



RIVER AND MERCANTILE

Church & Co Limited Works Retirement Benefits Scheme Pension

Implementation statement

30 June 2021

1. Introduction

The Trustees are required to make publicly available online a statement (“the Implementation Statement”) covering the Church & Co Limited Works Retirement Benefits Pension Scheme (“the Scheme”) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was amended once during the year ending 30 June 2021, and the changes made were predominantly for regulatory changes relating to ESG factors, corporate governance and voting. This SIP came into force from 25 September 2020.

A copy of the current SIP signed and dated 25 September 2020 can be found here: https://www.church-footwear.com/content/dam/churchs/legal/Works%20Scheme%20SIP%20September%202020_Final.pdf

This Implementation Statement covers the Scheme year from 1 July 2020 to 30 June 2021 (the “Scheme Year”). It sets out:

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

A copy of this Implementation Statement is available on the following website https://www.church-footwear.com/content/dam/churchs/legal/Church_Works_Implementation_statement.pdf

2. How the Trustees' policies on exercising voting rights and engagements have been followed over the Scheme Year

The Trustees made no changes to the voting and engagement policies contained in the SIP during the year other than those noted above but keep this under review in future years.

The Trustees have appointed River and Mercantile Investments Limited ("R&M") as the Scheme's Investment Manager and Adviser using its Fiduciary Management service (R&M is referred to as the "Fiduciary Manager" in the Implementation Statement). R&M can appoint other investment managers in respect of underlying investments (referred to as "Underlying Investment Managers").

The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Underlying Investment Managers where the Scheme's investments are pooled with other investors. Therefore, direct control of the process of engaging with the companies that issue the underlying securities is delegated to those Underlying Investment Managers.

A copy of the SIP has been provided to the Fiduciary Manager and the Fiduciary Manager is expected to adopt that approach to corporate governance and to other financially material considerations when providing Fiduciary Management services and/or in selecting Underlying Investment Managers.

The Trustees require that the Fiduciary Manager considers stewardship activity including voting and engagement, and Environmental, Social and Governance (ESG) factors including climate change when choosing new or monitoring existing Underlying Investment Managers. The Trustees believe it is appropriate to delegate such decisions in order to achieve an integrated and joined up approach to ESG factors, voting and engagement. The Trustees have therefore not sought to influence voting behaviours and does not intend to change its position at this time.

Over the Scheme Year, the Fiduciary Manager provided the Trustees with monitoring of the ESG characteristics of the portfolio, including carbon metrics and stewardship activity carried out by the Fiduciary Manager on a quarterly basis. The Trustees are satisfied with the Fiduciary Manager's activity in this area.

In addition, the Trustees received training on topics such as Climate Risk and ESG in the Fiduciary Management solutions, and expressed a willingness for the Scheme to invest in "Green Gilts".

On behalf of the Trustees, monitoring of voting and engagement policy by Underlying Investment Managers in relation to the Scheme's investments was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers. In addition, the Trustees (with the help of the Fiduciary Manager) monitor the performance of the Underlying Investment Managers against the agreed performance objectives at quarterly Trustee meetings held during the Scheme Year.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustees believe that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.

3. Voting and Engagement Summary

The process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme is as follows:

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustees in line with a voting policy that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund.

2) The Underlying Investment Managers exercise voting rights in the underlying securities, and engage with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, BNYM, uses a proxy voting company called Institutional Shareholder Services (“ISS”) to exercise these rights on its behalf and monitors ISS’s activities accordingly.

The Trustees have considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio, cash flow matching credit portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustees noted the following.

- Each relevant manager demonstrated very high levels of voting rights being acted on.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The general themes of the voting and engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified.
- Within the BNYM Global Equity Fund, which makes up the majority of the Scheme’s investments in return-seeking assets, the Trustees noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and Diversity and Inclusion. An example would be their engagement with an S&P500 Real Estate Company. BNYM discussed the company’s response to COVID-19 pandemic, diversity and inclusion efforts, as well as its ongoing compensation policy enhancements. In addition, they outlined the areas where they would like to see improvements going forward. As a result of engagement, in response to COVID-19 pandemic, this company has focused on safety and social distancing measures for employees, including additional paid leave.
- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company’s ability to deliver these solutions and products globally as a positive for society that would also boost the company’s credit profile.

- In relation to the liability hedging mandate, the Trustees 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 of these counterparties to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.
- River and Mercantile Group, of which the Fiduciary Manager is a division, is a signatory to the UK Stewardship code 2020.

The Trustees are satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers are in line with the Trustees' policies contained in the SIP and that no changes are required to these policies at this time. The Trustees will keep the position under review.

Appendix – Voting statistics

1. Voting by the Fiduciary Manager (R&M) in relation to underlying pooled funds held on behalf of the Trustees

Most of the rights and voting relating to the Scheme's investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustees and we cover these here.

Over the year to 30 June 2021, The Fiduciary Manager voted on 179 resolutions across 44 meetings. The Fiduciary Manager voted against management on 7 resolutions which was 4% of total resolutions and abstained on 6 resolutions (3% of the total resolutions).

The R&M Investment Research team engaged with investment managers regarding their clients' pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager voted against the reappointing of the fund board due to independence concerns and details how the Fiduciary Manager progressed the engagement over time to reach a point where they are able to support the Company's board.

The engagement related to an umbrella company domiciled in Luxembourg, run by a large global investment manager. R&M first raised concern in the Operational Due Diligence onsite visit on the lack of independent fund board members in October 2018. In April 2019 and 2020, R&M voted against a resolution reappointing 100% non-independent directors. In 2020 a non-executive director was nominated for appointment, however R&M again felt unable to support the resolution as they had been engaging on the basis of a minimum of 2 independent directors and the non-executive was also not fully independent as a partner at the legal advisor to the fund. The 2021 Annual General Meeting notice included a resolution to appoint an independent director with significant regulatory experience, R&M felt it appropriate to conclude that the fund had reached R&M's minimum threshold of two independent directors and to support the board resolutions.

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustees

There are c. 30 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustees during the Scheme Year.

Summary of voting activity – Equity mandates

	BNYM (River and Mercantile) Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	1,077	4,979
Total resolutions eligible to vote	14,032	54,867
% of resolutions did you vote on for which you were eligible?	97%	99%
% did vote with management?	88%	94%
% vote against management?	8%	5%
% abstained	1%	2%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%	0%

Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.

Most significant votes carried out by the Underlying Managers

BNYM Global Equity Fund

WALMART, INC.

BNYM voted for a shareholder proposal requesting that Walmart publish a report on the impact of single-use plastic bags. In terms of phasing out plastic bags, in BNYM’s view Walmart does not lag its peers in the retail industry, but it lags it’s peers in the grocery sector. BNYM hold companies to a high environmental standard and believe this proposal will result in Walmart acknowledging the positive impact it can have through the elimination or reduction of single-use plastic bags.

THE PROCTER & GAMBLE COMPANY

BNYM believe that Procter & Gamble lags its peers in terms of deforestation commitments and policies that monitor supplier actions. The company has been accused of contributing to the destruction of forests that have high wildlife and climate change value. The lack of information presents potential competitive and reputational risks to the company. As a result, BNYM voted for a shareholder proposal requesting the company report on efforts to eliminate deforestation. BNYM will continue to engage with the company to ensure that the lack of reporting is adequately addressed.

SCANDINAVIAN TOBACCO GROUP A/S

In April 2021, BNYM voted against a proposal approving a remuneration report. The report is broadly in line with Danish best practice in terms of disclosure and content however the CEO receives significant payments from the abolishment of an early-retirement scheme related to a prior contract.

CASSIOPEA SPA

In April 2021, BNYM voted against a proposal to fix the number of directors and approval of remuneration of directors. BNYM believe it is beneficial for directors to be elected each year. BNYM maintain that a board that is refreshed annually is often best equipped with fresh viewpoints and counsel.

ORACLE CORPORATION

BNYM withheld their vote for a director because the nominee owns a large stake in the company and pledged what BNYM believe is a disproportionate number of shares against that stake. Stock pledging can have a negative impact on the company. Should market conditions deteriorate, sudden forced selling could create an inordinate amount of technical pressure on a company's stock

Vanguard FTSE All-World EFT Fund

NEXTDC LTD

Vanguard voted against a resolution of publishing a remuneration report which it believes misaligned with the proxy voting policy. It raises concerns with pay-for-performance alignment and strategy. The resolution was ultimately passed. The vote is considered significant as Vanguard voted against the management.

NEWS CORPORATION

Vanguard voted for a resolution which adopts a simple majority vote for the shareholders. Vanguard believes the resolution was in line with the proxy voting policy which supports proposals that empower shareholders. Unfortunately, the resolution ultimately failed.

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