-cycle investment decisions.

**Was the vote communicated to the company ahead of the vote:** N/A (vote was with management).

**Outcome of the vote and next steps:** Failed. Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives. Ruffer supports management in their effort to provide clean, reliable and affordable energy.

- **Bayer AG, April 2023**

**Summary of resolution:** Approve Remuneration Report.

**Approx size of the holding at the date of the vote:** 0.19%.

**Why this vote is considered to be most significant:** Vote is in relation to a holding that made up a large proportion of the fund's portfolio.

**Fund manager vote:** For proposal (with management).

**Rationale:** Ruffer has voted against the remuneration report at the past two AGMs, however, decided to support the motion at this meeting. Ruffer believed that the company had made positive changes to its

senior management team, and has shown evidence of effective engagement with shareholders on remuneration in its report.

**Was the vote communicated to the company ahead of the vote:** N/A (vote was with management).

**Outcome of the vote and next steps:** Passed. Ruffer will continue to engage with the company on governance issues and vote on remuneration proposals where we deem it to have material impact to the company.

- **Swire Pacific, May 2023**

**Summary of resolution:** Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights

**Approx size of the holding at the date of the vote:** 0.28%.

**Why this vote is considered to be most significant:** Vote was against management.

**Fund manager vote:** Against proposal (against management).

**Rationale:** Ruffer thought the proposed issuance of volume equity or equity linked securities to the company's controlling shareholders without giving minority shareholders the opportunity to purchase new shares was a violation of shareholder rights as it posed the risk of their positions being diluted.

**Was the vote communicated to the company ahead of the vote:** No.

**Outcome of the vote and next steps:** Passed. Ruffer will continue to engage with the company on governance issues and feedback concerns around shareholders' rights.

- **ArcelorMittal, May 2023**

**Summary of resolution:** Re-election of named Director.

**Approx size of the holding at the date of the vote:** 0.29%.

**Why this vote is considered to be most significant:** Vote is in relation to a holding that made up a large proportion of the fund's portfolio.

**Fund manager vote:** For proposal (with management, against ISS recommendation).

**Rationale:** ISS believed that the re-election was not suitable as the named member is a member of two other boards. Ruffer believe that the named member's other commitments are not excessive and believe that they are still able to commit the time required for their role at the company.

**Was the vote communicated to the company ahead of the vote:** N/A (vote was with management).

**Outcome of the vote and next steps:** Passed. Ruffer will continue to engage with the company on governance issues and feedback our concerns on the representation on the Board.

### 3.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that may have had voting opportunities during the Scheme Year:

#### **Alcentra – European Direct Lending Fund III**

In relation to the Direct Lending Platform, as lenders, Alcentra typically does not participate in voting, but where it does have a representative on the board it would exercise our influence through such roles. In the limited occasions where Alcentra has equity holdings, it engages with the management team directly as well as via the board.

Loan and bond investments generally do not confer creditors voting rights unlike for equity holders. Where Alcentra has minority equity interests in deals it frequently isn't asked to vote as the corporate documents are set-up so that the sponsor can pass any shareholder resolutions needed without its participation in any event. Alcentra's rights are also usually limited to certain minority protections. Where Alcentra owns companies it exercises control by including language in the deal documentation requiring the board to seek investor consent for matters that it wants to approve as the manager. This is usually done via the Alcentra investor representative on the board (where relevant) rather than having a formal shareholder vote. Where voting rights exist, Alcentra will utilise these to

demonstrate its support for initiatives that benefit its end investors in accordance with a firm-wide commitment to furthering the development of ESG and honouring its position as signatories to bodies such as UN PRI and TCFD.

### **Arcmont – Direct Lending Fund III**

Given that Arcmont is a private debt asset manager, there is limited scope to participate in voting activities. Due to this, Arcmont does not have a formal voting policy or track voting activities. Note that Arcmont may be able to vote in limited instances where:

- investments take on an equity element and they are assigned voting board seats; or
- in the rare circumstances that Arcmont becomes a majority shareholder of the business. However, at the levels of co-investment that Arcmont participates in, and in the current market conditions, Arcmont is typically only granted votes on economic protections and structural changes to the equity, e.g. if a new class of shares is to be issued and Arcmont is diluted.