

Chartered Management Institute Retirement Benefits Scheme - Investment Accounting Disclosures - 31/3/20

Trustee 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-Financially Material considerations

Stewardship including the exercise of voting rights and engagement activities is 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 have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. They believe that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes they are investing in. However, the Trustees have not made an explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with their responsibilities to the beneficiaries of the Scheme with the help of their investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustees will only invest with investment managers that are a signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

- *Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;*
- *Use ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and*
- *Request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.*

If the Trustees determine that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

Non-Financially Material Considerations

The Trustees have not considered non-financially material matters in the selection, retention and realisation of investments.

Voting and Engagement

The Trustees are 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. The full details of these findings can be found in the report titled 'Implementation Statement: Voting & Engagement Information (VEI)'.

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 is set out below in the Statement of Investment Principles ('SIP') dated September 2019:

The Trustees' 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 Trustees' behalf, having regard to the best financial interests of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should engage with companies to take account of ESG factors in the exercise of such rights. The Trustees will review the investment managers' voting policies, with the help of their investment consultant, and decide if they are appropriate. If they are not appropriate, the Trustees will engage with the investment manager, with the help of their investment consultant, to influence the investment managers' policy. If this fails, the Trustees will review the investments made with the investment manager.

The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

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 | Investment Made Via | Scheme / Inv Type | Period Start Date | Period End Date | 'Proxy Voter' Used? |
|------------------------|---|---------------------|-------------------|-------------------|-----------------|---------------------|
| Columbia Threadneedle | Pensions Property Fund | Mobius | DB Fund | 01/04/19 | 31/03/20 | N/A |
| JP Morgan | Unconstrained Bond Fund | Mobius | DB Fund | 01/04/19 | 20/06/19 | N/A |
| LGIM | Dynamic Diversified Fund | Mobius | DB Fund | 01/04/19 | 31/03/20 | ISS |
| LGIM | LDI Matching Core Funds (4 Funds) | Mobius | DB Fund | 01/04/19 | 31/03/20 | N/A |
| LGIM | World Emerging Markets Equity Index Fund | Mobius | DB Fund | 01/04/19 | 31/03/20 | ISS |
| LGIM | World Equity Index Fund | Mobius | DB Fund | 01/04/19 | 31/03/20 | ISS |
| LGIM | World Equity Index Fund – GBP Currency Hedged | Mobius | DB Fund | 01/04/19 | 31/03/20 | ISS |
| Partners Group | Generations Fund | Mobius | DB Fund | 04/10/19 | 31/03/20 | Glass Lewis |
| Payden & Rygel | Absolute Return Bond Fund | Mobius | DB Fund | 01/04/19 | 31/03/20 | N/A |
| Vontobel | TwentyFour Strategic Income Fund | Mobius | DB Fund | 20/06/19 | 31/03/20 | N/A |
| Scottish Widows | AVC product | Direct | AVC Product | 01/04/19 | 31/03/20 | ? |
| Canada Life | Annuity product | Direct | Annuity | 01/04/19 | 31/03/20 | N/A |
| Legal & General | Annuity product | Direct | Annuity | 01/04/19 | 31/03/20 | N/A |
| Phoenix Life | Annuity product | Direct | Annuity | 01/04/19 | 31/03/20 | ? |
| Scottish Widows | Annuity product | Direct | Annuity | 01/04/19 | 31/03/20 | ? |

⚠ Not confirmed by Manager N/A = not applicable

ISS and Glass Lewis are proxy voting services.

Exercise of voting rights

The voting activity was requested from all of the Scheme's managers, where appropriate.

It was determined that Columbia Threadneedle, Vontobel, JP Morgan and Payden & Rygel had no voting information to report. Annuity providers Legal & General and Canada Life confirmed there was no reportable voting information. Phoenix Life and Scottish Widows did not respond to Minerva's request for voting information therefore no assessment can be made if they followed the Trustees' voting policy. Please see section on 'Outstanding Information' for further details.

Due to a lack of detailed voting records from Legal & General Investment Management ('LGIM'), Minerva has been unable to undertake an assessment on the extent to which LGIM's voting activity has followed the Trustees' policy. However, Minerva were able to conclude that LGIM's voting policies and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices.

Due to a lack of detailed voting records from Partners Group, Minerva has been unable to undertake an assessment on the extent to which the managers voting activity has followed the Trustees' policy.

The Trustees receives reports from each of its fund managers on their voting and stewardship policies with the exception of AVC and annuity providers and believes the managers' policies are aligned with the Trustees' own policies.

Manager Voting Behaviour

The Trustees believe 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 each manager where 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 | Dynamic Diversified Fund | 8,053 | 84,927 | 97.1% | 82.2% | 17.5% | 0.3% |
| | World Emerging Markets Index Fund | 1,480 | 13,642 | 95.4% | 81.8% | 17.0% | 1.2% |
| | World Equity Index Fund (incl. Hedged) | 2,436 | 29,940 | 98.1% | 82.8% | 17.1% | 0.1% |
| Partners Group | Generations Fund | 7 | 69 | 100.0% | 96.0% | 4.0% | 0.0% |

Significant Votes

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 | Only firm-level engagements reported | BP PLC | 21/05/19 | Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures. | For | Passed | Manager identified | 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. |
| | | EssilorLuxottica | 16/05/19 | Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director | For | Defeated | Manager identification | Followed an internal disagreement between the two heads of the merged entity, two of the company's shareholders - Comgest and Valoptec - put forward three board nominees in a bid to break the impasse. LGIM publicly announced its support. |
| | | 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. |
| | | FirstGroup plc | 25-Jun-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. |
| Partners Group | Generations Fund | Wendel | 16/05/2019 | The vote was regarding the independence of the board of director, the compensation policy of management as well as the board of directs. | Against | In favour of management | Size of the holding in the fund | Partners Group believe that the board should be independent in order to oversee management objectively. The compensation should incentivize management to generate high performance and in this case, management would have been eligible for bonus even if the performance is below the median of the peer group. |

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 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 | |
|--|----------------------------------|--------|----------------------|-----------------|-------|---------|---------------|--------|----------------|----------------|--------|----------|-------------|--|
| Manager | Fund | Number | Corporate Governance | | | | | | | Sustainability | | Resolved | Outstanding | |
| | | | Strategy | Audit & Report. | Board | Capital | Corp. Actions | Remun. | Shrhldr Rights | Environ'tal | Social | | | |
| Columbia Threadneedle | Pensions Property Fund | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | |
| LGIM | Firm-level data only | 739 | 13% | 2% | 19% | 3% | 3% | 28% | 2% | 34% | 37% | ? | ? | |
| Partners Group | Generations Fund | 8 | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | ? | |
| Vontobel | TwentyFour Strategic Income Fund | 9 | 2 | 0 | 1 | 1 | 0 | 1 | 2 | 2 | 4 | 67% | 33% | |

⚠ Not confirmed by Manager

Vontobel have provided a few high-level examples of the engagements in the table below:

| Companies | Details of the Engagements |
|---------------------|--|
| Turkish Corporates | Vontobel decided to exit positions in a number of Turkish corporate investments due to 'Governance' issues at a country level |
| Petróleos Mexicanos | Vontobel wrote to the company to get further details on articles in the press regarding deaths from pipeline explosions and concerns over pay and labour rights. At the time of reporting engagements, they had yet to receive a response from the company, and as such noted the lack of engagement from the management, adjusting their ESG score for the company accordingly. |

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 |
|------------------------|---|----------------------------------|------------------------|---------------------------|--------------------------------|
| Columbia Threadneedle | Pensions Property Fund | ✓* | ✓ | ✓ | ✓ |
| JP Morgan | Unconstrained Bond Fund | ✓* | ✓ | ✓ | ✓ |
| LGIM | Dynamic Diversified Fund | ✓* | ✓ | ✓ | ✓ |
| LGIM | LDI Matching Core Funds (4 Funds) | ✓* | ✓ | ✓ | ✓ |
| LGIM | World Emerging Markets Equity Index Fund | ✓* | ✓ | ✓ | ✓ |
| LGIM | World Equity Index Fund | ✓* | ✓ | ✓ | ✓ |
| LGIM | World Equity Index Fund – GBP Currency Hedged | ✓* | ✓ | ✓ | ✓ |
| Partners Group | Generations Fund | ✓ | ✓ | ✓ | ✓ |
| Payden & Rygel | Absolute Return Bond Fund | ✓* | ✓ | ✓ | ✓ |
| Vontobel | TwentyFour Strategic Income Fund | ✓ | ✓ | ✓ | ✓ |
| Scottish Widows | AVC product | ✓ | ✗ | ✗ | ✗ |
| Canada Life | Annuity product | ✓ | ✓ | ✓ | ✓ |
| Legal & General | Annuity product | ✓ | ✓ | ✓ | ✓ |
| Phoenix Life | Annuity product | ✓ | ✗ | ✗ | ✗ |
| Scottish Widows | Annuity product | ✓ | ✗ | ✗ | ✗ |

✓ Positive response ✓* Partial response ✗ Negative response ✓ No information to report

* The partial response refers to Minerva requesting data via the Mobius Life platform, who acknowledged the request, but the managers did not provide a direct response to Minerva.

Conclusion

This statement has shown that partial information has been provided by some of the managers and an assessment of whether they have followed the Trustees policies cannot be made. From the engagement information Vontobel provided, Minerva was able to confirm that the manager followed the Trustees' engagement policy. Payden & Rygel, Columbia Threadneedle, JP Morgan and Vontobel confirmed to Minerva that there was no voting information to report. Minerva was able to conclude that LGIM's voting policies and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices and the engagements conducted and the topics covered during the reporting year are in line with their engagement policy and the objectives set by the manager. Annuity providers Legal & General and Canada Life confirmed there was no reportable information.

With the help of its Investment Consultant the Trustees will engage with their managers to provide more information going forward.