

Agfa UK Group Pension Plan - Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Agfa UK Group Pension Plan's Stewardship Policy for the year ending 31 March 2021

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Plan's Stewardship Policy during the period from 1 April 2020 to 31 March 2021.

Stewardship policy

The Trustee Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Plan's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Plan's Stewardship Policy is reviewed on an annual basis in line with the Plan's Statement of Investment Principles (SIP) review which was last completed on 10 September 2020.

You can review the Plan Stewardship Policy which can be found within the Plan's Statement of Investment Principles, available at <https://v3.merceroneview.co.uk/AGFAPENSIONS/education-centre/4731>.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with their investment advisers. The Trustee will aim to meet with its managers on an annual basis and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors its compliance with its Stewardship Policy on a regular basis and is satisfied that they have complied with the Plan's Stewardship Policy over the last year.

Voting activity

The Trustee seeks to ensure that its managers are exercising voting rights and where appropriate, to monitor managers' voting patterns. The Trustee also monitors investment managers voting on particular companies or issues that affect more than one company.

The Trustee has investment in equity assets through two different mandates, a set of passive BNP equity funds and the Threadneedle Pensions UK Equity Fund. The investment managers have reported on how votes were cast in each of these mandates as set out in the tables 1 and 2 below.

Table 1: BNP passive equity voting data

BNP MSCI Europe ex. UK (1)	
BNP MSCI North America (2)	
BNP MSCI Japan (3)	
BNP MSCI Pacific ex. Japan (4)	
Proportion of Plan assets as at 31 March 2021	15.8%
Did the manager employ the house voting policy in managing the fund?	Yes
Was use made of any proxy voting service during the year?	Yes – ISS and Proxinvest, used for research purposes
No. of meetings eligible to vote at during the year	1,595
No. of resolutions eligible to vote on during the year	21,110
% of resolutions voted	54.7%
% of resolutions voted with management	(1) 77.9% (2) 44.4% (3) 62.3% (4) 72.2%
% of resolutions voted against management	(1) 22.1% (2) 55.6% (3) 37.8% (4) 27.8%
% of resolutions abstained	3.5%
% of meetings with at least one vote against management, withhold, or abstain	41.4%

Table 2: Threadneedle voting data

Threadneedle Pensions UK Equity Fund	
Proportion of Plan assets as at 31 March 2021	14.0%
Did the manager employ the house voting policy in managing the fund?	Yes
Was use made of any proxy voting service during the year?	Yes – ISS and Glass Lewis
No. of holdings in the fund at year end	140
No. of meetings eligible to vote at during the year	173
No. of resolutions eligible to vote on during the year	2,663
% of resolutions voted	100.0%
% of resolutions voted with management	95.7%
% of resolutions voted against management	1.6%
% of resolutions abstained	2.7%

% of meetings with at least one vote against management	35.8%
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Significant votes

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. From the managers' reports, the Trustee has requested the managers' significant voting data and they are outlined in tables 3 and 4 below. BNP Asset Management ("BNP AM") carry out the voting activity on behalf of BNP.

Table 3: BNP significant votes

Date	Company	Subject (theme and summary)	Manager's vote and rationale	Why considered significant
19/05/2021	Royal Dutch Shell Plc	Request Shell to set and publish greenhouse gas emissions targets	<p>BNP AM abstained.</p> <p>Shell announced its ambition to become a net-zero emissions energy business by 2050. BNP welcomed the company's announcement and responsiveness to Climate Action 100+ request.</p> <p>BNP AM abstained in order to recognise Shell's responsiveness to the underlying concerns around climate change, as the company had made substantial progress on climate as demonstrated by its recent announcement.</p>	One of only two proposals in relation to climate change, where BNP AM have abstained.
29/05/2020	Total SE	Instruct Total to set and publish targets for greenhouse gas emissions	<p>BNP AM abstained.</p> <p>BNP welcome targets on absolute emissions, however, believe that they need to provide the company with appropriate flexibility on how it expects to align its activity with the aims of the Paris agreement.</p> <p>Due to Total's tangible commitments and positive</p>	One of only two proposals in relation to climate change, where BNP AM have abstained.

			response to investors' recent demands, BNP AM voted abstain on the proposal.	
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Table 4: Threadneedle significant votes

Date	Company	Size of fund's holding	Subject (theme and summary)	Manager's vote and rationale	Why considered significant
12/05/2020	Reckitt-Benckiser Group	2.54%	Approve Remuneration Report	Threadneedle voted to abstain. Rationale was that there were concerns around quantum of pay.	Was a vote against management.
07/05/2020	Barclays	1.75%	Approve ShareAction proposal regarding coal financing	Threadneedle voted for the proposal. Rationale was that firm policies regarding coal financing is in the shareholders' interest.	The vote was not in line with management.
18/09/2020	Pearson	1.50%	Approve remuneration policy	Threadneedle voted for the proposal. Rationale was that Threadneedle believe incentivising new CEO appropriately is critical for a company's future success.	Significant level of dissent.
26/06/2020	Tesco	1.28%	Approve remuneration report	Threadneedle voted against the proposal. Rationale was that there was an ex post adjustment to long-term performance metrics.	Was a vote against management.
26/06/2020	Tesco	1.28%	Re-elect Steve Golsby as Director	Threadneedle voted to abstain. Rationale was that there were concerns with the remuneration.	Was a vote against management.

Engagement activity

The Trustee holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with both of their managers. The Trustee has discussed the following issues over the course of the year.

Date	Fund manager	Subject discussed	Outcome
25 March 2021	BNP	<ul style="list-style-type: none"> Fund performance Value added from ESG ESG screens in stock picking Investor fees as a large holder 	Overall, there were no concerns with BNP as a passive manager.
25 March 2021	Threadneedle	<ul style="list-style-type: none"> Fund performance Impact of COVID-19 Attractiveness of UK equities compared to non-UK equities ESG credentials Engagement and voting case study 	Trustees to consider the balance and opportunity set between UK and global equities.

Summary of manager engagement activity

The following table summarises the key engagement activity for the 12-month period ending 31 March 2021.

Manager: Fund	Number of engagements	Topics engaged on
BNP MSCI Europe ex. UK BNP MSCI North America BNP MSCI Japan BNP MSCI Pacific ex. Japan	21,110 eligible resolutions to vote on. Voted on 54.7%.	Board composition, COVID-19, Independence of board of directors, Executive compensation, ESG matters
Threadneedle Pensions UK Equity Fund	2,663 eligible resolutions to vote on. Voted on 100%.	Employee welfare, Corporate governance, Sustainability disclosures, Strategy

Review of policies

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Plan.

Tom Clark - Chair of Trustees
16 September 2021