

# Implementation Statement for the Year to 31st March 2023

## F Hinds Pension Fund ('the Fund')

### Managing Risks

Risk / Policy	Definition	Policy	Actions
Interest rates and Inflation	The risk of mismatch between the value of the Fund's assets and present value of liabilities from changes in interest rates and inflation expectations.	To invest in matching assets that move in line with the present value of the Fund's liabilities.	The Fund increased its allocation to Gilts-based funds over the period, which aim to hedge part of the Fund's inflation and interest rate risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values).	The Fund did not have exposure to LDI funds so it did not suffer from any liquidity strain. The portfolio is very liquid with funds traded at least weekly.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain adequately diversified.	The Fund invests in a diversified growth fund in addition to equities which aim to reduce market volatility by diversifying across different drivers of return.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors where possible.	The Fund invested in a passive long dated credit fund and an actively managed absolute return credit fund which invest across a variety of sectors, diversifying the underlying credit risk.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, can impact the performance of the Fund's investments.	To appoint managers who integrate ESG into their investment process, utilise their right to vote and have good reporting on ESG matters.	As part of the investment management of the Fund's assets, the Trustees expect the investment managers to make decisions on: <ul style="list-style-type: none"> <li>• The selection, retention and realisation of investments considering all financially material considerations.</li> <li>• The exercise of rights (including voting rights) attached to these investments.</li> <li>• Undertaking engagement activities with investee companies and other</li> </ul>

		stakeholders where appropriate.
		<ul style="list-style-type: none"> <li>To date the Trustees have not set ESG priorities and do not use proxy voting services – all voting is carried out by their fund managers.</li> </ul>
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

## Changes to the SIP

Policies added to the SIP	
	A SIP addendum reflecting derisking changes to the portfolio, was agreed in November 2022

## Implementing the current ESG policy and approach

### ESG as a financially material risk

The SIP describes the Fund's policy with regards to ESG as a long-term risk. The next page details how the Fund's ESG policy is implemented. The rest of this statement details the Trustee's view of the managers, the actions for engagement and an evaluation of the stewardship activity.

The following table outlines the areas by which the Fund's investment managers are assessed on when evaluating their ESG policies. The Trustees will review the Fund's ESG policies and engagements periodically to ensure they remain fit for purpose.

### Implementing the Current ESG Policy

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factor and the exercising of rights.	The Trustees receive information from its investment advisers and its fund managers on the investment managers' approaches to engagement.	<p>The manager has not acted in accordance with their own policies and frameworks.</p> <p>The manager's policies are not in line with the Trustees' policies in this area.</p>

## Engagement and Voting

Fund Manager	Transparency
LGIM	<p>All decisions are made by LGIM’s Investment Stewardship team and in accordance with their relevant Corporate Governance &amp; Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</p> <p>LGIM’s voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. Their voting policies are reviewed annually and take into account feedback from clients.</p> <p>Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</p> <p>LGIM’s Investment Stewardship team uses ISS’s ‘Proxy Exchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is to augment their own research and proprietary ESG assessment tools. 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.</p> <p>To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM’s custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.</p> <p>More information can be found at:</p> <p><a href="https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/">https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/</a></p>

Each year, BlackRock Investment Stewardship (BIS) reviews and updates their Global Principles and market-specific proxy voting guidelines, that set out their approach to governance and stewardship. These documents set out core elements of corporate governance that guide investment stewardship activities globally and within each regional market, including when voting at shareholder meetings.

BIS is committed to constructive, long-term-focused engagement that supports companies in their efforts to deliver durable, long-term value to shareholders. As companies' operating environments change in response to consumer trends, public policies, and macroeconomic factors – and corporate governance standards evolve in response – so do their policies, which are regularly reviewed.

BIS's engagement priorities are:

- Board Quality and Effectiveness
- Strategy, Purpose, and Financial Resilience
- Incentives Aligned with Value Creation
- Climate and Natural Capital
- Company Impacts on People

BlackRock

BlackRock aim to vote at all shareholder meetings of companies in which clients are invested. However, they prefer to engage with the company in the first instance where they have concerns, to give management time to address the issue.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with BlackRock's view of what supports sustainable long-term value creation, they will engage with a company and/or use their vote to encourage a change in practice.

BIS periodically published "Vote Bulletins" on key votes at shareholder meetings to provide insight into details on certain vote decisions they believe we will be of particular interest to clients. These bulletins are intended to explain vote decisions relating to a range of business issues including ESG matters, based on their global Principles and engagement priorities, potentially material to a company's sustainable long-term financial performance.

Each year an annual stewardship report and full voting record is published to their website. Voting and engagement activities are published quarterly. All these reports are available at:

<https://www.blackrock.com/corporate/about-us/investment-stewardship>

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Newton

Data provision is strong, including broader information on company-wide voting, although not relevant for this fund.

Includes scoring of diversity, carbon intensity, water reduction and more.

However, as a bond fund voting does not occur.

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LGIM Engagement Activity – AAA-AA-A Corporate Bond Over 5 Year Index Fund

	Number	%
<b>Total company engagements</b>	64	
Number of individual companies engaged	25	
Number of companies with multiple engagements		
<b>Engagements by region</b>		
Americas		
EMEA		
APAC		
<b>Engagement themes</b>		
Governance	18	28%
Social	10	16%
Environmental	30	47%

LGIM Engagement Activity - Global Equity Fixed Weights (50:50) Fund

	Number	%
<b>Total company engagements</b>	726	
Number of individual companies engaged	466	
Number of companies with multiple engagements		
<b>Engagements by region</b>		
Americas		
EMEA		
APAC		
<b>Engagement themes</b>		
Governance	287	40%
Social	157	22%
Environmental	247	34%

LGIM Voting Activity – Global Equity Fixed Weights (50:50) Fund

	Number	%
Votable Meetings	3197	
Meetings Voted		
Votable Meetings		
Votable Proposals	41099	
Proposals Voted		100%
FOR Votes		82%
AGAINST Votes		18%
ABSTAIN Votes		0%
WITHHOLD Votes		
Votes WITH Management		82%
Votes AGAINST Management		18%

## LGIM Significant Votes (Global Equity Fixed Weights (50:50) Index Fund)

Below is a sample of the significant votes made by LGIM over the period 1 April 2022 – 31 March 2023 by fund. Full details of all significant votes is available on request.

Company name	Royal Dutch Shell Plc
Date of vote	2022-05-24
Summary of the resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Voted in line with management
Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.
Outcome of the vote	0.799
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Company name	Rio Tinto Plc
Date of vote	2022-04-08
Summary of the resolution	Resolution 17 - Approve Climate Action Plan
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
Outcome of the vote	0.843
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

	Number	%
<b>Total company engagements</b>	383	
Number of individual companies engaged	222	
Number of companies with multiple engagements	91	
<b>Engagements by region</b>		
Americas	145	38%
EMEA	217	57%
APAC	21	5%
<b>Engagement themes</b>		
Governance	337	88%
Social	151	39%
Environmental	176	46%

#### BlackRock Voting Activity

	Number	%
Votable Meetings	893	
Meetings Voted	846	95%
Votable Meetings	91	41%
Votable Proposals	11276	
Proposals Voted	10488	93%
FOR Votes	9847	87%
AGAINST Votes	420	4%
ABSTAIN Votes	151	1%
WITHHOLD Votes	38	0%
Votes WITH Management	9957	88%
Votes AGAINST Management	531	5%

#### BlackRock Significant Votes

Below is a sample of the significant votes made by BlackRock over the period 1 April 2021 – 31 March 2022 by fund. Full details of all significant votes is available on request.

Company name	Rio Tinto Plc
Date of vote	2022-04-08
Summary of the resolution	Approve Climate Action Plan
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote.
Rationale for the voting decision	Not given
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Referred to Global Principles for approach.

Company name	Santos Limited
Date of vote	2022-22-08

Summary of the resolution	Approve Climate-related Lobbying
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote.
Rationale for the voting decision	The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company
Outcome of the vote	Withdrawn
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Referred to Global Principles for approach.

Company name	McDonald's Corporation
Date of vote	2022-26-05
Summary of the resolution	Report on Efforts to Reduce Plastic Use
How you voted	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. They publish voting guidelines to help clients and companies understand their thinking on key governance matters that are commonly put to a shareholder vote.
Rationale for the voting decision	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.
Outcome of the vote	Fail
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Referred to Global Principles for approach.

## Newton Example Engagement Activity

Quarter	Engagement
Q2 2022	<p>Coventry Building Society – on transition towards a green mortgage book.</p> <p>IHS Netherlands – to understand the telecoms company commitment to net zero, including TCFD disclosures.</p>
Q3 2022	<p>Lloyds – to understand views on ESG priorities in a worsening economic environment: investors have moved it down the priority list</p> <p>HIS Netherlands – to garner more on emissions disclosures</p>
Q4 2022	<p>Coventry Building Society – to relay the information of branch networks to vulnerable people</p> <p>Volkswagen – following MSCI downgrade, which deemed it to breach the UN Global Compact. This was driven by evaluation methodology deeming the company to have exposure to Xinjiang, China and concerns around forced labour. The Company was defensive and missed the nuance that, although a joint venture in the factory in question, it still had responsibility.</p>
Q1 2023	<p>Barclays – met to discuss climate change risk management across their value chain</p>