SUMMERS INMAN

Construction & Property Consultants

Summers-Inman & Partners

Staff Pension Scheme

Trustee Disclosure Statement & Annual Engagement Policy Implementation Statement

October 2021

Summers Pension Scheme Implementation Statement Trustee Disclosure Summary

Background and purpose

The trustees of the scheme are required to demonstrate through this statement that they have met their obligations to the members in respect of stewardship of the scheme as well as how they have used their voting rights in respect of the investments held, be this directly or via the investment managers appointed to manager the investments on behalf of the scheme trustees and ultimately the members whom they represent.

This statement fulfils these requirements.

During the year the scheme trustees have remained unchanged, they are David Blakey, Steven Henderson and Paul Carr.

The appointed actuaries have also remained unchanged, they are Spence and Partners.

As trustees we are supported in respect of the investments by MHA Tait Walker whom provide advice and guidance in respect of the management of the scheme assets and the suitability of the investment portfolio.

The investments are held within a portfolio managed by:

Brewin Dolphin Investment Management Company
Brooks Macdonald Asset Management

We are satisfied that the portfolio structure using these managers remains suited to purpose and have, on the guidance of MHA Tait Walker agreed continued engagement with these managers.

Stewardship

In order to ensure that we meet our obligations we meet with our advisers, MHA Tait Walker on a six monthly basis as a minimum although they are available to meet at any time should it be felt that this is required. During such meetings we are provided with and discuss:

- The performance of the investments held within the portfolio
- The continued suitability of the incumbent investment managers
- Any concerns in respect of the investment managers performance
- The asset allocation within the investment portfolio and whether this continues to remain in line with the mandate granted to the investment managers by the trustees as well any changes that are required in this area

We are supported by Spence and meet formally with them on an annual basis with regular communication between these meetings. Spence provide guidance an advice in respect of the trustee responsibility to the scheme members and the requirements of The Pensions Regulator.

Voting rights

We, as the trustees, do not feel it is appropriate to vote directly in respect of the investment held directly within the scheme with such rights being passed, by proxy, to the investment managers. We have granted this proxy on the basis that they follow the mandate and guidance which they have been granted.

Within our portfolio we are investing in part through pooled funds, where this is the case our investment managers look for fund managers who share our own commitment to the United Nations Principles of Responsible Investing (UNPRI) and act as responsible asset owners.

As part of this, we expect all of the fund managers to explicitly integrate ESG considerations into their investment process, to have a voting policy and to vote their proxies accordingly. Comprehensive reporting undertaken by the investment managers allows for oversight and ongoing monitoring. We expect the managers of our pooled funds to be proactive in identifying issues and engaging with individual companies where it is felt that this is required.

As an example, last year Brewin Dolphin emailed all of our pooled fund managers where they hold companies that the Transition Pathway Initiative highlighted were not aligned with the Paris Agreement, and asked them to consider the financial implications.

In addition, as part of the stewardship processes completed by the appointed managers fund research teams we expect them to monitor corporate controversies. This is done on an ongoing basis through the use of ESG data providers, and ongoing economic and market analysis. The motivation is to understand the levels of ESG integration and stewardship expertise of each fund to ensure the funds held remain comfortable with their processes in order to protect and enhance the value of their clients' assets.

The information provided by our Investment Managers to MHA Tait Walker who them analyse it in order to confirm that over the past 12 month period our obligations to our members, our requirements and considerations have been met. The documents confirming this are available to scheme members upon request.

We can confirm that MHA Tait Walker are satisfied that the incumbent investments mangers have met their obligation in respect of their voting rights on our behalf. Ongoing analysis will continue to reaffirm that this is the case and should this change in the future it will be highlighted to the trustees with any changes require being made to the investments held.

Details of our Statement of Investment Principles can be found at https://www.summers-inman.co.uk/wp-content/uploads/2021/01/Summers-Inman-Staff-Pension-Scheme.pdf

Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Stewardship Policy and related policies on Environmental, Social and Governance ("ESG") factors and Climate Change set out in the Statement of Investment Principles ('SIP') have been followed during the reporting period to 1st October 2021. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, as amended and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees' primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.
The objectives set out above provide a framework for the Trustees when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP dated September 2020 first included the Trustees' policies on ESG factors, stewardship and Climate Change.

The Scheme's SIP dated September 2020 first introduced the Scheme's policies in respect of the arrangements with the investment managers as required by legislation.

The latest SIP is available online at: https://www.summers-inman.co.uk/wp-content/uploads/2021/01/Summers-Inman-Staff-Pension-Scheme.pdf

The Trustees keep their policies under regular review and will at least reconsider them when reviewing the SIP, which is subject to review at least triennially.

Scheme's Investment Structure

Our investment managers manage the Scheme's portfolio in line with the agreed investment objective and risk profile, which are reviewed on a regular basis. A key duty of our investment managers is to select a range of assets to invest in, suitable to the overall mandate. Typically, the portfolio will be diversified across a range of direct equities and pooled funds.

Under the investment managers arrangements, the underlying pooled fund units are held in the name of a number of UK nominee companies and overseas custodians. Consequently, where the Scheme is invested through pooled funds, the Trustees have no direct relationship with the Scheme's underlying investments managers and no direct ownership of the underlying investments.

Trustee engagement

The Trustees' engagement policies were first formalised in the SIP dated September 2020. These were determined in conjunction with the investment managers and advisers. The SIP notes that the Trustees will engage with their advisers no less frequently than annually. We are assured that the advisers meet more frequently than annually with the investment managers.

Voting Activity

Where the Trustees are specifically invited to vote on a matter relating to the corporate policy, they will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's members. Over the Scheme year, the Trustees have not been asked to vote on any specific matters.

For listed equities, our investment managers engagement activities cover a variety of topics and are supported by ISS research. Remuneration is a key issue, as they believe that senior management alignment with investors is an important driver of good outcomes.

As noted earlier, the Scheme has no direct relationship with the pooled funds it is ultimately invested in, and therefore has no voting rights in relation to the Scheme's investments and no ability to influence the managers of the pooled funds.

However, the Trustees have taken reassurance from our investment managers and advisers, which confirmed as follows:

For clients who are investing through pooled funds, we look for fund managers who share our own commitment to the United Nations Principles of Responsible Investing (UNPRI) and act as responsible asset owners. As part of this, we expect all of our fund managers to explicitly integrate ESG considerations into their investment process, to have a voting policy and to vote their proxies. Comprehensive reporting allows for oversight and ongoing monitoring. We also expect the managers of our pooled funds to be proactive in identifying issues and engaging with companies.

We emailed all of our pooled fund managers where they hold companies that the Transition Pathway Initiative highlighted are not aligned with the Paris Agreement, and asked them to consider the financial implications. More about these types of engagement will be articulated as part of our wider PRI reporting on socially responsible investment activities. We submitted our first response to the PRI in Q1 2021, but have not yet received feedback on this. When we do, the relevant parts of our submission will be made public.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will consider further information provided by our investment managers and general developments in market practice in this area before the production of next year's' statement.

Appendix 1 – Policy on ESG, Stewardship and Climate Change

The policies below are included within the SIP dated Sept 2020.

- **Financially Material Considerations**

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the life of the Scheme. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Scheme's assets are invested via a mandate with the invest mangers. The Trustees review the ESG policies of the investment managers and are satisfied that an ESG assessment is embedded into the investment manager's research process and that such factors are an integral part of determining which investments are suitable for the Scheme. The Trustees will therefore rely on the policies and judgement of the investment managers when assessing the impact on the value of the Scheme's investments.

The Trustees will continue to engage with the investment managers to understand how financially material considerations are taken into account. This will include how ESG, Climate Change and Stewardship continue to be integrated within investment processes. Such processes will be factored into decisions on the retention of the current managers and would be included in any selection exercise going forward.

- **Non-Financial Matters**

The Trustees have determined that the financial interests of the Scheme members are their first priority when choosing investments.

They have decided not to consider non-financial considerations, such as ethical views, or to take members' preferences into account when setting the investment strategy for the Scheme.

- **Corporate Governance and Voting Policy**

The Scheme is invested in direct equities and pooled investment funds. With regards to the pooled funds, the Trustees have concluded that the decision on how to exercise voting rights should be left with the pooled fund investment managers, who will exercise these rights in accordance with their respective published corporate governance policy. These policies, which are available to the Trustees on request and on their respective websites, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to the corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's members.

Appendix 2 – Policies in respect of arrangements with asset managers

The policies below are included within the SIP dated September 2020.

- **How the arrangement with the investment managers incentivises the investment managers to align their investment strategies with the Trustees' investment policies, including in relation to ESG**

Our investment managers have responsibility to invest in a range of holdings which they consider appropriate to achieve the overall risk and return objective of the mandate.

Our investment managers are remunerated with a percentage fee based on the value of the portfolio at the charging dates, with no commission charged on transactions.

This mandate reflects the Trustees' objectives for the Scheme, their attitude to risk, focus on cost, and views on ESG and related matters as set out within the SIP. The nature of the arrangement with our investment managers means the Trustees can ensure that the portfolio characteristics remain aligned with their requirements. This drives a desire to reflect the specific demands of the Trustees in the management of the investments.

The underlying fund managers charge a percentage fee based on the value of the units held by the scheme, with the end result that fund managers will be incentivised, and rewarded, for consistent, risk adjusted outperformance. This also aligns the interests of the underlying fund managers with the Scheme's objectives.

- **How the arrangement incentivises the investment managers to make decisions based on their assessment of investee companies' medium to long term financial and non-financial performance and engage accordingly**

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

Our investment mangers do not charge a performance related fee, which could incentivise them to make decisions to maximise short term performance in order to hit profit targets. The Trustees therefore consider that the method of remunerating their investment managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, they will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

- **How the method and time horizon for evaluating the investment manager's performance, and the basis of their remuneration, are aligned with the Trustees' other investment policies;**

The Trustees receive regular monitoring reports on performance from our investment managers in relation to the portfolio. The reports show the absolute performance, and performance of the benchmark over the relevant time period.

Our investment managers have the role of replacing holdings where appropriate and takes a long-term view when assessing this. Such decisions would not be made based solely on short-term performance concerns, but instead would be driven by a significant downgrade of their view of the company or investment manager due to a significant reduction in their confidence that the holding will be able to perform in line with their fund's mandate over the long term. They will also make changes to the underlying holdings if a particular stock is no longer appropriate to the mandate either from a strategic or tactical point of view.

Similarly, the Trustees take a long term view when considering the incumbent investment mangers. A decision to replace either of them would be based on a downgrade of the Trustees' assessment of their capabilities, or if there had been a sustained period of underperformance.

- **How they define and monitor portfolio turnover (frequency of buying or selling) costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range;**

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested although note that the performance monitoring reports show performance net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

The Trustees note that our investment managers believe portfolio turnover should be considered at the portfolio level, i.e. by monitoring the percentage of holdings replaced on an annual basis, rather than the turnover within any of the underlying funds. Where the investment mangers invest in managed funds (pooled investments), rather than setting thresholds for permitted turnover, they allow third party fund managers to express their own views and convictions, respecting the fact that their timescales and investment case may differ from that of investment managers, knowing that the cost of trading is reflected in the annual disclosure.

Given the above, the Trustees do not have an overall portfolio turnover target for the Scheme.

- **The duration of the arrangements with the investment managers**

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis.

Our investment managers are Brewin Dolphin and Brooks Macdonald. They have been appointed to manage the Scheme's portfolio. A review of our investment managers is undertaken on a regular basis through ongoing communication with MHA Tait Walker, our appointed advisers.

Our investment managers manager the portfolio in line with the agreed investment objective and risk profile, which is reviewed on a regular basis. A key duty is to select appropriate stocks and funds to invest in, suitable to the overall mandate, based on their view of the perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

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