

Accent Group Pension Scheme – 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 5 April 2022. 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, as amended, and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. The objectives of the Scheme included in the SIP are as follows:

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 Trustee also aims to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustee also ensures that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy and beliefs on Environmental, Social and Governance ('ESG') factors, stewardship and Climate Change and the processes followed by the Trustee in relation to voting rights and stewardship. These are set out in Appendix 1 to this Statement.

Over the course of the Scheme Year, the SIP was updated on 18 January 2022, to reflect a change to the Scheme's investment strategy. This new SIP replaced the previous version from 7 December 2020, although didn't result in a change to the above policies.

The Trustee also commissioned Mercer to produce a summary of the approach taken in relation to climate change by the funds in which the Scheme is invested. This was reviewed by the Investment Sub-Committee (ISC) at its 21 April 2022 meeting and the ISC concluded that it was satisfied that all funds were taking appropriate steps to manage this risk.

Engagement

Mercer's investment performance report is reviewed by the Trustee on a quarterly basis. This includes Mercer's ratings (both the general and ESG specific rating) and enables the Trustee to determine whether further action should be taken in respect of specific funds. The Trustee is satisfied that Mercer's ESG scores for the Scheme's managers are satisfactory.

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When implementing a new manager the Trustee considers the ESG rating of the manager, and this was part of the process to implement new Multi Asset Credit managers during the Scheme Year.

A further update will be provided in next year's Statement.

Voting Activity

Where the Trustee is specifically invited to vote on a matter relating to the corporate policy, it will exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's members.

Over the Scheme year, the Trustee has not been asked to vote on any specific matters and have therefore not cast any votes.

The Scheme only invests in pooled funds and therefore the Trustee has no direct voting rights in relation to the Scheme's investments.

Nevertheless, Appendix 2 of this Statement sets out a summary of the key voting activity of the pooled funds in which the Scheme's assets are invested for which voting is possible (i.e. those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote, and examples of these. The Trustee has no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will continue to take on board industry activity in this area before the production of next year's' statement.

Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2022

The Trustee is satisfied that the Engagement Policies set out in the SIPs which have been in place over the year have been followed.

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Appendix A – Trustees’ Policies on ESG factors, stewardship and Climate Change

Financially Material Considerations

The Trustee considers many risks which they anticipate could have an impact on the financial performance of the Scheme’s investments over the Scheme’s expected lifetime. Such risks are set out in the next section of this statement.

The Trustee recognises that environmental, social and corporate governance (“ESG”) factors, including but not limited to climate change, can influence the investment risk and return outcomes of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

The Trustee further recognises that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken. Therefore, other factors being equal, the Trustee would seek to invest in funds which incorporate ESG principles.

In setting their investment strategy, the Trustee has prioritised funds which provide leveraged protection against movements in the Scheme’s liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be paramount.

The Trustee notes that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Scheme invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

In addition, the Scheme invests in a passively managed Emerging Market equity fund which tracks a reference index. Though this fund does not explicitly consider ESG within security selection, the Trustee has selected a manager with a strong stewardship team which actively engages with companies on all ESG aspects.

The Trustee expects the importance of ESG considerations will increase over time and have therefore added this as a standing agenda item to their Investment Subcommittee meetings to make sure that their policy evolves in line with emerging trends and developments.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

Non-Financial Matters

The Trustee has determined that the financial interests of the Scheme members are their first priority when choosing investments.

It has decided not to consider non-financial considerations, such as ethical views, or to take members’ preferences into account when setting the investment strategy for the Scheme.

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Stewardship

The Scheme is invested solely in pooled investment funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

The Trustee notes that the investment managers' corporate governance policies are available on request and on their respective websites.

If the Trustee is specifically invited to vote on a matter relating to corporate policy, it would exercise its right in accordance with what it believes to be the best interests of the majority of the Scheme's membership.

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Appendix B - Voting Activity

The Scheme does not hold any equities directly and the Trustee has not been asked to vote on any specific matters over the Scheme year. Nevertheless, this Appendix sets out a summary of the key voting activity of the pooled funds in which the Scheme's assets are ultimately invested for which voting is possible.

We note that best practice in developing a statement on voting and engagement activity is evolving and we consider relevant developments before the production of next year's' statement.

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
LGIM World Emerging Markets Equity Index	<p>LGIM's Investment Stewardship team uses Institutional Shareholder Services (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares.</p> <p>The use of ISS recommendations is purely to augment internal research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the ISS research reports for UK companies when making specific voting decisions.</p> <p>All voting decisions are made by LGIM and they do</p>	34237 resolutions eligible for (99.8% votes cast)	16.7% of votes cast	2.2% of votes cast	<p>In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> - High profile vote which has such a degree of controversy that there is high client and/or public scrutiny; - Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where they note a significant increase in requests from clients on a particular vote; - Sanction vote as a result of a direct or collaborative engagement; - Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes. 	<p>Alibaba Group Holding Limited – a vote 'against' electing Joseph C Tsai as director.</p> <p>Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 have voted against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO (available on LGIM's website), and have reinforced their position on leadership structures across stewardship activities – e.g. via individual corporate engagements and director conferences.</p> <p>Outcome of vote: 73.6% of shareholders the resolution.</p> <p>Implications: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p> <p>Significance: 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).</p>

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	not outsource any part of the strategic decisions.					
Pictet Dynamic Asset Allocation Fund	<p>ISS provide research and facilitate the execution of voting decisions at all relevant company meetings worldwide.</p> <p>ISS recommendations are communicated to relevant Investment teams and Pictet's in-house ESG team.</p> <p>ISS recommendations inform voting decisions but Pictet may deviate from third party voting recommendations on a case by case basis. Such divergences may be initiated by Investment teams or by the ESG team and will be supported by detailed written rationale.</p>	447 votes (99.3% of those eligible for)	5.4% of votes cast	0.4% of votes cast	<p>Pictet 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 they hold an important stake in the company.</p>	<p>Apple – a vote 'against' an Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Rationale: Pictet voted AGAINST this proposal, due to concerns around equity award design and pay magnitude. While the CEO's FY21 equity award marks his first LTI award since his mega award 10 years ago, half of the \$75 million award is purely time-based, and the award would continue to vest in full in the event of his retirement. Further, the company does not disclose that the award is intended to cover multiple years of future awards, despite its large size, and CEO Cook received another sizable grant of equity after the end of the fiscal year. In addition, notwithstanding that Apple is the largest company in its peer group, other NEOs consistently receive equity awards with values that approach the median total CEO pay of peers, and CEO Cook's relatively high base salary contributes to significant STI payout opportunities.</p> <p>Outcome of vote: The resolution was approved.</p> <p>Implications: Pictet noted the outcome of the vote. Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.</p> <p>Significance: This resolution is significant because they voted against management.</p>
Pictet Multi Asset Portfolio	As above	565 resolutions (99.5% votes cast)	4.1% of votes cast	0.4% of votes cast	As above	<p>American Express Company- Vote FOR a shareholder resolution to publish annually a report assessing diversity, equity, and inclusion efforts.</p> <p>Rationale: Pictet supported this proposal, against the recommendation of management, as they agreed with the proponents that while American Express is taking meaningful steps to increase its workforce diversity and promote inclusion, the</p>

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						<p>company's reporting of its diversity statistics falls short of disaggregating data in line with the ten job categories outlined by the EEOC, and, as pointed out by the exempt solicitation, lags behind some peers.</p> <p>Improvement in disclosure would benefit shareholders in assessing the company's long-term value and reputational and legal risks associated with discrimination.</p> <p>Outcome: The resolution was approved.</p> <p>Implications: Where they believe the subject of the vote could present a material concern from an ESG perspective, they will continue to monitor and engage with the company. If warranted, they will consider actions as part of their escalation strategy, including future voting decisions.</p> <p>Significance: This resolution is significant because they voted against management.</p>
Newton Real Return Fund	<p>Newton utilise ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings.</p> <p>All voting decisions are made by Newton and only in the event where there is a potential material conflict of interest is the voting recommendation of ISS followed.</p>	1307 resolutions eligible for (99.2% votes cast)	14.6% of votes cast	0.0% of votes cast	<p>Newton regard as material issues all votes against management, including where they support shareholder resolutions that the company's management are recommending voting against. As an active manager, they invest in companies they believe will support the long term performance objectives of clients. By doing so, they are making a positive statement about the business, the management of risks and the quality of management. Voting against management, therefore, is a strong statement that they think there are areas for improvement. As such, by not supporting management, they think that this is material, which is different to a passive investor where there is no automatic assumption of a positive intent in ownership. As</p>	<p>LEG Immobilien AG – a vote 'against' approving remuneration policy.</p> <p>Rationale: Newton voted against the proposed pay arrangements on account of their lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, they were concerned that long-term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention, due to these generally being one-off in nature</p> <p>Outcome of vote: 22.2% against the approval of the Remuneration Policy</p>

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	Newton do not maintain a rigid voting policy and their RI team takes into account the specific circumstances relating to each case.				such, they report publicly the rationale for each instance they have voted against the recommendation of the underlying company's management.	<p>Implications: The vote outcome is considered significant owing to more than 20% of votes being instructed against its approval. It is likely that the company will seek to address concerns in an effort to avoid similar or higher future dissent.</p> <p>Significance: Newton believes investor scrutiny of pay arrangements is increasing. The significance of the high vote against is important to note given that a majority of pay proposals from companies rarely see such high levels of dissent.</p>

Source: Based on information from the Investment Managers