

# THE BRUSH GROUP (2013) PENSION SCHEME

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## APPENDIX – ENGAGEMENT POLICY IMPLEMENTATION STATEMENT (forming part of the Trustee’s Report)

### Engagement Policy Implementation Statement (‘EPIS’)

#### Introduction

This implementation statement (‘Statement’) is produced alongside the Trustee Report and Accounts and is required by pensions regulations. The Trustee of 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 2024 to 31 December 2024. The statement is publicly available at [www.brushpensions.co.uk](http://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.

During the period covered by this Implementation Statement, the Scheme complete a meaningful investment strategy and asset re-organisation, in preparation for a possible insurance transaction. For the avoidance of doubt, the information and data contained in this statement relates to the entire period (1 January 2024 to 31 December 2024), although for some investments the Scheme was not invested in these for the entire period.

#### 1. Scheme 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 Trustee receives annual reports on stewardship activity carried out by the fiduciary manager, these reports include detailed voting and engagement information from underlying asset managers.’

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### 1. Scheme stewardship policy (continued)

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 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 Trustee’s 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).

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.

#### Fund structuring

The Trustee holds investments only on an indirect basis through a pooled fund. 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.

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### 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** - The Fiduciary Manager is realistic that not all engagement will be successful, 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.
- **Integration** - 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)

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### Engagement beliefs (continued)

#### 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 the 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. Managers are categorised according to how material voting and engagement is in their mandate. The Fiduciary Manager focuses its efforts on any 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.

### 1. 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 are only two managers 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.

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### Compliance statement (continued)

#### Cardano Global Sustainable Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1,955
Number of resolutions the manager was eligible to vote on over the year	25,878
% of eligible resolutions the manager voted on	99.74%
% of votes with management	74.34%
% of votes against management	23.40%
% of resolutions the manager abstained from	0.87%
% of resolutions linked to theme of Climate Change	0.31%
% of resolutions linked to theme of Environmental Impact	0.13%
% of resolutions linked to theme of Human Rights	0.45%

\*Numbers may not sum due to rounding. Data provided relates to entire period covered by this implementation statement. Fund was held by the Scheme between January 2024 and October 2024 \*\*Data not provided by manager

### 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.

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### 2-2 Use of proxy voting services? (continued)

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
Cardano Global Sustainable Equity Fund	We use Glass Lewis as a proxy provider to deliver vote recommendations and execution services. Glass Lewis applies the custom voting policy of Cardano.

### 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.

#### Cardano Global Sustainable Equity Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Amazon	22 May 2024	Shareholder proposal regarding the human rights impacts of facial recognition technology.	For (against management)	There are human rights risks linked to the use of facial recognition technology. We therefore believe that a third-party assessment of Amazon Recognition technology would help mitigate potential reputational, regulatory and legal risks arising through customer’s misuse of Amazon’s technology as systems of monitoring and mass surveillance that could contribute to human and civil rights violations 19% of shareholders supported the resolution

### 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..

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### 3. Engagement activity (continued)

#### Wellington

Key points	Engagement activity
<p><b>Engagement Theme:</b> Climate Crisis</p> <p><b>Industry:</b> Sovereign</p> <p><b>Outcome:</b></p> <ul style="list-style-type: none"><li>Wellington learnt that the country is undertaking a project to improve power transmission lines and correct this issue funded in part by green credits for the financing of environmental projects</li></ul>	<p>During the third quarter, Wellington engaged with the Ministry of Finance of a Latin American country to assess progress as it relates to key climate transition challenges and opportunities. Energy generation is the primary driver to the country’s greenhouse gas emissions and, in recent years, the country has increased solar and wind energy capacity, however underdeveloped transmission infrastructure has been unable to keep up with the pace of energy development. As such, large quantities of renewable energy does not make it to the grid.</p>

#### Barrings

Key points	Engagement activity
<p><b>Engagement Theme:</b> Climate crisis</p> <p><b>Industry:</b> Maritime</p> <p><b>Outcome:</b></p> <ul style="list-style-type: none"><li>Company is planning to incorporate an environmental strategy with KPIs on issues raised through engagement in their 2024 sustainability report.</li></ul>	<p>Barings holds an investment in a global tugboats business with a large fleet operating from a network of ports. Due diligence on the issuer by their investment analyst highlighted areas of potential improvement on environmental topics. Environmental standards are expected to become increasingly important for port tender renewals requiring a leading environmental profile to reduce operational and financial risk. Barings undertook an engagement with the CEO and CFO at a conference event regarding emissions reduction. It requested that (i) the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions (ii) the company explores options for use of lower emissions fuels types on new vessels and its existing fleet. This is viewed as a multiyear engagement request with regular semi-annual interactions with senior management expected</p>