

# Engagement Policy Implementation Statement (“EPIS”)

## Dairy Crest Group Pension Fund (the “Fund”) Fund Year End – 31 March 2024

The purpose of the EPIS is for us, the Trustee of the Dairy Crest Group Pension Fund, to explain what we have done during the year ending 31 March 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How our policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Fund’s investments have been followed during the year; and
2. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year if and where applicable.

### Our conclusion

**Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.**

In our view, most of the Fund’s material investment managers were able to disclose satisfactory evidence of engagement activity, and the activities completed by our managers align with our stewardship expectations.

We note that over the year ended 31 March 2024, the Fund did not have any holdings in segregated or pooled funds that invest in underlying securities that provide the manager or Trustee the opportunity to exercise voting rights (e.g., equities). Therefore, this document is instead focussed on engagement.

At the time of writing, Wellington did not provide any of the requested engagement information and Aviva are in the process of collating 2023 data, which they aim to share by the end of this month.

CVC provided firm-level engagement examples and themes, unlike last year, but no fund-specific engagement examples and themes. Given this is an illiquid fund in the drawdown and investment stage, we are comfortable that no fund-specific examples are included, but we expect CVC to improve their reporting as the Fund matures.

Insight provided engagement information, but it wasn’t specific to the mandate in which the Fund invests. Given the limited and sporadic data available in the asset backed security and secured finance asset classes, we are comfortable that no fund-specific examples are included, but we expect Insight to integrate ESG credentials into the investment process and actively encourage originators to implement lending policies that consider ESG-related factors and risks in the underwriting process.

We are satisfied that all other managers (AXA, Robeco, PIMCO, DRC, & Chorus) disclosed sufficient engagement information over the year to 31 March 2024.

As set out in our engagement plan, the only key action for us is to continue to invite at least one investment manager each year to present to the Funding and Investment Committee, to allow us to get a better understanding their engagement practices and how these help us fulfil our Responsible Investment policies. We will continue to engage with the managers who did not provide sufficient engagement information and encourage them to provide detailed and meaningful disclosures.

## How engagement policies have been followed

Good asset stewardship means being aware and active on voting issues (where relevant), corporate actions and other responsibilities tied to owning a company's stock or debt security. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Fund's investments is an important factor in deciding whether a manager remains the right choice for the Fund.

The Fund is invested in pooled funds, and so the responsibility for voting (where relevant and applicable) and engagement is delegated to the Fund's investment managers, which is in line with the policies set out in our SIP. We reviewed the stewardship activity of the material investment managers carried out over the Fund year and in our view, most of the investment managers were able to disclose satisfactory evidence of engagement activity. More information on the stewardship activity carried out by the Fund's investment managers can be found in the following sections of this report.

Over the reporting year, we monitored the performance of the Fund's investments on a quarterly basis and received updates on important issues from our investment adviser, Aon Investments Limited ("Aon"). In particular, we received quarterly ESG ratings from Aon for the funds the Fund is invested in where available.

During the year, we received training on ESG and stewardship topics, and agreed our policies in relation to these. In particular, the Trustee updated their stewardship policies in the SIP to ensure that the Fund was compliant with new guidance issued in June 2022 by the Department for Work and Pensions (DWP) on how it expects trustees to approach stewardship; consideration of financially material ESG factors and non-financial factors.

Each year, we review the engagement policies of the Fund's investment managers to ensure they align with our own policies for the Fund and help us to achieve them.

The Fund's stewardship policy can be found in the SIP:  
<https://dairycrestpensiontrustees.co.uk/wp-content/uploads/2023/10/DCGPF-SIP-Oct-23.pdf>

## Our Engagement Action Plan

We believe the fund managers should provide engagement examples and themes relating to the funds in which we are invested, as per Investment Consulting Sustainability Working Group ("ICSWG") industry standard engagement template.

Therefore, based on this and on the work we have done for the EPIS, we have decided to take the following steps over the next 12 months:

1. Engage with managers that didn't meet our standards of engagement reporting to better understand their engagement practices and discuss the areas which are behind those peers. More specifically:

### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

a. At the time of writing this report, Aviva were unable to provide the requested information however, they are in the process of collating 2023 data and aim to share it by the end of this month.

b. At the time of writing this report, Wellington did not provide any engagement information.

**Trustee comment:** *We will reach out directly to Wellington and seek clarity on why no engagement examples have been provided at the firm-level as well as on a fund-specific level.*

c. Insight provided firm-level engagement examples and themes but no fund-specific engagement examples and themes.

**Trustee comment:** *We note that it is difficult to carry out monitoring of engagement on underlying holdings within asset backed securities due to the limited and sporadic availability of data. At present, there is no reliable external data source for collecting carbon data within the asset class. Most of Insight's engagements to date have related to the improvement of data provided by originators and the inclusion of ESG into their loan underwriting process. We would expect Insight integrate ESG into their investment process i.e., bottom-up engagement with underlying holdings prior to making an investment, collecting data through provision of questionnaires and carrying out an assessment of any ESG risks.*

d. CVC provided fund-specific examples and themes but no firm-level engagement examples and themes.

**Trustee comment:** *We expect CVC to improve their reporting in line with best practice i.e., the Investment Consulting Sustainability Working Group (ICSWG) industry standard engagement reporting template in the next year as the fund matures.*

2. Invite at least one investment manager each year to present to the Funding and Investment Committee, to allow us to get a better understanding their engagement practices and how these help us fulfil our Responsible Investment policies.

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Fund's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e., is not necessarily specific to the funds invested in by the Fund.

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Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	

Aviva – Pensions Property Fund	Not provided	Not provided	Not provided
AXA - Global Short Duration Bond	32	681	Environment - Climate Change Social - Human and Labour Rights; Human Capital Management Governance - Remuneration; Board Eff. - Independence/Oversight
Chrous - Capital Credit Fund V	12	12	Environment - Climate Change; Natural Resource Use/Impact; Pollution, Waste Social - Conduct, Culture and Ethics; Human and Labour Rights
CVC – European Direct Lending Fund III	100% of portfolio companies have been engaged with around ESG issues.	Not Available. Data only provided to Fund LPs	CVC engaged with portfolio companies from a bottom-up perspective, collecting data through provision of questionnaires and looking to use ESG margin ratchets as a tool to target specific KPIs for improvement given the individual portfolio companies business focus.
DRC - UK Whole Loan	20	150	Social - Conduct, Culture and Ethics Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Reporting; Strategy/Purpose
Insight - High Grade ABS Fund*	80	2,521	Environment - Climate Change Strategy, Financial & Reporting - Strategy/Purpose; Financial Performance; Reporting; Capital Allocation
PIMCO - Global Investment Grade Credit	471	1,355	Governance - Brd Eff. - Diversity; Brd Eff. - Independence/Oversight; Brd Eff. - Other; Leadership - Chair/CEO; Remuneration
Robeco Global Credits - Short Maturity	28	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Brd Eff. - Other Other - SDG Engagement
Wellington - Multi Sector Credit	Not provided	Not provided	Not provided

Source: Managers Brd eff. refers to Board effectiveness.

\*Insight did not provide fund level themes; themes provided are at a firm-level.

\*\* Limited Partners.

## Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Aviva Investors and Wellington Management Group did not provide any engagement information.
- CVC did provide some of the engagement information but not in ICSWG industry standard format and also did not provide firm level engagement information. This is typical for private market funds.
- Insight did not provide fund level themes.

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on certain asset classes such as cash and sovereign bonds (including LDI) because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions (“AVCs”) due to the relatively small proportion of the Fund’s assets that are held as AVCs.

