

Hunters & Frankau Limited Retirement Benefits Scheme

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 December 2020

Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees, has been followed during the year to 31 December 2020. 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.

Trustees Investment Objective

The Trustees primary investment objective for the Scheme 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 until such time that the Scheme has sufficient assets to secure its liabilities with an insurance company.

In doing so, the Trustees aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

Statement of Investment Principles

The Scheme's Statement of Investment Principles ("SIP") was updated in September 2020. The changes made to the Statement reflect new legislation around additional information on the Trustees policy in relation to arrangements with their investment managers.

Policy on ESG, Stewardship and Climate Change

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

The Scheme's SIP dated September 2019 first included the Trustees' policies on ESG factors, stewardship and climate change. These policies were last reviewed in September 2020 when the SIP was updated. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Scheme's Investment Structure

The Scheme invests in pooled investment vehicles managed by their investment managers. The Trustees have the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Trustees Engagement

In the relevant year the Trustees have not engaged with their investment managers on matters pertaining to ESG, stewardship or climate change, and are satisfied that the current ESG measures taken by their investment managers are in the best financially material interests of the Scheme's members. Mercer's ESG ratings of investment managers are included as part of Mercer's Manager Research Team ("MMRT") ratings which are provided when strategy reviews are undertaken.

Voting Activity

The Trustees have delegated their voting rights to the managers of the funds the Scheme's investments are ultimately invested in. The Trustees have not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

This includes information on what the fund managers consider to be a significant vote, and examples of these. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are all reasonable and appropriate.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will take on board industry activity in this area before the production of next year's statement.

The table below sets out a summary of the key voting activity over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
BlackRock Balanced Growth Portfolio Fund	<p>ISS</p> <p>Glass Lewis</p> <p><i>(BlackRock do not follow either blindly)</i></p>	6,445 resolutions eligible to vote on (6,055 votes cast)	389 votes	107 votes	<p>BlackRock Investment Stewardship prioritizes its work around themes that it believes will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which they invest on behalf of clients. BlackRock's year-round engagements with clients to understand their focus areas and expectations, as well as our active participation in market-wide policy debates, help inform these priorities. The themes they have identified are reflected in their global principles, market-specific voting guidelines and engagement priorities, which underpin their stewardship activities and form the benchmark against which they look at the sustainable long-term financial performance of investee companies.</p>	<p>ROYAL DUTCH SHELL PLC CLASS B – a vote 'against' the shareholder resolution. The shareholder proposal (Item 21) requested that Shell set and publish targets across Scope 1, 2 and 3, aligned with the Paris Agreement. The proponent argued that Shell's ambition to reduce its net carbon intensity by 50% by 2050 in a growing energy system would not ultimately lead to the level of absolute emissions reduction necessary to achieve the goals of the Paris Agreement. The proponent asked for more "aspirational" targets.</p> <p>PROCTER & GAMBLE – a vote 'for' and 'against' the company's recommendations. Two shareholder proposals requested for P&G to report on efforts to eliminate deforestation (Item 5) and publish a report assessing diversity and inclusion efforts (Item 6). BlackRock voted for Item 5, going against the company's recommendation. BlackRock determined there was room for improvement regarding the frequency and depth of the company's ESG reporting. BlackRock followed the company's recommendation in voting against Item 6 as they deemed Procter & Gamble to be at the forefront of diversity and inclusion efforts in the industry. BlackRock reasoned that due to existing initiatives and disclosures, the report put forward by the shareholders would be redundant.</p>

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AXA Framlington Managed Balanced Fund	ISS Proxinvest IVIS <i>(Decisions are made by AXA based on their own Corporate Governance & Voting Policy)</i>	2,622 resolutions voted on	197 votes	None	<p>When considering what constitutes a 'significant vote' we have taken into consideration a number of different aspects which each play an important role in the determination. These include topics which our clients consider of particular interest to them and which guides not just our voting but also our engagement work. These may include topics such as climate change, human capital and gender diversity issues, biodiversity concerns and others. Similarly, votes where we consider they may have a material financial or ESG risk or where significant governance or stewardship risks exists will also be considered significant for us. Other factors taken into consideration include the size of our holding, whether the topic or issue is controversial, or where we are conducting specific focused engagement with a company as part of our key thematic research and engagement work.</p>	<p>FACEBOOK – AXA voted against management on one resolution related to the election of directors to the remuneration committee. AXA opposed the Board of Directors because they were not responsive to the concerns of the shareholders as they did not put the proposed vote on remuneration to an annual vote.</p> <p>AMAZON – AXA supported management in the 2020 AGM on reducing the ownership threshold for shareholders to call an extraordinary meeting. This vote was motivated by the fact that Amazon has taken appropriate steps to introduce shareholding reduction provisions to require special meetings, thereby adequately responding to shareholder concerns.</p>

Notes: ISS = Institutional Shareholder Services Inc.
IVIS = Institutional Voting Information Service