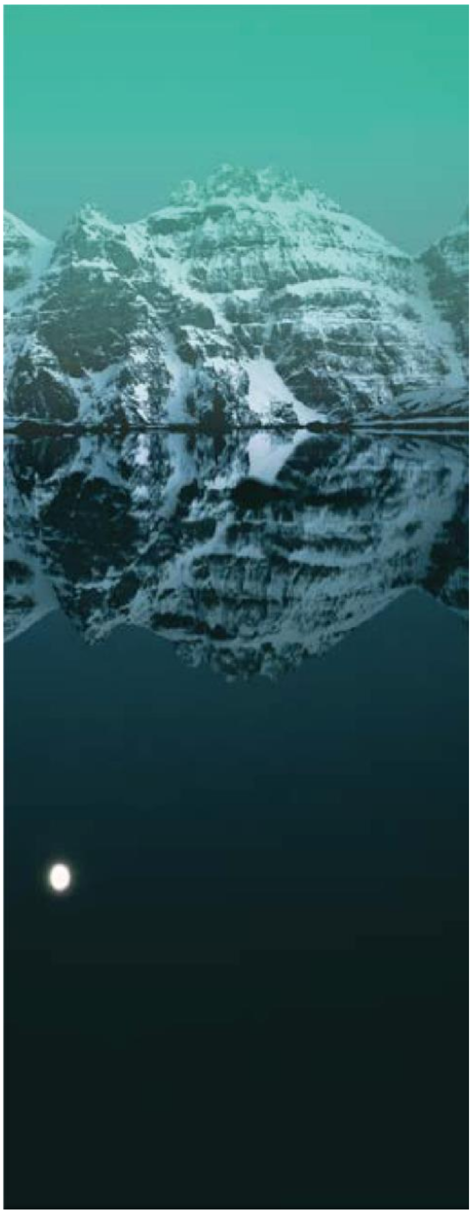
31 December 2022

Brush Group (2013) Pension Scheme

Implementation Statement



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Introduction

This implementation statement ("Statement") is produced alongside the Trustee Report and Accounts and is required by pensions regulations[1]. Brush Group Pension Scheme (the "Trustee", "we" or "our") has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the "SIP") for the Brush Group (2013) Pension Scheme (the "Scheme") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Scheme's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 January 2022 to 31 December 2022

The Statement is publicly available at www.brushpensions.co.uk

Executive summary

The day to day management of the Scheme's assets is delegated to Cardano Risk Management Limited (the "Fiduciary Manager"). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme's assets and the Fiduciary Manager's policies were aligned with the Trustee's own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager's overall assessments once a quarter.

[1] The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

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1. Our Stewardship Policy

1.1. What is Stewardship?

"Stewardship" is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

1.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

> *""The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.*
>
> *"The Trustee reviews annually the stewardship activity of the fiduciary manager … The Trustees receive annual reports on stewardship activity carried out by their fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers."*
>
> *"The Trustee will engage with their fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance. Where a significant concern is identified, the Trustee will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme."*

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, and aim to improve sustainability within the portfolio and have a direct real world impact to our members' current and future landscape. The Trustees' three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages gender equality and health & nutrition)

On behalf of the Trustee, the Fiduciary Manager has recently written to the Scheme's investment managers reaffirming and expanding on the Trustee's policy and expectations which align with our stewardship priorities. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager will monitor future manager disclosures to ensure alignment against our priorities.

1.3. How have we implemented our Stewardship Policy?

Fund structuring

The Trustee holds investments only on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme's Stewardship Policy.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations noted below.

Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

Quality over quantity

- The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

- The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

- The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

- Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

- The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

- The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach. The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate, focusing efforts on managers where voting and engagement is material.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1. How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year. Given that the Scheme gains the majority of its exposure through derivatives, there is only one manager to report on.

Note: All investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme.

iShares Core FTSE 100 UCITS ETF

	Manager response
Number of meetings the manager was eligible to vote at over the year	117
Number of resolutions the manager was eligible to vote on over the year	2,213
% of eligible resolutions the manager voted on	100%
% of votes with management	97%
% of votes against management	3%
% of resolutions the manager abstained from	0%

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
iShares Core FTSE 100 UCITS ETF	They use Institutional Shareholder Services' (ISS) electronic platform to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, they work with proxy research firms who apply proxy voting guidelines to filter out routine or non-contentious proposals and refer any meetings where additional research and possibly engagement might be required to inform the voting decision.

2.3. Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

iShares Core FTSE 100 UCITS ETF

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Barclays	04 May 2022	To approve Barclays' Climate Strategy, Targets and Progress 2022	For	Approved

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

GoldenTree

Key points	Engagement activity
Engagement Theme: Governance **Industry:** Retail **Outcome:** • Strong covenant structure has meant the company's finances have stabilised after a particularly challenging period, improving the overall governance framework of the company	The Manager's engagement began initially in 2019. Given the Manager's familiarity with the business, they had the opportunity to participate in a loan that was refinancing prior debt. The 2019 loan had tight covenants, including current and restricted payments baskets and maintenance covenants. That loan was refinanced in 2021 with a new term loan in which the Manager participated. The 2021 term loan was also heavily negotiated to ensure that it had strong covenants. The Manager engaged with other lenders and the sponsor to secure these protections. Overall, the Manager's engagement in securing tight covenants since 2019 have had positive outcomes. Although EBITDA in 2020 was negatively impacted by COVID-19 related weakness, the company maintained strong free cash flow due to the tight covenants on the 2019 loan. The Company earnings stabilized in 2021 and the company was able to refinance the loan into the new 2021 term loan. The company continues to deliver strong operating performance and in 2022 is estimated to roughly double the level of free cash flow it saw in 2019.

Wellington

Key points	Engagement activity
Engagement Theme: Public Health **Industry:** Energy **Outcome:** • Company maintains its commitment to provide clean, affordable solar energy • Company continues to safeguard the health and safety of staff and give back to the environment and communities in a socially responsible way	The Company came to the market with senior USD green notes in August 2021 and the Manager engaged with the issuer to get a better understanding of its ESG profile. Given the elevated COVID infection rates in India, they discussed with management their "Health and Safety" policy and the Company's long-term corporate strategy on COVID management. They reviewed in detail the pre-emptive steps taken before the government mandated lockdown to safeguard their employees, such as implemented work from home policies and formed a high-level COVID response team. This included all the top management and conducted daily meetings to evaluate the Company's exposure to health risks and took actions to safeguard employees. The manager also maintains constant dialogue with the Company regarding its commitment to provide clean, affordable solar energy while safeguarding the health and safety of their people and giving back to the environment and communities in a socially responsible way. In particular, they are closely monitoring the distribution of power relief packages and how it would impact the Company from a social support perspective.

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