

# Ashtead Group plc Retirement Benefits Plan

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## Engagement Policy Implementation Statement ('EPIS')

### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual implementation statement which outlines the following:

- Explain how and the extent to which they have followed their engagement policy, which is outlined in the SIP.
- Describe the voting behaviour by, or on behalf of the Trustees (including the most significant votes cast by Trustees or on their behalf) during the Plan year and state any use of the services of a proxy voter during that year.

This document sets out the details, as outlined above. The EPIS has been prepared by the Trustees and covers the Plan year from 1 May 2020 to 30 April 2021.

### Stewardship Policy Summary

The below bullet points summarise the Stewardship Policy in force as at 30 April 2021. The full SIP can be found at <https://www.sunbeltrentals.co.uk/sustainability/governance/>

- The Trustees recognise the importance of their role as a steward of capital and the need to ensure high standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests.
- The Trustees review the stewardship activities of their investment managers on an annual basis. The Trustees will review whether the investment managers' policies are in line with those of the Trustees and endeavour to ensure that their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner.
- The Trustees will engage with their investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.
- The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

The Trustees regularly review the suitability of the appointed investment managers. Where applicable, this includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

### Stewardship activity over the year

In line with regulatory requirements, the SIP was updated in September 2020 with policies covering cost transparency and incentivising managers. The Trustees also reviewed and expanded the stewardship policy. The updated wording illustrates that the Trustees recognise the importance of their role as stewards of capital, as well as indicating how the Trustees review the suitability of the Plan's investment managers and includes other considerations relating to voting and methods to achieve their stewardship policy.

Investment monitoring takes place on a quarterly basis with monitoring reports being provided to the Trustees by Aon. The reports include Environmental, Social and Governance ("ESG") ratings and highlight any areas of concern, or where action is required.

The Trustees met with several asset managers during the year, looking to engage on a variety of topics including responsible investment.

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The views of the sponsor on the Plan's investment strategy, including those on ESG and investment manager appointments, are taken into account.

### Voting and Engagement activity – Equity

During the year, the Plan had a material investment in the following equity funds:

Manager	Fund Name
AXA Investment Managers	UK Select Opportunities Fund North American Equity Growth Fund
BlackRock	UK Specialist Equity Fund
Legal & General Investment Management ("LGIM")	North America Equity Index Fund - Hedged Japan Equity Index Fund – Hedged
First Sentier (Formerly First State)	First State - Global Infrastructure

The Plan also had investments in the LGIM UK Equity Index Fund, the LGIM European (ex UK) Equity Index Fund and the RWC Partners Emerging Market Equity Fund during the year, but these were not considered to be material investments and the LGIM UK Equity Index Fund and LGIM European (ex UK) Equity Index Fund were redeemed in full during the year.

All managers use the services of respective proxy voting organisations for various services that may include research, vote recommendations, administration and vote execution.

Voting information relates to the specific funds the Plan invests in. Managers are only able to provide data at quarter end dates. We are comfortable that, based on the information provided on voting undertaken over the 12 months to 31 March 2021, the Trustees' stewardship policy has been appropriately implemented by the Plan's investment managers.

All equity managers have an engagement policy in place and were able to provide details on these when requested. In addition, all the equity managers evidenced that engagement has taken place through the reporting period.

### **AXA Investment Managers ("AXA IM")**

#### Voting

AXA IM has a clearly defined Corporate Governance & Voting Policy. The Corporate Governance team within AXA IM's Responsible Investment team, co-ordinates the voting process and ensures that the exercise of votes is done in a timely manner and according to AXA IM's corporate governance policy and in co-ordination with portfolio manager views. AXA IM's Voting Policy is reviewed annually and signed off by the Corporate Governance Committee. The voting policy is based on principles of good corporate governance which serve to protect the long-term interests of shareholders.

AXA IM's voting guidelines recognise that the companies in which they invest are subject to different local laws and regulations on governance matters. As such, when reviewing resolutions proposed at general meetings, AXA IM judge them against fundamental principles of good corporate governance, taking into account best practice standards pertinent to the relevant market and that company's particular circumstances.

AXA IM makes use of the voting information services of Institutional Shareholder Services ("ISS"), Proxinvest, and the Institutional Voting Information Service. The research received is used to augment knowledge of companies and resolutions at forthcoming general meetings. Other inputs include internal knowledge, research and engagement with the company, fund manager input and committee consideration. In addition, AXA IM uses the ISS Proxy Exchange as their proxy voting platform. AXA IM has also appointed State Street Bank to execute their votes in relation to French company meetings.

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Voting over year to 31 March 2021	UK Select Opportunities Fund	North American Equity Growth Fund
Number of resolutions eligible to vote on over the year	1010	774
% of resolutions voted on for which the fund was eligible	99.70%	100%
Of the resolutions on which the fund voted, % that were voted against management	2.70%	24%
Of the resolutions on which the fund voted, % that were abstained from	0.3%	0%

### Voting Example

#### *UK Select Opportunities Fund – Fidelity National Information Services, Inc*

A significant vote against management took place in May 2020 regarding a named executive officer's compensation at Fidelity National Information Services, Inc.. AXA IM's rationale for voting against management was that the company granted the Chief Investment Officer ("CIO") a special award which has the possibility of accelerated vesting, which was seen as poor governance. In addition, AXA IM had concerns around the company's long-term remuneration incentives. AXA IM stated that they would continue to monitor the company's response to having their pay resolution rejected. In addition, AXA IM will seek to engage the company in aligning incentive arrangements with long term shareholder interests.

#### *North American Equity Growth Fund – Netflix, Inc*

A significant vote against management took place in June 2020 regarding a report on political contributions by Netflix, Inc.. AXA IM's rationale was that they consider the request for the company to report on political contributions does not seem overly onerous and would allow investors to measure the progress of the company and the source and destination of company funds used for political purposes. AXA IM stated that they would continue efforts to support more transparent political contributions by investee companies.

## **BlackRock**

### Voting

BlackRock uses ISS's electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. BlackRock's voting decisions are informed by internally-developed proxy voting guidelines, their pre-vote engagements, research, and the situational factors for each underlying company. Voting guidelines are reviewed annually and are updated as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

Over 2020, BlackRock increased their level of reporting by publishing more voting bulletins with detailed information and rationale for voting decisions. These specific significant votes are chosen by BlackRock based on a number of criteria such as level of public attention and impact of financial outcome.

UK Specialist Equity Fund over year to 31 March 2021	
Number of resolutions eligible to vote on over the year	2334
% of resolutions voted on for which the fund was eligible	98.8%
Of the resolutions on which the fund voted, % that were voted against management	3.7%
Of the resolutions on which the fund voted, % that were abstained from	2.0%

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### *Voting example*

#### Royal Dutch Shell Plc

BlackRock's Investment Stewardship team (BIS) has engaged with Shell over several years on a range of governance and material sustainability topics, including climate-related disclosures. As part of its engagement and voting process, BIS reviewed relevant company disclosures ahead of this year's annual general meeting. Shell's disclosures are consistent with BIS' expectation of large carbon emitters with a previous history of engagement with BIS on the topic.

In May 2020, BIS voted against the shareholder resolution to request Shell to set and publish additional targets for Greenhouse Gas ("GHG") emissions. BIS has been engaged with Shell on its climate commitments for a number of years and was engaged with the company throughout the process of this latest upgrading of its commitments.

In determining the vote, BIS took into consideration that Shell already had some of the most ambitious climate targets in the industry on all relevant GHG scope emissions (scopes 1,2 and 3) aligned with the Paris agreement, and that the company already makes strong disclosures for the Task Force on Climate-related Financial Disclosures ("TCFD"). Furthermore, the shareholder resolution refers to Shell's previous climate commitments, which are now out of date and have been superseded by renewed and stronger commitments. As a result of Shell's responsiveness, BIS considers the request made in the resolution to have substantively been delivered.

Given the company's progress towards aligning its reporting with TCFD recommendations, which has been one of BIS' key requests of large carbon emitters, and its responsiveness to shareholder engagement on portfolio resilience and reduction of scopes 1, 2, and 3 GHG emissions, BlackRock are supportive of management for the time being and BIS voted with management on all resolutions at the Annual General Meeting ("AGM").

More detail on the vote rationale can be found at the vote bulletin here:

<https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-shell-may-2020.pdf>

#### **Legal & General Investment Management (LGIM)**

LGIM makes use of the ISS proxy voting platform to electronically vote and augment their own research and proprietary ESG assessment tools, but do not outsource any part of the strategic decisions. They have put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what they consider to be the minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example, if engagement with the company has provided additional information.

Voting over year to 31 March 2021	Japan Equity Index Fund	North America Equity Index Fund
Number of resolutions eligible to vote on over the year	6518	9,495
% of resolutions voted on for which the fund was eligible	100%	100%
Of the resolutions on which the fund voted, % that were voted against management	13.9%	28.2%
Of the resolutions on which the fund voted, % that were abstained from	0%	0%

### *Voting example*

An example of voting activity specific to the North America equity index fund was in relation to Medtronic Plc in December 2020. In this case LGIM voted against the resolution to ratify named executive officers' compensation. Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-off awards in general and in particular when these are awarded to compensate

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for a payment for which the performance criteria were not met. Prior to the AGM LGIM engaged with the company and clearly communicated their concerns over one-off payments.

LGIM believes it is contrary to best practice in general and their pay principles in particular to award one-off awards, especially if they are to compensate for a forgone payment. The voting outcome however was as follows: For: 91.73%; against: 8.23%. LGIM stated that they would continue to monitor this company.

### First Sentier (Formerly First State)

#### Voting

First Sentier believes proxy voting is an important investor right and responsibility and should be exercised wherever possible. Voting rights (along with other rights attached to shares, for example pre-emption rights) are a valuable asset which should be managed with care and diligence. First Sentier obtains recommendations from a selection of proxy voting advisers (currently Glass Lewis and Ownership Matters); however, their investment teams retain full control of their voting decisions and may not always follow the guidance issued by the providers.

The head of each asset class or delegate is responsible for ensuring that all company resolutions are reviewed and an appropriate and consistent recommendation is made in line with First Sentier's corporate governance guidelines and principles.

First Sentier Global Listed Infrastructure Fund voting over year to 31 March 2021	
Number of resolutions eligible to vote on over the year	675
% of resolutions voted on for which the fund was eligible	97%
Of the resolutions on which the fund voted, % that were voted against management	12%
Of the resolutions on which the fund voted, % that were abstained from	2%

Records of all votes cast are disclosed on their website at: <https://www.firstsentierinvestors.com.au/au/en/institutional/responsible-investment/responsible-investment-proxy-voting.html>

### Engagement activity – Fixed Income and Real Estate

The Plan also invested in a fixed income strategy and a real estate fund. The Trustees disinvested from the real estate fund during the year and hence information on this fund has been excluded on grounds of materiality.

While the Trustees acknowledge 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 examples demonstrate some of the engagement activity being carried out on behalf of the Plan over the year.

### Barings – Fixed Income

Barings believes that value is derived from transparent communication with the entities in which it invests coupled with the expertise and discretion of experienced analysts and portfolio managers.

Barings aims to set objectives, milestones and appropriate timelines for each engagement, and monitor the success or failure of these milestones and objectives. It may escalate unsuccessful engagements by increasing the intensity or frequency of the engagement, by joining together with other investors in a collaborative engagement, or in some cases by divesting or declining to participate in future offerings.

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### **In summary**

Based on the activity over the year by the Trustees and their service providers, the Trustees are of the opinion that the Stewardship Policy has been implemented effectively. The Trustees note that their asset managers were able to disclose strong evidence of voting and engagement activity.