

THE MIDAS GROUP PENSION AND LIFE ASSURANCE
SCHEME
ENGAGEMENT POLICY IMPLEMENTATION STATEMENT
OCTOBER 2020

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1. Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 5 April 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.

2. Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustee’s primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

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 objectives set out above provide a framework for the Trustees when making investment decisions.

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.

3. Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustee’s policies on 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 policy was updated in August 2019 (and further updated in September 2020).

In order to establish these policies, the Trustees discussed ESG and the latest regulatory requirements governing the inclusion of ESG policies and agreed a new SIP setting these policies out in August 2019. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

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 accordingly.

4. Scheme's Investment Structure

The Scheme's only investment is 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. As such, the Trustee has no direct relationship with the Scheme's underlying investment managers.

5. Engagement

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. Managers will be expected to report on their own ESG policies as and when requested by the Trustees.

The Trustees also received details of relevant engagement activity for the year from the Scheme's investment managers, as part of regular reporting and presentations.

- 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). 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.
 - **Ninety One (Diversified Growth Fund)** have been a signatory of the UN sponsored PRI since 2008, with consistent high scored in the annual assessments. Ninety One are one of the largest investors on the African continent, with dedicated in-house ESG, legal and operational teams. Hendrik du Toit, CEO of Investec Group is an appointed commissioner of the Global Commission on Business and Sustainable Development, highlighting the importance of poverty reduction and sustainable development.

6. Voting Activity

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustees have therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately 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 ultimately 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 years' statement.

Fund	Proxy voter used?	Votes cast	Most significant votes (description)	Significant vote examples	Fund	Proxy voter used?
Threadneedle Multi Asset Fund	ISS – for voting execution and recommendations IVIS – recommendations only Glass Lewis – recommendations only	7333 eligible for (99% cast)	587	440	Significant votes are dissenting votes, i.e., where a vote is cast against (or abstained from) a management – tabled proposal or where support is given to a shareholder – tabled proposal not supported by management.	<i>Adobe Inc.</i> – a vote 'for' was cast to provide Shareholder resolution regarding a report on gender pay gap, specifically to encourage the company to increase disclosure of material, decision-useful data. <i>Alexion Pharmaceuticals, Inc.</i> - a vote 'against' was cast for the election of a Director as there were concerns with a number of that Director's outside commitments.

Fund	Proxy voter used?	Votes cast	Most significant votes (description)	Significant vote examples	Fund	Proxy voter used?
Ninety One Diversified Growth Fund	/ISS for recommendations only.	1670	84	24	Votes where there was significant client, media or political interest, those of a thematic nature (i.e., climate change), and significant corporate transactions.	<i>Naspers – South African Internet Group –</i> AGM & EGM on 23 August 2019 with a management proposal related to capitalisation. Ninety One continue to monitor less severe conflict of interest risks with Ninety One/Investec board members. The ESG team maintains a map of board memberships. For AGM & EGM, the ESG team voted the meeting per client instructions. Resolutions were passed by a majority.
Nordea Diversified Return Fund	/ISS for technical expertise, voting platform and analysis.	1122	58	7	Significant votes are those that are severely against our principles, and where we feel we need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, we benchmark the proposals against our policy.	Alphabet - At the Alphabet AGM we supported a number of shareholder proposals, besides Establishment of a risk oversight committee, such as Report on takedown requests and Report on whistleblower policies and practices. Management voting recommendations was against on all these proposals. The dominant position of Google, its impact on society and integrity of individuals is very important for us as investors.
Pictet Multi Asset Portfolio	/ISS for research and the facilitate the execution of voting decisions.	362	20	0	We consider 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 we hold an important stake in the company.	Tuftons - We supported the ISS recommendation on the resolution to vote against re-electing Robert King as director. Rationale: Lack of diversity in the board and Robert King holding more than five mandates and as such classified as “overboarded”. Outcome: Although the appointment of Robert King was re-elected, 17.86% of the votes cast were against.

*The BMO Equity-Linked LDI, Ninety One Global Total Return Credit Fund, and Payden Absolute Return Bond Fund did not make any votes over the year.