

Ecclesiastical Insurance Office Plc Staff Retirement Benefit Fund – 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 Trustee has been followed during the year to 31 December 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 2019 (as amended) and the guidance published by the Pensions Regulator.

Investment Objectives of the Fund

The Trustees believe it is important to consider the engagement policy in place in the context of the investment objectives they have set. The objectives of the Fund included in the SIP are as follows:

- to ensure that the Fund can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to manage the expected volatility of the returns achieved in order to control volatility in the Fund's overall funding level.

Policy on ESG, Stewardship and Climate Change

The Fund's 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. This was last reviewed in January 2021.

In 2020 the Trustees reviewed their ESG policy, and revised the Responsible and Sustainable Investment Policy with regards to the Fund's equity exposure. This includes an "absence of harm" screening process, excluding companies whose activities may be inconsistent with the wider values of the Fund's beneficiaries, as well as an aspiration to reduce the portfolio's carbon intensity over time. Full details are outlined in the SIP. Where they are not covered by the Responsible and Sustainable Investment Policy, the Trustees have given their appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and 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.

The following sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Engagement

- The Trustees requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. Both of the Fund's investment managers confirmed that they were signatories of the then-current UK Stewardship Code and planned 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.
- The Trustees received details of relevant engagement activity for the year to 31 December 2020 from EdenTree, covering a wide range of different issues, including ESG factors. Examples of this are given below. Insight manages a portfolio of LDI pooled funds for which engagement activities are not applicable.
- EdenTree engaged in 168 ESG issues during the year, of which 13% were proxy voting related, 55% thematic engagement, 23% screening related and 9% reactive & controversy related. In terms of engagement types, the most predominant were associated with environmental topics (32% of total engagements), governance issues (23%) and social focus (17%).

Voting Activity

The Trustees have delegated their voting rights to the investment managers.

Investment managers are expected to provide voting summary reporting on a regular basis, at least annually. The Trustee did not use the direct services of a proxy voter over the year.

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

EdenTree

UK and Overseas equities:

For its UK portfolio, all proxy voting is conducted wholly in-house by EdenTree's Research Investment team, using research provided by IVIS. The Overseas equities portfolio uses the services of Glass Lewis & Co, Inc to vote on its behalf.

EdenTree stated that it votes at all meetings in all markets, and therefore does not define or identify 'significant votes'. The votes undertaken over 2020 are summarised below.

Fund	Number of meetings in which the manager was eligible to vote	Number of resolutions in which the manager was eligible to vote	% of votes against management	% of abstentions	Reason for vote against management/ abstention
UK equities	214	3,243	8%	1%	-Remuneration Report (54%) - Board Balance (27%) - Other (19%)
Overseas Equities	185	2,299	12%	1%	- Executive Compensation (23%) - Board Balance (39%) - Shareholder Capital Issues (13%) - Other (26%)