

## **The Oracle UK Pension Plan (“The Plan”) - Investment Accounting Disclosures**

The Plan provides benefits on both a defined benefit (DB) and defined contribution (DC) basis. The Plan is comprised of two sections (1 and 2). Section 1 is a hybrid of a DC Plan with a DB Underpin, Section 2 is pure DC.

This Statement has been prepared in accordance with applicable legislation, taking into account guidance from the Pensions Regulator.

Under applicable legislation, the Plan, for the purpose of this Statement, is therefore a hybrid scheme (a scheme providing both DB and DC benefits).

In this Statement we seek to:

- set out the Trustee’s policies;
- comment on the voting and engagement behaviour and how the Trustee’s policies have been followed during the Plan Year;
- set out the changes made to the SIP in 2019; and
- set out how, and the extent to which, the SIP has both been followed during the Plan Year.

### **Trustee Policies**

This section sets out the policies in the Statement of Investment Principles (‘SIP’) in force at the Plan year end relating to the following:

- Financially Material considerations
- Non-Financial considerations

Stewardship including the exercise of voting rights and engagement activities is set out in the ‘Voting and Engagement’ section.

The Trustee updated the SIP after the Plan year end to include policies required by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and will include those policies going forward.

### Financially Material considerations

The Trustee has considered financially material factors such as environmental, social and governance (‘ESG’) issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Plan for members. It believes that financially material considerations are implicitly factored into the expected risk and return profile of the asset classes they are investing in. However, the Trustee has not made an explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest primarily through pooled funds. The Trustee acknowledges that it does not influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustee does expect its fund managers and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Plan’s assets are subject to the investment manager’s own policy on responsible investment. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Plan with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Plan and its investments;
- Use ESG ratings information provided by its investment consultant, to assess how the Plan's investment managers take account of ESG issues; and
- Request that all the Plan's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.

If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

#### Non-Financial considerations

The Trustee has made an Ethical fund available to members who would like to invest in a fund with these specific considerations. The Trustee has not considered non-financial matters in the selection, retention and realisation of investments.

#### **Voting and Engagement**

The Trustee is required to disclose the voting and engagement activity over the Plan year. The Trustee has used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Plan's behalf.

This statement provides a summary of the key information and summarises Minerva's findings on behalf of the Plan over the Plan year.

#### Voting and Engagement Policy and Funds

The Trustee's policy on stewardship is as set out below in the SIP dated September 2019:

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interest of the beneficiaries.

Where this primary consideration is not prejudiced, the investment manager should engage with companies to take account of ESG factors in the exercise of such rights. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate. If they are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expects investment managers to adhere to this where appropriate for the investments they manage.

The table below sets out the funds the Plan invested in over the Plan year and states the use of a proxy voter:

| Fund / Product Manager | Investment Fund/Product                          | Made Via | Period Start Date | - | Period End Date | 'Proxy Voter' Used? |
|------------------------|--|----------|-------------------|---|-----------------|---------------------|
| BlackRock              | Aquila Life <5 Yr Index Linked Gilt              | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| BlackRock              | Aquila Life MSCI World Fund                      | Platform | 01/06/19          | - | 31/05/20        | ?                   |
| BlackRock              | BlackRock Absolute Return Bond Fund              | Platform | 01/06/19          | - | 31/05/20        | ?                   |
| BlackRock              | BlackRock Diversified Growth Fund                | Platform | 01/06/19          | - | 31/05/20        | ISS                 |
| BlackRock              | BlackRock Liquidity Fund                         | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| BNY Mellon             | Newton Real Return Fund                          | Platform | 01/06/19          | - | 31/05/20        | ?                   |
| Columbia Threadneedle  | Threadneedle Pensions Property Fund              | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| Invesco                | Invesco GTR Pension Fund                         | Platform | 01/06/19          | - | 31/05/20        | ?                   |
| LGIM                   | LGIM >5yrs Index Linked                          | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| LGIM                   | LGIM Ethical UK Equity Index                     | Platform | 01/06/19          | - | 31/05/20        | ISS                 |
| LGIM                   | LGIM Global Equity Fixed Weights 50/50 Index     | Platform | 01/06/19          | - | 31/05/20        | ISS                 |
| LGIM                   | LGIM Managed Property Fund                       | Platform | 31/05/19          | - | 20/11/19        | N/A                 |
| LGIM                   | LGIM Over 15 Year Gilts Index                    | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| LGIM                   | LGIM UK Equity Index Fund                        | Platform | 01/06/19          | - | 31/05/20        | ISS                 |
| LGIM                   | LGIM Under 15 Year Index Linked Gilts Index Fund | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| LGIM                   | LGIM Corporate Bond - All Stocks Fund            | Platform | 01/06/19          | - | 31/05/20        | N/A                 |
| Majedie                | LF Majedie UK Equity Fund                        | Platform | 01/06/19          | - | 31/05/20        | ?                   |
| MFS                    | MFS Meridian Global Equity Fund                  | Platform | 01/06/19          | - | 31/05/20        | ?                   |

? Not confirmed by Manager      N/A = not applicable

ISS is a proxy voting service.

### Exercise of voting rights

The voting activity was requested by Minerva from all of the Plan's managers, where appropriate, namely Blackrock, LGIM, BNY Mellon, Invesco, Majedie and MFS. It was determined that such a request was not appropriate for Columbia Threadneedle. Information was obtained from Blackrock and LGIM but unfortunately no information was forthcoming from BNY Mellon, Invesco, Majedie and MFS. Please see section on 'Outstanding Information' for further details.

Based on data obtained from Blackrock, Minerva concluded that although the manager's remuneration and audit and reporting policies have some minor areas of divergence from good practice, Minerva believe BlackRock's voting activity has followed their own voting policy and that BlackRock's voting policies are aligned with the Trustee's own policies.

Due to a lack of detailed voting records from LGIM. Minerva has been unable to undertake an assessment on the extent to which LGIM's voting activity has followed their own voting policy (and by extension, the Trustee's policy). However, Minerva were able to conclude that LGIM's voting policies and disclosure broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices.

### Manager Voting Behaviour

The Trustee believes that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Plan’s managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour of each manager where disclosed by the manager.

| Manager   | Fund                              | No. of Meetings     |                     | No. of Resolutions |                   |                    |           |
|-----------|-----------------------------------|---------------------|---------------------|--------------------|-------------------|--------------------|-----------|
|           |                                   | Eligible for Voting | Eligible for Voting | % Eligible Voted   | % Voted in Favour | % of Voted Against | % Abstain |
| BlackRock | BlackRock Diversified Growth Fund | 971                 | 11,900              | 97.2%              | 90.1%             | 5.9%               | 1.1%      |
| LGIM      | LGIM UK Equity Index Fund         | 846                 | 11,859              | 99.6%              | 93.6%             | 6.4%               | 0%        |

### Significant Votes

A ‘Significant Vote’ relates to any resolution at a company that meets one of the following criteria:

- contradicts local market best practice (e.g. the UK Corporate Governance Code in the UK);
- is one proposed by shareholders that attracts at least 20% support from investors; and
- attracts over 10% dissenting votes from shareholders.

Where the manager has not provided the level of data to identify the ‘Significant Votes’ based on the criteria explained above, Minerva has applied the definition provided by the managers themselves.

| Manager   | Fund   | Company Name   | Date of Vote | Summary of Resolution   | For / Against / Abstain | Outcome of Vote | Why Significant?       | Vote Rationale  |
|-----------|--|----------------|--------------|---|-------------------------|-----------------|------------------------|---|
| BlackRock | BlackRock Dynamic Diversified Growth Fund  | Qualcomm Inc   | 10/03/2020   | To elect to the Board of Directors: Harish Manwani  | Against                 | Passed          | Manager identification | Based on analysis and engagement with the Company. BlackRock believes that company is not effectively addressing a material issue and voted against the election of the longest-tenured compensation committee member, Harish Manwani.  |
|           |  | Qualcomm Inc   | 10/03/2020   | To approve, on an advisory basis, executive compensation.                                 | Against                 | Defeated        | Manager identification |   |
|           |  | Walt Disney    | 11/03/2020   | To approve an advisory vote on the remuneration of the Company’s named executive officers | For                     | Passed          | Manager identification | Where companies are making progress on key corporate governance issues, BlackRock will generally support the board and management in those efforts. BlackRock determined that The Walt Disney Company’s current level of disclosure is in line with the best practices detailed in BIS’ commentaries on executive compensation and on corporate political activities. |
|           |  | Walt Disney    | 11/03/2020   | To request the Board to prepare a report to shareholders on lobbying                      | Against                 | Defeated        | Manager identification |   |
|           |  | Siemens AG     | 05/02/2020   | Discharge Resolutions   | For                     | Passed          | Manager identification |   |
| LGIM      | Only manager-level ‘Significant Vote’ information provided (i.e. was not provided on an individual fund basis) | FirstGroup plc | 25/06/2019   | Remove Wolfhart Hauser as Director  | For                     | Defeated        | Manager identification | Legal & General decided to cast a vote against the board chair to signal their concerns around the pace of execution of the strategy and poor performance. Legal & General supported the rest of the board and opposed the activist’s nominees.   |

## Manager Engagement Information

The Trustee believes that an important part of responsible oversight is for the Plan’s investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Plan’s managers to engage with investee companies where they have identified any such issues.

The table below summarises the engagement activity of the managers that provided information.

|                       |   | Summary of Company Engagement Activity |          |                 |       |         |              |       |                |        |        | Outcomes |      |
|-----------------------|---|--|----------|-----------------|-------|---------|--------------|-------|----------------|--------|--------|----------|------|
|                       |   | Corporate Governance                   |          |                 |       |         |              |       | Sustainability |        |        |          |      |
| Manager               | Fund                                      | No.                                    | Strategy | Audit & Report. | Board | Capital | Corp. Action | Remun | Shrhdr Rights  | Envir. | Social | Resolve  | Open |
| BlackRock             | BlackRock Dynamic Diversified Growth Fund | 622                                    | 36%      | 22%             | 54%   | 21%     | 10%          | 44%   | 21%            | 40%    | 32%    | ?        | ?    |
| Legal & General       | Firm-level data only                      | 739                                    | 13%      | 2%              | 19%   | 3%      | 3%           | 28%   | 2%             | 34%    | 37%    | ?        | ?    |
| Columbia Threadneedle | Threadneedle Pensions Property Fund       | 2                                      | 0%       | 0%              | 0%    | 0%      | 0%           | 0%    | 0%             | 50%    | 50%    | 100%     | 0%   |

⚠ Not confirmed by Manager

## Outstanding Information

This section sets out the status of outstanding information Minerva have requested.

| Fund / Product Manager | Investment Fund/Product                          | Information Request Acknowledged | Voting Info Available? | Engagement Info Available | Info Rec'd by Minerva Deadline |
|------------------------|--|----------------------------------|------------------------|---------------------------|--------------------------------|
| BlackRock              | Aquila Life <5 Yr Index Linked Gilt              | ✘                                | ✔                      | ✔                         | ✘                              |
| BlackRock              | Aquila Life MSCI World Fund                      | ✘                                | ?                      | ?                         | ✘                              |
| BlackRock              | BlackRock Absolute Return Bond Fund              | ✘                                | ?                      | ?                         | ✘                              |
| BlackRock              | BlackRock Diversified Growth Fund                | ✘                                | ✔                      | ✔                         | ✘                              |
| BlackRock              | BlackRock Liquidity Fund                         | ✘                                | ✔                      | ✔                         | ✘                              |
| BNY Mellon             | Newton Real Return Fund                          | ✘                                | ?                      | ?                         | ✘                              |
| Columbia Threadneedle  | Threadneedle Pensions Property Fund              | ✘                                | ✔                      | ✔                         | ✘                              |
| Invesco                | Invesco GTR Pension Fund                         | ✘                                | ?                      | ?                         | ✘                              |
| LGIM                   | LGIM >5yrs Index Linked                          | ✘                                | ✔                      | ✔                         | ✘                              |
| LGIM                   | LGIM Ethical UK Equity Index                     | ✘                                | ?                      | ?                         | ✘                              |
| LGIM                   | LGIM Global Equity Fixed Weights 50/50 Index     | ✘                                | ?                      | ?                         | ✘                              |
| LGIM                   | LGIM Managed Property Fund                       | ✘                                | ?                      | ?                         | ✘                              |
| LGIM                   | LGIM Over 15 Year Gilts Index                    | ✘                                | ✔                      | ✔                         | ✘                              |
| LGIM                   | LGIM UK Equity Index Fund                        | ✘                                | ✔                      | ✔                         | ✘                              |
| LGIM                   | LGIM Under 15 Year Index Linked Gilts Index Fund | ✘                                | ✔                      | ✔                         | ✘                              |
| LGIM                   | LGIM Corporate Bond - All Stocks Fund            | ✘                                | ✔                      | ✔                         | ✘                              |
| Majedie                | LF Majedie UK Equity Fund                        | ✘                                | ?                      | ?                         | ✘                              |
| MFS                    | MFS Meridian Global Equity Fund                  | ✘                                | ?                      | ?                         | ✘                              |

✔ Positive response
⚡ Partial response
✘ Negative response
? Not confirmed by Manager
✔ No VEI information to report

Minerva is continuing to engage with the relevant managers on the identification and provision of any missing VEI information, and will provide the Plan with an update as soon as all of the managers have formally reported back, and any information provided has then been analysed.

## Conclusion

This statement has shown there is only partial information available from many of the managers. The Trustee will seek any outstanding information and will agree a way forward on any actions identified by Minerva once this information is available.

With the help of its investment consultant the Trustee will also engage with managers for asset classes such as bonds to see if any engagement information can be provided going forward.

## **Compliance with SIP policies**

### **SIP Review and Changes during the Plan Year**

The Trustee reviewed and updated the SIP during the year to take account of the requirements on clarifying and strengthening trustee duties that came into force on 1 October 2019. The 2019 SIP was signed in September 2019.

The Trustee set out the following:

- how it takes account of financially material considerations over the appropriate time horizon of the investments, including those arising from Environmental, Social and Governance ('ESG') considerations, including climate change;
- its policies in relation to the stewardship of the investments, including engagement with investee firms and the exercise of the voting rights associated with the investment; and
- the Trustee decided not to set a policy on non-financial matters in the selection, retention and realisation of investments. However, the Trustee has made an Ethical fund available to members who would like to invest in a fund with these specific considerations. Whilst the Trustee believes it looks out for the best interest of the members, it has not yet explicitly taken into account the member views on ESG or ethical views.

In accordance with further new regulations effective 1 October 2020, the SIP was subsequently updated in September 2020 to build on the requirements that were introduced in 2019. This was done after the Plan year end and will be addressed in next year's statement. The latest SIP can be found here: [Oracle UK Pension Plan \(myoraclepension.com\)](https://myoraclepension.com)

### **How the SIP has been followed over the year**

The Trustee is of the opinion that the SIP has been followed over the Plan year as detailed below:

- The Trustee updated the SIP over the Plan year as detailed above. During the year and as part of this update the Trustee received training and reviewed their policies on ESG and Stewardship.

### **Section 1 - DC Plan with a DB Underpin**

- The Trustee's overall investment policy in respect of Section 1 is to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. The asset allocation strategy the Trustee has selected is designed to balance investing to meet the likely benefit obligation, taking into account the DB underpin, with investing to maximise members' benefits. The Trustee believes that this policy has been followed over the Plan year and continues to monitor this. The Trustee is happy with the expected level of return from its asset allocation and fund selection.
- Section 1 is made up of Employer Core, Member Core and Non-Core subsections. Trustee decisions over the Plan year have affected the subsections differently.
- The Employer Core subsection is invested in the Oracle Diversified Growth Fund (no investment choices available) and no changes were made to this offering over the Plan year as the Trustee deemed this was suitable to achieve their target return.

- The Member Core subsection is invested in the Oracle Diversified Growth Fund by default but members can choose alternatives from a full range of investment options. Changes to the alternative options which affect the Member Core and Non-Core subsections included:
  - The Oracle Lifestyle Growth Fund, the Oracle Active Bond Fund and the Invesco Perpetual Global Target Return Fund were added to the member choices. Some of these funds are white labelled funds and therefore we have analysed the underlying investment managers and funds for the purpose of this exercise.
  - The Newton Real Return Fund can no longer be accessed by members who do not have existing holdings in this fund as a result of reduced confidence in the ability of the fund being able to perform in line with its objectives. The Trustee moved members invested in the LGIM Property Fund to the Threadneedle Property Fund in November 2019 as a result of concerns about the performance and management of the actively managed LGIM Property Fund.
- Trustee decisions affecting the Non-Core subsection only included:
  - Changes to the composition of the self select lifestyle strategies including the Cash Lifestyle Strategy, the Drawdown Lifestyle Strategy and the Annuity Lifestyle Strategy were made.
- The Trustee monitors the performance of the investment managers against its aims and objectives on a quarterly basis. This review includes an analysis of fund performance to check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks that have been agreed with the investment managers.

## **Section 2 - pure DC**

- The Trustee's investment policy in relation to the DC section is to offer a range of strategies appropriate for members to meet their investment objectives, The Trustee provides a range of investments that are suitable for meeting members' long and short-term investment objectives. It has taken into account members' circumstances, in particular the range of members' attitudes to risk and term to retirement
- The Trustee reviewed the DC default strategy and the self select funds and strategies in June 2019. The following changes were implemented:
  - The Oracle Lifestyle Growth Fund, the Oracle Active Bond Fund and the Invesco Perpetual Global Target Return Fund were added to the member choices. Some of these funds are white labelled funds and therefore we have analysed the underlying investment managers and funds for the purpose of this exercise.
  - The Newton Real Return Fund can no longer be accessed by members who do not have existing holdings in this fund as a result of reduced confidence in the ability of the fund being able to perform in line with its objectives.
  - The Trustee moved members invested in the LGIM Property Fund to the Threadneedle Property Fund in November 2019 as a result of concerns about the performance and management of the actively managed LGIM Property Fund.
  - Changes to the composition of the self select lifestyle strategies including the Cash Lifestyle Strategy, the Drawdown Lifestyle Strategy and the Annuity Lifestyle Strategy were made.
- The Trustee implemented the findings of its last investment strategy review from July 2019 through to November 2019. It therefore believes it has met the objective of offering a suitable range of strategies and its responsibility for ensuring that members have high quality funds to invest in.
- The Trustee monitors the performance of the default arrangement against its aims and objectives on a quarterly basis. This review includes an analysis of fund performance to



check that the risk and return levels meet expectations. Performance is reviewed against target benchmarks that have been agreed with the investment managers.