

# Engagement Policy Implementation Statement

This document sets out the actions undertaken by the Trustee, its service providers and investment managers, to implement the stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

This is the engagement policy implementation statement the Trustee has prepared and covers the year ending 31 December 2020.

## Scheme Stewardship Policy Summary

The below bullet points summarise the Scheme Stewardship Policy in force over the majority of the reporting year to 31 December 2020. The full SIP is available here:

[https://www.mondigroup.com/media/12522/r-l-fleming-rbs-sip\\_october-2020-final-version-for-website.pdf](https://www.mondigroup.com/media/12522/r-l-fleming-rbs-sip_october-2020-final-version-for-website.pdf)

- As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to: 1) Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets.

## Scheme stewardship activity over the year

### Training

Over the year, the Trustee had responsible investment training sessions with their investment advisor, which provided the Trustee with updates on the evolving regulatory requirements and the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

### Updating the Stewardship Policy

Throughout the year, the Trustee has been proactive to ensure the Scheme appropriately updated the Stewardship policy in the SIP.

In line with regulatory requirements, to expand the SIP for policies such as costs transparency and incentivising managers, the Trustee also reviewed and expanded the Stewardship policy in September 2020. The updated wording in the SIP illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

This has been made available on a website where it can be accessed by the public.

## Engagement activity – Fixed Income

The Scheme invests in fixed income funds. While the Trustee acknowledges the ability to engage and influence companies may be less direct than in comparison to equity holdings; from the information received, it is encouraging that the managers are aware and active in their role as a steward of capital.

The following example demonstrates some of the engagement activity being carried out on behalf of the Scheme over the year.

### Fixed Income Engagement Example (Fidelity):

One example of an engagement with a company was with Bunzl, a British multinational distribution and outsourcing company. An analyst and sustainable investing analyst participated in a materiality assessment conducted by the company and encouraged the company to progress in several areas including responsible sourcing and supply chain management, climate change and the impact of the products they distribute. Fidelity discussed these with the Head of Sustainability and were reassured that the company is doing more than it currently discloses and has initiated several projects to further develop their practices.

Notably the company's internal audit team based in Shanghai is responsible for auditing supply facilities in high-risk countries, representing about 25% of their suppliers, and conducts about 700 on-site visits every year. Whilst the company has no tolerance for major issues such as child labour, it works with suppliers to put a corrective plan in place for minor issues and will stop buying new products until remediation. A handful of suppliers' relationships is ceased every year. The company is now planning to expand the audit program to additional countries and 'tier 2' suppliers.

The company has been working with several clients on a life cycle assessment of their products. Sometimes it involves making sure that clients have the right waste disposal contracts in place. The company is about to launch a new website offering sustainable alternative products to its traditional range. It is also working on scenario analysis with an external consultant and will be introducing GHG emissions reduction target next year, starting with scope 1 and 2 emissions.

Fidelity were pleased to learn about the company's progress and plan but encouraged them to disclose quantitative KPIs to be able to measure progress on the impact of their products and consider scope 3 emissions as part of future GHG emissions reduction targets. It has been agreed that a follow-up will take place next year once the business has announced their new sustainability targets.

## In summary

Based on the activity over the year by the Trustee and their service providers, the Trustee is of the opinion that the stewardship policy has been implemented effectively in practice. The Trustee notes that their applicable asset managers were able to disclose strong evidence of voting and engagement activity.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.