Hartwells Pension Plan (1971)

Engagement Policy Implementation Statement

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations"). The Regulations amongst other things require that the Trustees outline how they have ensured that the stewardship policies and objectives set out in the Plan's Statement of Investment Principles ("SIP") have been adhered to over the course of the year.

This is the first engagement policy implementation statement ("Statement") the Trustees of the Hartwells Pension Plan (1971) ("the Plan") have prepared and covers the year ending 1 September 2020. Not all managers shared information directly relating to the specific period covering the Plan's financial year, and so the information that has been provided has been used.

This Statement sets out the actions undertaken by the Trustees, its service providers and investment managers, to implement the stewardship policy set out in the Statement of Investment Principles ("SIP"). The document includes voting and engagement information that has been gathered from the asset managers and an overview of how the policies within the SIP have been implemented during the reporting period.

The Plan's stewardship policy

The relevant extract of the SIP covering the Plan's voting and engagement policies, is as follows:

As part of their delegated responsibilities, the Trustees expect the Plan's investment managers to:

- *take into account social, environmental or ethical considerations in the selection, retention and realisation of investments; and*
- *exercise the Trustee's voting rights in relation to the Plan's assets.*

The Trustees regularly review the continuing suitability of the appointed managers and take advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Through this Statement, the Trustees review how the actions of its asset managers and fiduciary manager have aligned with its expectations and principles set out in the SIP. The Trustees will set out where they expect more information or engagement to be undertaken by its managers.

Plan activity over the year

Responsible Investment Beliefs

Over the year as part of the process of updating the Plan's SIP, the Trustees reviewed their beliefs and policies relating to responsible investment and their expectations of their fund managers.

Ongoing Monitoring

The Trustees receive regular investment updates from their investment managers, including where appropriate on matters relating to responsible investment. The Trustees' ongoing monitoring takes different forms, including investment performance monitoring, ad-hoc market updates and annual investment risk disclosures.

Investment Performance Monitoring

The Trustees receive on a quarterly basis, monitoring reports from their investment adviser outlining the valuation of all investments held and the performance of these investments and also consider any transactions encountered during the quarter. Investment returns are compared with appropriate performance objectives to monitor the relative performance of these investments.

Voting and Engagement - Equity

Over the year, the Plan was invested in the following equity funds:

- Legal and General UK Equity Index
- Majedie UK Equity Fund

The Trustees consider a significant vote broadly as a vote which the respective manager deems most significant to the Plan, or a vote where more than 15% of votes were cast against management.

Legal & General Investment Management ("LGIM")

The Principles for Responsible Investment ("PRI") is the world's leading proponent of ESG and a global standard setter for better practice. LGIM has been a PRI signatory since 2010.

Voting Policy Summary

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy. LGIM vote by proxy through the Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform. Despite the use of ISS, all voting decisions are made by LGIM and LGIM do not outsource any part of the strategic decision making. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure it continues to help clients in fulfilling their reporting obligations. LGIM also believe public transparency of its voting activity is critical for clients and interested parties to hold them to account.

Summary Voting Statistics

The following tables outline the voting data provided by LGIM for the equity fund invested in by the Plan. LGIM have provided data for the year to 30 September 2020.

UK Equity Index Fund	
% of resolutions voted on (of those eligible)	**99.9%**
% of votes against (of those voted on)	**6.8%**
% of votes abstained (of those voted on)	**0.0%**
% of meetings, at which voted, voted at least once against management	**45.0%**
% of resolutions, of which voted, voted contrary to proxy adviser recommendation	**6.1%**

Significant Vote Example: Climate Change

In May 2020, LGIM voted in favour of a resolution proposed by Barclays and ShareAction on commitments to tackling climate change. The resolution proposed by Barclays set out its long-term plans and had the backing of ShareAction and co-filers. LGIM stated that its focus will now be on helping Barclays on the detail of their plans and targets. LGIM plan to continue to work closely with the Barclays board and management team in the development of their plans and will continue to liaise with ShareAction, Investor Forum, and other large investors, to ensure a consistency of messaging and to continue to drive positive change.

Engagement Summary

LGIM have a six-step approach to their investment stewardship engagement activities, which includes:

1) Identify the most material ESG issues

2) Formulate the engagement strategy

3) Enhance the power of engagement

4) Public Policy and collaborative engagement

5) Voting

6) Report to stakeholders on activity.

LGIM has become an industry leader in stewardship activities for index tracking funds and is arguably setting best practice for other managers to follow. This has been achieved by focusing on key engagement themes to prioritise their engagement activity.

As part of their Climate Impact Pledge, LGIM publish a list each year comprising of companies that are deemed candidates for exclusion because of them not reaching LGIM's sustainability expectations. If engagements with these companies are unsuccessful, LGIM may divest from the company.

Engagement Example: BP

LGIM provided an interesting engagement case study for energy company BP. The shift to a low-carbon economy has profound implications, LGIM and other major shareholders put forward a motion calling on BP to explain how its strategy was consistent with the Paris Agreement on climate change. In May 2019, LGIM worked with the board of BP to secure its support for the motion. At the company’s annual general meeting, the proposal was passed with overwhelming approval from shareholders. LGIM have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. Further developments include the company announcing industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.

Majedie UK Equity Fund

Voting Policy Summary

Majedie uses the services of Institutional Shareholder Services (ISS) for their research and proxy voting platform, called ProxyExchange. Majedie have been a signatory to the Principles for Responsible Investing (PRI) since 2017.

In terms of reaching a voting decision, where a management recommendation and their proxy voting research provider's recommendation are in alignment, Majedie are minded to vote the same, except where items concern approval of political donations and expenditure, where they will be minded to vote against. Where there is divergence, the relevant Majedie fund manager will make a decision on how to vote.

Majedie also scrutinise in particular the recommendations of management and ISS in the UK small cap space.

Summary Voting Statistics

The following tables outline the voting data provided by Majedie for the active UK equity fund invested in by the Plan. Majedie have provided data for the year to 1 September 2020, in accordance with the Plan's financial year-end.

% resolutions voted	**100.0%**
% of resolutions voted against management	**5.0%**
% resolutions abstained	**1.0%**
% of resolutions, of which voted, voted contrary to proxy adviser recommendation	**4.0%**

Significant Vote Example: Remuneration

One example of a vote against management was in September 2019 with Ryanair. The proposal was to approve the company's Remuneration Report. Majedie voted against Ryanair's Remuneration Report and Remuneration Committee Chair, as they disagreed with the size of the award that the CEO could receive in the context of targets that they felt weren't particularly stretching. Earlier in the year, Majedie had written to the company expressing their concern that the potential pay-out to the CEO was disproportionate given the level of improvement for which he may have been rewarded. Majedie vote against was a consequence of their unheeded engagement.

The Majedie proxy voting principles state that companies should exercise fair pay for their boards, executives and employees – pay which is justified, benchmarked and transparent, and which is linked to the group's long-term business strategy and performance.

The percentage vote against management in this instance was approximately 49.5%. Majedie will continue to engage with the business and monitor any future remuneration outcomes.

Engagement Summary

Majedie identify and assess all the risks and all the opportunities that a company faces within the context of its operations, which are then prioritised from an investment perspective. This prioritised group of issues is the result of Majedie examining financial and ESG issues together. The prioritised list then drives their engagement with a company.

As an investment house, Majedie have climate related issues that relate to their overall business and to their investments. For the overall business, they drive the goal to be carbon neutral. For their investments, they are supporting the Investment team's engagements with investee companies into the climate related issues their companies are facing. In 2020, Majedie purchased carbon related data on their holdings to enhance engagements and analysis in this area.

Majedie's fundamental, bottom up investment approach examines the risks and opportunities that are key and material to the investee companies. They identify and prioritise those issues that are material for each company from a longer-term investment perspective. Majedie monitor the progress that each company makes in managing its key issues. The conviction level in their holdings is determined partly by how the holdings manage their issues (both ESG and financial).

Engagement Example: Climate Change

Majedie engaged with BP plc in September 2019 at a shareholder event. Majedie wanted to understand how the business is managing its key material issues and how resilient it may be to issues that it faces going forward. As stated, Majedie's engagement approach is driven by the issues they have identified and prioritised as warranting engagement with the investee companies.

During the meeting, Majedie specifically asked BP to:

- Provide an indication of how its carbon efficiency and financial metrics work together
- Be much more transparent on its longer-term strategy and milestones to achieve this
- Provide a heat map detailing how the group is managing its key issues.

BP said it will work on strategy and on being more transparent on its transition goals and targets for energy. It will also work on gradually moving more capital into renewables and sustainable fuels and away from current fossil fuel projects. The group’s future remuneration policies may also include a link to energy transition. Majedie will continue encouraging BP to make serious strides on its overall strategy and formulate a concrete plan to manage its energy and energy solutions.

However, Majedie have since reduced their position in BP given the uncertainty around its approach to the energy transition.

Engagement – Diversified Growth Funds

Over the year, the Plan was invested in the following diversified growth funds:

- Newton Real Return Fund
- Schroders Life Diversified Growth Fund

The Trustees consider a significant vote broadly as a vote which the respective manager deems most significant to the Plan, or a vote where more than 15% of votes were cast against management.

Newton Real Return Fund

Voting Policy Summary

Newton use ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings. All voting decisions are made by Newton on a case-by-case basis and only in the event of a conflict of interest will they follow the voting recommendations from a service provider.

Newton regard as material issues all votes against management, including where they support shareholder resolutions that the company's management are recommending voting against. Where they plan to vote against management on an issue, Newton aim to engage with the company in order to provide an opportunity for concerns to be allayed. Newton only communicate their voting intentions ahead of the meeting direct to the company. They do alert a company regarding an action they have taken at their annual general meeting (AGM) through an email, to explain their thought process. The Responsible investment (RI) team then often holds a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the global industry analyst covering the company.

Newton is a signatory to the current UK Stewardship Code, having signed up in 2010. Newton have obtained an independent assurance opinion from KPMG in relation to their compliance with the Code.

Newton's board reviews all voting activity, with a particular emphasis on ensuring that they meet their goal of 100% active voting.

Summary Voting Statistics

Summary of voting statistics over the period	Year to 30/09/2020
Number of meetings eligible to vote during the period	**138**
Number of resolutions eligible to vote during the period	**1947**
Percentage of resolutions voted on	**99%**
Percentage of resolutions voted on with management	**87%**
Percentage of resolutions voted on against management	**13%**
Percentage of resolutions abstained	**0.0%**
Percentage of meetings with at least one vote against management	**38%**
Percentage of resolutions where manager voted contrary to recommendation of proxy adviser	**9%**

Engagement Summary

Newton, as an active manager, consider engaging for information as well as engaging for change to be equally legitimate activities. Before investing, Newton conduct ESG research to identify specific subjects for engagement, which can lead to engagement prior to determining their ESG scores and therefore the suitability for inclusion in Newtons sustainable investment strategies.

Often, the areas identified for engagement are more appropriate to be raised for engagement following the initial investment being made. These are a key feature in engagement carried out with companies that have been identified for engagement through Newtons engagement priority matrix. This tool helps them to identify companies most suitable for engagement. The securities are identified based on a combination of factors that include Newtons own ESG quality review score and expected ESG score, aggregated size of clients' position held, industry sector and issuer country. The securities identified are reviewed and prioritised by the relevant RI analyst who will determine the materiality of the issues to be raised and the likelihood of success. Additionally, they prioritise engagements based on themes that are a focus for Newton. Engagement activities cannot always be prioritised but pursuing these can be equally important. Such reactive engagement is often at the company's request and include subjects such as executive pay, guidance on reporting and advice on specific ESG factors.

More generally, engagement can occur as part of a regular check-up, in direct response to an issue or in the process of improving business understanding, Newton conducts calls and in-person meetings with executives, board member or members on that company's Corporate Social Responsibility (CSR) team.

Newton have previously published a TCFD report and have since implemented several measures following the first issuance. All issues are available publicly on their website. Additionally, Newton measure Carbon metrics for this strategy, details of which are shown in the table below.

	Portfolio
Weighted Average Carbon Intensity (Expressed in tons CO_2e/\$M revenue)	**224.14**
Total Carbon Emissions (Expressed in tons CO_2e)	**300,401**
Carbon Intensity (Expressed in tons CO_2e/\$M revenue)	**231.20**

Engagement Example: Remuneration

As an active investor, Newton are keen to ensure salient ESG considerations are managed well and in the best interests of their clients. One such example is Informa, a British publishing business. Newton engaged on issues including corporate culture, succession planning and remuneration.

Newton had a conference call with the chairman of the remuneration committee, investor relations and the company secretary to discuss the remuneration policy vote at this year's AGM. They reiterated views from an engagement meeting held earlier in the year that they were uncomfortable with the time being taken to implement the 2018 UK Corporate Governance recommendations on aligning executive pensions with the rest of the workforce and utilising post-cessation shareholder requirements.

Newton requested and received confirmation that the company would consult shareholders in 2020 and implement the amended policy in the remuneration report put to shareholders at the 2021 AGM. Newton also discussed proposed changes to executives' long-term incentive arrangements, which resulted in the company committing to implement their feedback, which they believe the better aligned executive rewards will create shareholder value.

As a result of the engagement, the company committed to aligning executive pension contributions with those paid to the wider workforce, introduced post-cessation shareholding periods for executives and enhanced the financial underpin that will determine the vesting of executives' long-term incentive awards. As a significant shareholder Newton will continue to monitor the company's performance and engage on salient issues.

Schroders Diversified Growth Fund

Voting Policy Summary
All proxy vote instructions in all markets are submitted using the ISS global voting platform. ISS carry out the individual processing of vote instructions with the custodians and/or company/company agents. For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders have implemented a custom policy that reflects the views of their ESG policy and is administered by their proxy voting provider.

Schroders were unable to provide a response to a stewardship questionnaire issued by the investment adviser specifically with respect to the Schroders Diversified Growth Fund over the specific 12 months to Plan year end. The investment adviser's manager research team have spoken with Schroders and believe this is a client service/reporting issue rather than an ESG issue. Therefore, it does not appear to be a lack of appreciation of ESG risks in the strategy or an indication that Schroders are not fulfilling their voting obligations

Currently all of Schroders voting/engagement is conducted at a firm level not a strategy level which they would expect given a company may be held across multiple funds in multiple instruments. Schroder's systems are not set up for producing these reports at a strategy level in a timely manner across many clients requesting similar information as it is a manual process to covert this data. Schroders have indicated that systems and processes would be improved in anticipation of similar requests in the future.

Schroders do provide voting data at a manager level through their quarterly reports.

Summary Voting Statistics

	Votes cast as a % of total eligible votes
Q4 2019	**99.6%**
Q1 2020	**90.7%**
Q2 2020	**92.0%**
Q3 2020	**99.9%**

Engagement Summary
Schroders generally engage for one of three reasons:

1. To seek improvement in performance and processes in order to enhance and protect the value of their investments
2. To monitor developments in ESG practices, business strategy and financial performance within a company

3. To enhance their analysis of a company's risks and opportunities

Their mechanisms for engagement varies but typically involves actions such as phone calls, written correspondence, one to one meetings with company representatives and voting. Engagements are prioritised based on the materiality of the issues and size of Schroders' exposure.

Engagement – Absolute Return Bond Funds

Over the year, the Plan was invested in the following absolute return fund:

- PIMCO Dynamic Bond Fund

As a debt investor, the Trustees recognise the ability for voting in a strategy such as this is limited but do expect the manger to engage with underlying companies to seek improvements where appropriate.

PIMCO Dynamic Bond Fund

Engagement Summary

PIMCO focus on material ESG risks, out of both basic human compassion and because they believe that in order to maintain a robust economy – and therefore generate jobs and opportunity – growth has to be sustainable.

PIMCO believe that the UNPRI is a leading force in the ESG conversation within the investment management industry and became a UNPRI signatory in September 2011. PIMCO is also a signatory to the UK Stewardship Code.

In 2020 PIMCO received an A+ rating in their UN PRI Assessment Report, which is the third consecutive year receiving an A+ rating. PIMCO now score A+ across every single indicator, highlighting their evolution and strong improvement in sustainable investing.

For non-ESG dedicated portfolios like the Dynamic Bond Fund there is no explicit objective to actively engage with ESG issuers on sustainability practices. That said, at the firm level, on an annual basis, PIMCO's team of over 65 credit analysts conduct more than 5,000 meetings and calls with company management teams. In addition to discussing financial matters, PIMCO also focus on strategic issues that relate to ESG risks and sustainable business management practices. This engagement may focus on material ESG issues that can have significant impacts on the credit profile of the issuer.

PIMCO signed onto TCFD in June 2019, and in their 2019 ESG Investing Report they outlined their process for monitoring and managing climate risk in investment portfolios. This includes governance, strategy (including oversight and integration), the risk management framework, and their climate-related metrics and targets (including climate solutions investment exposure, carbon emissions, scenario analysis, and impact measurement). PIMCO recognizes that climate change will likely have a profound impact on the global economy, financial markets, and issuers.

PIMCO measure Carbon metrics for this strategy, which are provided below.

	Portfolio
Weighted Average Carbon Intensity (Expressed in tons CO_2e/$M revenue)	**169.07**

Total Carbon Emissions (Expressed in tons CO2e)	**4,346,570**
Exposure to Fossil Fuels (%)	**3.4%**
Exposure to Carbon Related Assets (%)	**5.7%**

Engagement Example: Sustainability Report

One of the issuers in the portfolio is AerCap, a major aircraft leasing company, who previously didn't publish a sustainability report. PIMCO's engagement specialist and credit team met with the CFO and Treasurer to learn more about the ESG performance of the business. The PIMCO approach is to open a constructive dialogue on objectives, such as setting environmental targets, and balancing prudent leverage and liquidity.

Following the engagement with the business, the company's management agreed with the PIMCO recommendation to move towards sustainability reporting.

Engagement – Infrastructure

Over the year, the Plan was invested in the following infrastructure fund:

- IFM Global Infrastructure (UK) GBP Fund

IFM Global Infrastructure (UK) GBP Fund

Voting Policy Summary

The underlying holdings within the Fund are illiquid (private market) equity investments and as such proxy voting is not relevant to the Plan's investment in this fund.

Instead IFM operates using an active ownership style, seeking to make investments with an equity stake sufficient to ensure control or, at least, to secure meaningful oversight of each infrastructure asset. IFM seeks board representation and will only invest in an asset that has governance structures that ensure they have sufficient protections and rights in place.

IFM retain full visibility and actively manage each asset to improve performance, using more than 60 board seats on portfolio companies across their infrastructure equity funds. Board and sub-committee representation allows IFM to drive the business actively by evaluating and influencing, the business strategy, potential acquisitions and divestments, the capital structure, risk management frameworks, and capital expenditure of the assets in question. IFM also take a role in the selection and compensation of company executives.

IFM take minority holdings only where they can negotiate robust shareholder protections, such as the right to appoint a director, negative control protections, the ability to participate in board sub-committees, and/or, for strategic reasons, the opportunity to build equity stakes over time. In short, IFM assess each potential asset individually.

Engagement Summary

IFM seeks to make infrastructure investments with an equity stake sufficient to ensure control or, at least, to secure meaningful oversight of each infrastructure asset. Through board representation, membership of management committees, etc., IFM establishes governance structures that allow them to have constructive engagement with their portfolio companies. Through this dialogue, IFM are able to review the status and progress of asset management initiatives from a responsible investment perspective, as well as the financial performance of these initiatives.

IFM is not a signatory to the current UK Stewardship Code and don't plan to become a signatory. IFM Investors' objective is to maximise client investment returns in a sustainable manner. To that end, they actively participate in Board discussions around matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration. These matters fall within the remit of the Stewardship Code, however given their focus on unlisted investments and global investment strategy, they do not expressly subscribe to the Stewardship Code.

IFM is a member of both CERES and the Investor Group on Climate Change (IGCC). They joined these groups to add their voice to the need for improved disclosure of climate risk and as a supporter of the TCFD. IFM's first TCFD report is drafted and currently about to commence compliance checks and design, with the plan to release this to investors in Q1 2021.

Engagement Example: Covid-19 and Environmental and Social
Manchester Airports Group (MAG), an airports group based in the UK, has played a role locally over the period as part of the Covid-19 response. Manchester Airport has provided grants to 15 local community groups responding to the Coronavirus crisis and Stansted Airport has donated 50,000 euros to local organisations tackling social impacts such as mental health and domestic abuse.

Additionally, the Government held the first meeting of its new 'Jet Zero Council' on 22 July 2020. The Council is intended to enable the Government to work with the aviation industry's most senior leaders on achieving the climate goal of net zero by 2050. MAG and Heathrow are the only airports represented at the Council.

Summary

Overall, the Trustees are of the opinion that the Plan's fund managers appear to be exercising their respective voting and engagement abilities in a thoughtful, responsible manner and that the Trustees' stewardship policy is being appropriately implemented on its behalf. However, the Trustees note that there is generally room for improvement across the industry and some managers, were not able to provide all information requested (specifically data for the Plan's year end).

The Trustees will continue to use influence to drive positive behaviour and change among the managers that it has employed to invest the assets of the Plan, and with other third parties that the Trustees rely on such as its investment advisor. The Trustees will, as appropriate, set increasingly higher standards for these parties in future, and will monitor, assess and ultimately hold them to account to ensure that the assets of the Plan are appropriately invested.

Signed on behalf of the Trustees of the Hartwells Pension Plan (1971)

Kevin Kenneally	Kevin Kenneally	5th February 2021
Name (Print)	Signature	Date