

Trustees' Report – Investment Matters (continued)

Statement of Investment Principles – Implementation Statement

This Statement provides information which is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated September 2020 have been implemented. The SIP provides further background details on investment arrangements.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 6 April 2022 to 5 April 2023.

Investment Objectives of the Scheme

The objectives of the Scheme are set out on page 3 of the SIP and are summarised below.

1. **Funding Objective** - The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.
2. **Investment Objectives** - The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles. The Trustees' primary objectives are:
 - "funding objective" – to ensure that the Scheme is fully funded using assumptions that contain an appropriate margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
 - "stability objective" – to monitor the absolute level and stability of contributions required when setting the investment strategy of the Scheme; and
 - "security objective" – to endeavour to improve the funding position of the Scheme and in turn the asset coverage of members' benefits.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

Stewardship Policy

The Trustees' stewardship policy, as set out in the SIP is as follows:

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.

Review of the SIP and the Investment Strategy

The Trustees last reviewed the Statement of Investment Principles (SIP) in September 2020, which was updated to comply with legislative requirements for Environmental, Social and Governance (ESG) issues.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the SIP.

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Review of the SIP and the Investment Strategy (continued)

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

As at 5 April 2023, the Scheme's assets were invested in the following funds:

Asset Class	Investment Manager/Fund	Benchmark Weighting
Property	Evelyn Partners Property Fund	16.0%
Equities	Evelyn Partners Bespoke Mandate	17.0%
Bonds and Gilts	Evelyn Partners Bespoke Mandate	67.0%
Total		100.0%

The Trustees reviewed the strategy of the Scheme across the second and third quarters of 2022, over which time the Trustees took steps to de-risk the Scheme's investment strategy. This included selling all Scheme's assets invested with Baillie Gifford, Schroders, Investec and Rathbones, and using the proceeds to buy gilts and corporate bonds with Evelyn Partners.

The mandate with Evelyn Partners agreed by the Trustees comprises approximately two thirds in bonds and gilts and the rest in growth assets and diversifying assets (between which the split is currently about 16% in property and the rest in equities and similar).

Investment Governance

The Trustees are responsible for making investment decisions, and seek advice from Broadstone Corporate Benefits Limited ('Broadstone') as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. No changes were made to the strategic objectives put in place that were last reviewed in December 2020. The Trustees are due to formally review these objectives latest by December 2023.

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Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	<p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect their investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees assess the ESG integration capability of their investment managers.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect their investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.</p>	<p>No deviation from this policy over the year to 5 April 2023.</p>
Voting Rights and Engagement	<p>The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.</p>	<p>No deviation from this policy over the year to 5 April 2023.</p>

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Financially and Non-Financially Material Considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the Investment Managers and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their Investment Managers given they are investing in pooled funds.

The Trustees invest across a range of asset classes and styles. The Trustees expect the Investment Managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Asset Class	Actively or Passively Managed?	Comments
Equities	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the managers to use their discretion to generate higher risk adjusted returns. The Trustees also expect the investment managers to engage with their investee companies on ESG issues in order to promote sustainable long term investment returns. This is done by exercising any voting rights attached to the equity investments and engaging directly with investee companies.
Property	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities. However, the Trustees expect the investment manager to have regard to ESG issues when properties are being sold and purchased within the portfolio, together with any opportunities to re-develop existing properties with ESG issues in mind.

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Financially and Non-Financially Material Considerations (continued)

Corporate Bonds	Passive	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities and the need for the investment manager to invest in line with specified indices. The Trustee does expect its Investment Managers to engage with investee companies where possible, although it appreciates that fixed income assets do not typically attract voting rights.
Gilts	Passive	The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment.

Voting Rights and Engagement Activities

The Trustees currently invest in a combination of direct holdings and pooled funds within the bespoke mandates managed by Evelyn Partners. The Trustees acknowledge that their use of pooled funds this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

However, the Trustees periodically meet with Evelyn Partners, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their investment managers on these matters where they think this is in the best interests of members.

Within the current investment arrangements, some of the Scheme's mandates contain equity holdings, and therefore have voting rights attached to these underlying equities.

Some of the investment managers use the services of a third party proxy voter when exercising voting rights and will often engage with investee companies directly. The third proxy voters used are confirmed in the table below.

A summary of the votes made by the investment managers on behalf of the Trustees (where the investment owns equities) is provided in the table below from 6 April 2022 to 5 April 2023, based on the latest information available from each investment manager.

Manager	Third Party Proxy Voter	Fund	Resolutions Voted On	Resolutions Voted:		
				For	Against	Abstained
Evelyn Partners	Glass Lewis	Bespoke Mandate	1,065	97%	3%	0%

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Significant Votes

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

Significant Vote 3 – Evelyn Partners	
Company	Alphabet Inc
Date	01 June 2022
% of portfolio invested in firm	Not provided by Evelyn
Resolution	Increase in Authorised Common Stock
Why significant	Not provided by Evelyn
How voted	VOTED AGAINST
Manager Comments	<i>Requested increase is excessive; Sufficient shares available</i>
Vote outcome	Not provided by Evelyn

Engagement activities

The notable engagement activities of the investment managers over the last 12 months is provided below:

- Evelyn Partners**, as part of their involvement with Climate Action 100+, engaged with Walmart at two meetings over the year to discuss how Walmart could make their disclosures clearer around their emissions reporting and produce a TCFD report. Evelyn Partners also held discussions around Walmart's Scope 3 emission disclosures, given they believed they were not clear enough. In the second meeting, Walmart's significant progress was noted towards the 2025 goal of 35% absolute greenhouse gas reduction. Walmart also highlighted that they had created a new position, SVP of Energy and Transport, to transition their operations to clean energy to assist with their transition targets. Lastly, Walmart also made significant progress on its lobbying disclosure and committed to upgrading its Science Based Targets initiative (SBTi) certification to the net-zero standard.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into the managers' investment and stewardship processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report. Scores are presented as a number ranging from 0 (bad) to 100 (good), which is then translated into a 'star' rating: ★ (0-25) ★★ (26-40) ★★★ (41-65) ★★★★ (65-90) ★★★★★ (91-100).

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Engagement activities (continued)

The latest UNPRI 'Investment & Stewardship Policy' scores of the investment managers are outlined in the table below.

Manager	UNPRI Score	UNPRI Rating
Evelyn Partners	54	★★★

The Trustees also consider the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed:  _____

Date: 2/11/23

On behalf of the Trustees of the Hall & Pickles 1812 Pension Scheme