

HUNTERS & FRANKAU LIMITED RETIREMENT BENEFITS SCHEME

Engagement Policy Implementation Statement

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 30 December 2022. 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 2018/2019 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 November 2022. The changes made to the Statement reflect the strategy changes made in October 2022 where the Trustees agreed to de-risk the assets following an improvement in the funding level. The Scheme disinvested from equities and corporate bonds, and increased its allocation to fixed-interest and index-linked government bonds.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that it 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 includes the Trustees' policy on ESG factors, Stewardship and Climate Change. The policies were last reviewed in November 2022 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's only investment is a Trustee Investment Policy ("TIP") with Mobius Life Limited (Mobius). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. The Trustees, with advice from their investment consultant, Mercer, are responsible for the selection and removal of the Scheme's funds.

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.

Significant Votes

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote".

The Trustees define a significant vote as one that is linked to the Scheme's stewardship priorities/themes. In this instance, the Trustees are comfortable with aligning to the underlying manager's voting priorities. A vote could also be significant for other reasons, e.g. due to the size of holding. Given the nature of the Scheme's holdings, this is unlikely to be a material consideration for the Trustees.

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

Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	Abstentions		
LGIM Equity Index Fund	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	35,672 eligible (99.78% cast)	21.59% of votes cast	0.80% of votes cast	<p>A significant vote includes but is not limited to:</p> <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes. 	<p><i>Apple Inc</i> – a vote 'for' was cast regarding a report on civil rights audit. Date of vote: 4 March 2022 Benchmark allocation (as at voting date): 25% A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.</p> <p><i>Alphabet Inc</i> – a vote 'for' was cast regarding a report on physical risks of climate change. Date of vote: 1 June 2022 Benchmark allocation: 25% A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.</p>

<p>LGIM UK Equity Index Fund</p>	<p>LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.</p>	<p>10,854 eligible (99.93% cast)</p>	<p>5.48% of votes cast</p>	<p>0.00% of votes cast</p>	<p>A significant vote includes but is not limited to:</p> <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM’s annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes. 	<p><i>Glencore Plc</i> – a vote ‘against’ was cast regarding a report on climate progress. Date of vote: 28 April 2022 Benchmark allocation (as at voting date): 10% A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While we note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, we remain concerned over the company’s activities around thermal coal and lobbying, which we deem inconsistent with the required ambition to stay within the 1.5°C trajectory.</p> <p><i>Spirax-Sarco Engineering Plc</i> – a vote ‘against’ was cast regarding the re-election of Jamie Pike as Director. Date of vote: 11 May 2022 Benchmark allocation: 10% A vote against is applied as the company has an all-male Executive Committee.</p>
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