

Severn Trent Water Mirror Image Pension Scheme - Implementation Statement for 2019 DB Regulations

Statement of Compliance with Severn Trent Water Mirror Image Pension Scheme's Stewardship Policy for the year ending 31 March 2021

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 April 2020 to 31 March 2021.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed on a regular basis in line with reviews of the Scheme's Statement of Investment Principles (SIP). The last review was completed in March 2021.

The following changes were made to the Stewardship Policy over the Scheme year ending 31 March 2021.

In August 2020, the following statements were added:

- *The Scheme Trustee does not engage directly but believes it is appropriate for its investment managers to engage with key stakeholders, which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.*
- *Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Scheme Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.*
- *The Scheme Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and will ensure that each manager has an appropriate conflicts of interest policy in place.*

You can review the Scheme's Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at <https://www.severntrent.com/sustainability-strategy/reports-and-publications/tax/>

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest and engage with the management on issues which affect a company's financial performance.

Policy implementation

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with its investment advisers. The Trustee meets with its investment managers on a regular basis, or more frequently if any matter requires more urgent discussion, and the Trustee considers managers' exercise of their stewardship responsibilities during these meetings.

The Trustee is satisfied that it has complied with the Scheme's Stewardship Policy over the Scheme year ending 31 March 2021.

As the Scheme no longer holds any equity investments (either directly or through multi-asset mandates), this statement does not include details of any votes cast on the Trustee's behalf.

Engagement activity

The Trustee holds meetings with its investment managers on an annual basis where stewardship and responsible investment issues are discussed in further detail. Over the year to 31 March 2021, the Trustee met with all four of their managers.

The Trustee discussed the following issues in relation to Responsible Investment and engagement over the course of the year.

Date	Fund manager/ mandate	Subjects discussed	Outcome
05/11/20	Barings	Integration of responsible investment considerations in the investment process. Carbon exposure monitoring.	The manager outlined the process of integrating ESG into investment decisions, noting that when analysts submitted a paper to the Barings investment committee a section on ESG was completed. The information was obtained from a third party which fed into an ESG rating. The rating had a large impact on the decision to invest. Barings' annual Impact Report highlighted the companies removed from the portfolio because of ESG and engagement issues. Barings was creating carbon score for portfolios and noted the Global High Yield Credit Strategies Fund screens better than the underlying market.
18/11/20	LGIM	Integration of responsible investment considerations in the investment process within corporate bonds.	The manager noted that active ownership was a key differentiator for LGIM, who engaged and influenced through stewardship, escalating appropriately when required. The manager also discussed details of ESG integration in the corporate bond investment process.

Review of policies

The Trustee undertakes a review of managers' Responsible Investment policies on an annual basis. This review considers managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The last review was conducted in September 2020.