

## Trustees' Report – Investment Matters (continued)

### Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2019, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. 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.

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 2023 to 5 April 2024.

### Investment Objectives of the Scheme

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 SIP is due to be updated by Trustees.

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.

## Trustees' Report – Investment Matters (continued)

## Statement of Investment Principles – Implementation Statement

## Investment Managers and Funds in Use

The investment funds used for the Scheme as at 5 April 2024 are set out below:

Asset Class	Fund	Target Asset Allocation
Bonds and Gilts	Evelyn Partners Bespoke Mandate	100.0%
<b>Total</b>		<b>100.0%</b>

## Investment Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Evelyn Partners, 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.

## 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
<b>Financially and Non-Financially Material Considerations</b>	<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>	No deviation from this policy over the year to 5 April 2024.

## Trustees' Report – Investment Matters (continued)

Statement of Investment Principles – Implementation Statement (continued)

### Trustees' Policies (continued)

<p><b>Voting Rights and Engagement</b></p>	<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 2024.</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 will depend on the underlying asset classes within the strategy and the management style (e.g. active or passive).

The Trustees are satisfied that the assets currently invested in by the Scheme are managed in accordance with their views on financially material considerations, 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 Manager 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 Manager, given they are investing in pooled funds.

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

## Trustees' Report – Investment Matters (continued)

Statement of Investment Principles – Implementation Statement (continued)

### Financially and Non-Financially Material Considerations (continued)

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
<b>Gilts</b>	Passive	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 investment.
<b>Corporate Bonds</b>	Passive	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 and the need for the Investment Manager to invest in line with specified indices. The Trustees do expect their Investment Managers to engage with investee companies where possible, although they appreciate that fixed income assets do not typically attract voting rights.
<b>Cash</b>	Passive	The Trustees believe there is limited 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 direct holdings within the bespoke mandate managed by Evelyn Partners.

All voting activities have been delegated to the Investment Manager. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the Investment Manager 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 Manager on these matters where they think this is in the best interests of members.

For part of the year to 5<sup>th</sup> April 2024, the Scheme had an equity portfolio with Evelyn Partners, and therefore had voting rights attached to the underlying equities. The Scheme de-risked its investment strategy in December 2023, and therefore the voting statistics only cover the period Scheme was invested in the funds.

The Trustees have delegated engagement activities to the Investment Manager, and the Investment Manager reports to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

## Trustees' Report – Investment Matters (continued)

## Statement of Investment Principles – Implementation Statement (continued)

## Voting Rights and Engagement Activities

A summary of the votes made by the Investment Manager from 6 April 2023 to 15 December 2023 on behalf of the Trustees is provided in the table below. Where the information was provided by the Investment Manager, two of the underlying pooled funds have been included in the analysis. The analysis is based on the latest information available from the Investment Manager.

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
<b>Evelyn Partners</b>	Bespoke Equity Mandate	852	92%	8%	0%
<b>Baillie Gifford</b>	Shin Nippon PLC	365	98%	2%	0%
<b>Fidelity</b>	Fidelity Asian Values Fund*	1,438	87%	13%	0%

\*Voting data for this fund is only available from 1 January 2023 to 31 December 2023.

Information regarding proxy voting is detailed below:

- **Evelyn Partners** uses Glass Lewis as their proxy voting service provider. They have worked closely with Glass Lewis to develop their own voting policy.
- **Baillie Gifford** uses two proxy advisers' voting research, ISS and Glass Lewis, for information only. They also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information, ZD Proxy and IIAS respectively.
- **Fidelity** uses ISS as their proxy voting service.

## Significant Votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the Investment Managers. In determining significant votes, the Investment Manager will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- 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 annual Stakeholder roundtable events, or where the Investment Manager notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement.

## Trustees' Report – Investment Matters (continued)

Statement of Investment Principles – Implementation Statement (continued)

## Significant Votes (continued)

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

SIGNIFICANT VOTE 1 – Evelyn Partners	
Company	PepsiCo
Date	17 May 2023
% of portfolio invested in firm	1.59% of the Bespoke Equity Mandate with Evelyn Partners.
Resolution	Governance - Shareholder Proposal Regarding Independent Chair
Why significant	<i>Evelyn Partners believes that Chair independence is a Governance issue and is paramount for ensuring transparency.</i>
How voted	<b>Voted Against (Against management).</b>
Manager Comments	<i>We support Glass Lewis' argument that an independent chair is better able to oversee the executives of a company and set a pro-shareholder agenda without the management conflicts that a CEO or other executive insiders often face, leading to a more proactive and effective board of directors.</i>
Vote outcome	Fail.

SIGNIFICANT VOTE 2 – Baillie Gifford	
Company	Pole To Win Holdings, Inc.
Date	27 April 2023
% of portfolio invested in firm	0.8%.
Resolution	Shareholder Resolution - Governance
Why significant	<i>This resolution is significant because it was submitted by shareholders and received greater than 20% support.</i>
How voted	<b>Voted Against (Against management).</b>
Manager Comments	<i>We opposed the shareholder proposal requesting that the company repurchase its own shares in order to return capital to shareholders because we have engaged with the company and are satisfied with its strategy to invest for growth while also prioritising capital allocation and shareholder returns.</i>
Vote outcome	Fail.

SIGNIFICANT VOTE 3 – Fidelity	
Company	Dream International Limited
Date	5 May 2023
% of portfolio invested in firm	1.6%
Resolution	Election of board directors
Why significant	<i>Materiality of position, significant level of dissent.</i>
How voted	<b>Voted Against (Against management).</b>
Manager Comments	<i>Fidelity International voted against the re-election of three directors due to board diversity concerns, board independence, and attendance concerns. The company's board composition did not meet our minimum standard on gender diversity. We generally expect at least 30% female representation at the board level in developed markets. Additionally, the company's board independence falls short of our minimum global standard for one-third independent director representation. Under our new voting guidelines, our general approach is to vote against an appropriate board member on this basis. In this instance, we voted against a nomination committee chair whom we consider responsible for decisions regarding board committee composition.</i>
Vote outcome	Fail.

## Trustees' Report – Investment Matters (continued)

### Statement of Investment Principles – Implementation Statement (continued)

#### Engagement activities

A notable engagement activity of the Investment Managers over the last 12 months is provided below:

- **Evelyn Partners** are currently engaged in a project focused on the construction sector, acting as the lead engager for Balfour Beatty. In 2023, they wrote to the company asking for a meeting to discuss their approach to modern slavery. They specifically asked if the company had found modern slavery in its operations or supply chains in the past year and if not, if they were able to demonstrate they have rigorous processes in place to look for it. They had a call with the company to discuss various topics including internal and external audits, creating clearer policies, and targeted training. The outcome of this engagement is ongoing. In 2024 they will review the company's modern slavery statement and continue discussions around areas for improvement.
- **Baillie Gifford** continued their longstanding engagement with Amazon in December 2023, to discuss Amazon's progress on their three ESG focus areas: employee welfare; digital governance; and climate strategy. BG were invited to attend in-person meetings with non-executive directors and senior management in Washington DC. They took the opportunity to raise questions in relation to the ESG focus areas. Amazon highlighted the success of their "career choice" training programme, that 150,000 staff have joined so far. On climate, Amazon reported that they had made continued progress in renewable fuels and acknowledged their need to respond to BG's longstanding request for expanded Scope 3 disclosures which they hope will be addressed in the forthcoming release of expanded supply chain standards. The use of AI was also raised. BG discussed the advance of AI as a tool for both Amazon retail and enterprise customers. BG reiterated their expectation on expanded supply chain engagement and the opportunity for Amazon to lead on responsible and transparent AI. BG will also continue to engage with Amazon across the range of ESG topics they believe are material to long-term financial success.
- **Fidelity** engaged with Kering, the global luxury good company, to understand their strategy for addressing water-related risks in the cotton supply chain. Initially, Kering's reporting focused on water stress at tanneries, with limited information on cotton cultivation. By March 2023, Kering enhanced their reporting to include efforts to reduce water use in the supply chain, particularly focusing on textile suppliers. They acknowledged the water-intensive nature of cotton production and shared plans to deepen their assessment of water use and scarcity in key sourcing areas, piloting Science-Based Targets for Nature's (SBTN) Freshwater methods. Fidelity continued to engage with the company to ensure they followed through on their plans to submit targets for Freshwater and Land to the SBTN Validation team by December 2023. These initiatives are seen as meaningful steps towards reducing Kering's exposure to water-related risks and demonstrate their commitment to addressing these issues.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment 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.

For the 2023 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

## Trustees' Report – Investment Matters (continued)

Statement of Investment Principles – Implementation Statement (continued)

### Engagement activities (continued)

The latest available UNPRI score of the Investment Manager is outlined in the table below.

Manager	2023 UNPRI Rating
Evelyn Partners	★★★★
Baillie Gifford	★★★★
Fidelity	★★★★★
Median	★★★

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 the Investment Manager or approaches, the Trustees receive performance reports on a quarterly basis from the Investment Manager to ensure the Investment Objectives set out for the Scheme in the SIP are being met.

Signed: 

Date: 30/10/24

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