



# Binding Site Limited Pension Fund ('Scheme')

30 September 2023 Implementation  
Statement

February 2024

# 1. Introduction

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The Trustee is required to make publicly available online a statement (“the Implementation Statement”) covering the Binding Site Limited Pension Fund (the ‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was last reviewed and updated during the year ending 30 September 2022, and the changes made were predominantly to reflect the appointment of Schroders IS Limited as Fiduciary Manager for the Scheme. The Trustee is looking to update the SIP in the first half of 2024, to reflect soon to be agreed specific engagement priorities and an enhanced stewardship policy, in response to DWP guidelines.

This current SIP came into force from November 2021.

A copy of the current SIP signed and dated 26 November 2021 can be found here:

<https://www.bindingsite.com/en/legal>

This Implementation Statement covers the Scheme year from 1 October 2022 to 30 September 2023 (the “Scheme Year”). It sets out:

- How the Trustee’s policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A new set of guidance (“the Guidance”) from the Department for Work and Pensions (“DWP”) has been issued with a series of statutory & non-statutory guidance. They aim to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme’s SIP. This Implementation Statement has been prepared to provide the details on how the Trustee of the Scheme, with the help of the Scheme’s Fiduciary Manager, has complied with the new statutory guidance set by DWP.

A copy of this Implementation Statement is available on the following website:

<https://www.bindingsite.com/en/legal>

## 2. How the Trustee’s policies on exercising voting rights and engagements have been followed over the Scheme Year

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The Trustee uses the Fiduciary Management service of **Schroders IS Limited** as their Investment Manager and Adviser (it is referred to as the “**Fiduciary Manager**” in the Implementation Statement). Schroders Group, a global asset manager, has a long history of engagement and active ownership, dating back to 1998 when it appointed its first governance resource, and has recorded and monitored ESG engagements since then.

- Signatory to the UK Stewardship code
- A+ rating for UN Principles for Responsible Investment
- A- rating for Carbon Disclosure Project
- Advanced ESG recognition from Morningstar
- Engagement Blueprint awarded ESG Engagement Initiative of the Year at Environmental Finance’s Sustainable Investment Awards 2022
- Best Investor Engagement recognition from IR Society Best Practice Award for 2021

The Fiduciary Manager can appoint other investment managers to manage part of the Scheme’s assets (these are referred to as “**Underlying Investment Managers**”). The Scheme invests in some assets with voting rights attached (e.g. equities) and with engagement possible in relation to most asset classes. Whilst the Trustee has delegated responsibility to the Fiduciary Manager and Underlying Managers for voting and engaging on its behalf, the Trustee regularly reviews the approach and stewardship policies of the Fiduciary Manager to ensure they are aligned with the Trustee’s beliefs and objectives.

A copy of the Scheme’s SIP has been provided to the Fiduciary Manager, and the Fiduciary Manager is expected to follow the Trustee’s investment policies when providing Fiduciary Management services. However, given that the investments with the Underlying Investment Managers are generally made via pooled funds (where the Scheme’s investments are pooled with those of other investors), the Fiduciary Manager does not have direct control over voting or engaging with the companies that issue the underlying securities. This process lies with the Underlying Investment Manager, who may have different engagement priorities than the Trustee. Therefore, the Trustee requires the Fiduciary Manager to integrate stewardship activities such as voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change, into the selection or monitoring of Underlying Investment Managers. The Trustee believes it is appropriate to delegate the decision of appointing and monitoring Underlying Investment Managers to the Fiduciary Manager, who will be able to influence the Underlying Investment Manager’s voting and engagement policies. Consequently, the Trustee can largely exercise their stewardship policy as set out in the Scheme’s SIP.

The Trustee has aligned its stewardship priorities with the Fiduciary Managers’ Engagement Blueprint (which sets out the six engagement themes the Scheme’s Fiduciary Manager believes to be most financially material), given the Trustee believes that these themes are issues material to the long-term value of the investments. These issues also reflect expectations and trends across a range of stakeholders, and by strengthening relationships with these stakeholders, business models become more sustainable, which ultimately should enhance the value added to the Scheme’s investment, and hence benefit the Scheme’s members and beneficiaries. Therefore the Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. The Trustee expects to refine their engagement priorities over the coming Scheme year to focus on just 3 areas in particular and to develop an enhanced policy on stewardship in line with the latest DWP guidelines.

On behalf of the Trustee, the Fiduciary Manager carried out regular investment and operational due diligence on the Underlying Investment Managers to monitor voting and engagement policies concerning the Scheme’s investments. Additionally, with the help of the Fiduciary Manager, the Trustee monitors the performance of the

Underlying Investment Managers against the agreed performance objectives at Trustee meetings held during the Scheme Year. Over the Scheme Year, the Fiduciary Manager also provided the Trustee with quarterly monitoring of the ESG characteristics of the portfolio, including TCFD (“Taskforce for climate-related financial disclosures”) carbon metrics. The Trustee is satisfied with the Fiduciary Manager’s activity in this area.

As part of ongoing monitoring of how the Fiduciary Manager has exercised the Trustee’s stewardship policy over the Scheme Year, the Trustee reviewed the Fiduciary Manager’s Annual ESG report in early 2023 and ensured it was satisfied with the actions taken on its behalf concerning ESG integration within the investments and stewardship activities.

**Given the activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Scheme Year.**

### 3. Voting and Engagement Summary

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On behalf of the Trustee, the Fiduciary Manager exercises voting rights in relation to the pooled funds managed by the Underlying Investment Managers, in line with its voting policy.

Most voting rights and engagement regarding the Scheme's investments relate to underlying securities within these pooled funds. At a general meeting of a company, the Underlying Investment Managers exercise voting rights and engage with the company issuing the security in line with their policies, which the Fiduciary Manager may have influenced. Nonetheless, the pooled funds themselves often confer certain rights around voting or policies, which the Fiduciary Manager exercises on behalf of the Trustee, and we cover these here.

Over the year to 30 September 2023, the Fiduciary Manager engaged with Underlying Investment Managers regarding clients' pooled fund investments on 189 resolutions across 33 meetings. The Fiduciary Manager voted against management on 3 resolutions which was 1.6% of total resolutions, and abstained on 361 resolutions (19.0% of the total resolutions). The engagement topics covered a range of areas, including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

Within the Scheme's portfolio, the **BNYM Global Equity Fund** makes up the majority of the Scheme's investments in equity assets, with equity being the only asset class to hold voting rights. The Trustee reviewed the BNYM semi-annual proxy voting reports (links included in Appendix) and noted that BNYM prioritised stewardship with each of their underlying holdings on areas broadly in line with Schroders Solutions' engagement themes.

In relation to the liability hedging mandate, during the 'Gilt Crisis' of Autumn 2022 at the start of the Scheme Year (when gilt yields rose unprecedentedly in both the magnitude and timeframe), the Fiduciary Manager carried out multiple engagement activities with Bank of England, the Pensions Regulator and the Financial Conduct Authority ("FCA"), as well as the UK government (e.g. through the Debt Management Office), to ensure that ongoing processes for managing clients' LDI mandates were robust and to input on new regulation regarding collateral adequacy.

For instance, on 10 November 2023, the Fiduciary Manager had a meeting with the FCA and the Financial stability team of the Bank of England to provide input on the future regulatory environment and collateral management processes following the Autumn 2022 'Gilts Crisis'. These engagements by LDI managers with regulatory bodies helped to inform the regulatory changes and new industry standards to improve operational resilience across LDI mandates used widely by the DB pensions industry.

In addition to the engagement on the LDI mandate, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by several factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored and reported on to the Trustee.

The Trustee has considered the voting statistics and behaviour set out in this Implementation Statement, along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, and the liability hedging portfolio, and is pleased to report that the Fiduciary Manager and the

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<sup>1</sup> The Fiduciary Manager abstained from voting on these resolutions due to the presence of share blocking. If the Manager were to vote on a position, they would then be blocked from selling positions in the security from the vote deadline date until one day post meeting and, in the absence of an instruction from Investors, it is Schroders' policy to retain liquidity of the investment.

Underlying Investment Managers have demonstrated high levels of voting and engagement in line with its stewardship policy.

Specifically, the Trustee noted that:

- The Fiduciary Manager has carried out a high level of engagement activities with the Underlying Investment Managers, and some good progress has been achieved such that many of the Underlying Investment Managers' ESG credentials have improved over the Scheme Year. This is particularly true for the managers which the Fiduciary Manager rated as engagement priority over the Scheme Year.
- The Fiduciary Manager has also carried out a very high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Scheme's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Scheme.
- Each manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- In this Implementation Statement, the Trustee considered relevant examples in relation to its own stewardship priorities.
- It considers the most significant votes to be those that both relate to these priorities and are defined as significant by the Underlying Managers (in general, of the most material holdings and/or against the management's proposals) based on their specific knowledge of the circumstances around each vote. The Trustee has communicated this with the Fiduciary Manager, and as per DWP guidance, all votes which meet these criteria have been reported below.

## Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

### Most Significant Votes

The Trustee considers the below votes to be the most significant as they were defined as 'Significant' by the Underlying Investment Managers.

**CLIMATE CHANGE** - At the annual PACCAR Inc meeting on 25 April 2023, BNY Mellon voted in favour of the shareholder proposal for the Board of Directors to annually issue a report describing how the company's lobbying activities align with the goal of the Paris Agreement. This vote was considered "most significant" as it focuses on climate-related topics and the manager believes PACCAR is not transparent in disclosing their activities in this area. This vote failed, and Mellon will continue to engage with PACCAR and encourage them to disclose more information on lobbying generally, and specifically related to climate.

**NATURAL CAPITAL & BIODIVERSITY** - On 20 June 2023, BNY Mellon voted against a shareholder proposal for General Motors Company to report on setting sustainable sourcing targets. Mellon's rationale for voting against this proposal was due to their belief that the company has numerous existing initiatives addressing the items contained in the proposal, as well as top class disclosure on other sustainable sourcing data. This vote is considered "most significant" by the Trustee, as it focuses on the natural capital and biodiversity stewardship priority and the manager considers it to be significant since the company are already providing sufficient information in this area. The vote failed, and Mellon intend to continue engagement with General Motors to ensure that all disclosures are kept up to date and are focused on material concerns to the company and their long-term value.

**HUMAN RIGHTS** - At the Nike Inc, shareholder meeting on 12 September 2023, BNY Mellon voted against a shareholder proposal for the company to report on the effectiveness of supply chain management on equity goals and human rights commitments. BNY Mellon voted against the proposal as they believe the company's detailed disclosures already address the ask of the shareholder proposal and support of the proposal would not enhance the long-term shareholder value of the company as it would waste time and resources on information already provided. This vote relating to the Human Rights stewardship priority failed. Mellon will continue to engage with Nike and encourage the company to maintain their disclosures in the current detailed manner they are.

**Corporate Governance** - Over the scheme year, 29 votes defined as 'Significant' by the Underlying Investment Managers aligned with the Trustee's stewardship priority theme of Corporate Governance; and were therefore considered the most significant votes. Of those votes, 25% were in relation to the board and management; 36% on executive remuneration; 25% regarding relationship with shareholders and 11% of the votes were on the topic of capital allocation.

## Summary Voting Statistics

The Fiduciary Manager uses c. 25 Underlying Managers; however, the equity holdings and some hedge funds (Alternatives) are the only asset class with voting rights. Below are the voting statistics for the most material, active equity funds held on behalf of the Trustee that had voting rights during the period.

	BNYM Global Equity Fund	Morant Wright Fuji Yield Japanese Fund	Over the 12 months to 30 June 2023		
			Ninety One Global Strategy Fund	Morgan Stanley Global Brands Fund	Fundsmith Equity Fund
Total meetings eligible to vote	911	60	25	33	24
Total resolutions eligible to vote	11,470	751	328	519	382
% of resolutions did you vote on for which you were eligible?	96%	100%	100%	100%	100%
% did vote with management?	89%	84%	96%	88%	92%
% vote against management?	7%	16%	4%	12%	8%
% abstained	1%	0%	0%	0%	0%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%	N/A	Data not provided	9%	N/A

### Note:

- BNYM, NinetyOne and Morgan Stanley use Institutional Shareholder Services, "ISS", for proxy voting services. BNYM also utilises Glass Lewis for research. The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

- BNYM have included votes withheld in votes abstained (in order to be in line with the PLSA template which other managers have used), although there are differences between votes withheld and votes abstained.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.
- Three of the equity managers (NinetyOne, Morgan Stanley and Fundsmith) were removed from the Scheme’s portfolio in July 2023 hence the 12 months voting statistics are shown as at 30 June 2023.

**The Trustee is satisfied that the voting and engagement activities undertaken by both Fiduciary Manager and the Underlying Investment Managers align with the stewardship priorities the Fiduciary Manager has determined during the Scheme Year. The Trustee is looking to update the SIP following the Scheme year end to include specific engagement priorities and enhanced stewardship policy it developed under DWP Guidance.**



## Appendix 1 – Redacted from public version

## Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers of the Scheme's largest holdings can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	<a href="#">schroders-esg-policy.pdf</a> <a href="https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf">https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf</a>
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: <a href="https://www.mellon.com/content/dam/mellondotcom/insights/documents/fall-2023-proxy-voting-report.pdf">https://www.mellon.com/content/dam/mellondotcom/insights/documents/fall-2023-proxy-voting-report.pdf</a> <a href="https://www.mellon.com/insights/insights-articles/proxy-voting-report-spring-2023.html">https://www.mellon.com/insights/insights-articles/proxy-voting-report-spring-2023.html</a>
Morant Wright	<a href="https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf">https://www.morantwright.co.uk/sites/default/files/policies/voting_policy_2023.pdf</a>
Morgan Stanley	<a href="https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy_msim_en.pdf?1615985960657">https://www.morganstanley.com/im/publication/resources/proxyvotingpolicy_msim_en.pdf?1615985960657</a>
Ninety One	<a href="https://ninetyone.com/-/media/documents/stewardship/91-stewardship-policy-and-proxy-voting-guidelines-en.pdf">https://ninetyone.com/-/media/documents/stewardship/91-stewardship-policy-and-proxy-voting-guidelines-en.pdf</a>
Fundsmith	<a href="https://www.fundsmith.co.uk/media/swxplrtrk/responsible-investment-policy.pdf">https://www.fundsmith.co.uk/media/swxplrtrk/responsible-investment-policy.pdf</a>
Neuberger Berman	<a href="https://www.nb.com/en/global/esg/engagement">https://www.nb.com/en/global/esg/engagement</a>
CBRE	<b>CBRE Global ESG policy:</b> <a href="https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf">https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/home/about-us/sustainability/cbreim-global-esg-policy.pdf</a>