

Monmouthshire Building Society Pension and Assurance Scheme

Annual Engagement Policy Implementation Statement

1. Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustees 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 and the guidance published by the Pensions Regulator.

2. Investment objective of the Scheme

The Trustees’ objective is to invest the Scheme’s assets in the best interests of the members and beneficiaries. Within this framework, to help guide them in the strategic management of the assets and control the various risks to which the Scheme is exposed, the Trustees (in consultation with the Sponsor) have agreed a number of key investment objectives. In pursuit of the main objectives, the Trustees will aim:

- To achieve, over the long term, a return on the investments, which is consistent with the long term assumptions of the Scheme Actuary in determining the funding of the Scheme.
- To consider the interests of the Sponsor in relation to the size and volatility of the Sponsor’s contribution requirements.
- To achieve a favourable return from the growth portfolio.

The appropriateness of this approach will be reviewed at least annually or following any significant and unforeseen change in the financial circumstances of the Scheme.

3. Policy on ESG, Stewardship and Climate Change

The Scheme’s SIP includes the Trustees’ policy on Environmental, Social and Governance (“ESG”) issues as well as 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.

The Trustees believe that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment returns, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given their appointed investment manager full discretion in evaluating ESG factors, including climate change consideration, 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 the UK Stewardship Code.

Engagement

The Trustees consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment manager.

The performance of the investment manager is reviewed by the Trustees on a regular basis, this includes ratings (both general and specific to ESG) from the investment consultant and how the investment manager is delivering against their specific mandate.

A change in ESG rating (or lack of ESG rating) does not mean that the investment manager will be removed or replaced automatically but the Trustees will discuss rating changes and decide if any action should be taken.

Legal and General Investment Management (“LGIM”) will be expected to report on their own ESG policies as and when requested by the Trustees.

Voting activity

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

The investment manager is expected to provide voting summary reporting on a regular basis, at least annually.

When the investment manager presents to the Trustees, the Trustees or investment consultant may ask the investment manager to highlight key voting activity. The Trustees do not use the direct services of a proxy voter.

Over the year to 31 March 2022, the voting activity on behalf of the Trustees was as follows:

LGIM Diversified Fund

- There have been 9,010 votable meetings over the year. In these meetings, there was a total of 90,252 votable proposals. The investment manager participated in the vote for 89,133 the total votable proposals (c99%). In votes where the investment manager participated, they voted with management in c79% of proposals and against management in c20% of proposals. The manager abstained in less than c1% of the proposals.
- LGIM undertook 582 significant votes over the period. These were in relation to companies including Apple, Microsoft, Alibaba, Amazon, Facebook, and JP Morgan.