

Frederic Robinson Limited Pension and Life Assurance Benefits Scheme

Annual Engagement Policy Implementation Statement (to 5 April 2021)

1. Introduction

This Engagement Policy Implementation Statement ('the Statement') sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees have been followed during the year to 05 April 2021. 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 and the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, which transposes the EU Shareholder Rights Directive (SRD II) into UK law.

Section 2 of this Statement provides detail of the actions taken by the Trustees to meet the Scheme's engagement policies set out in the SIP over the year. Section 3 describes the voting behaviour on behalf of the Trustees along with the relevant statistics over the year.

By adopting Mercer's Dynamic De-Risking Solution (MDDS), Mercer Limited (Mercer) in the UK has been appointed as discretionary investment manager by the Trustees. Pursuant to that appointment, scheme monies are invested in Mercer Funds, which are collective investment vehicles, managed by Mercer Global Investments Europe Limited (MGIE). In addition the Scheme is invested in the BlackRock Dynamic Diversified Growth Fund and the Insight Secured Finance II Fund. Mercer takes account of these holdings in implementing the MDDS.

2. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees believe that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment decisions (selection, retention and realisation) over the expected time horizon of the Scheme, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration. At the current time they have not made dedicated allocations to ESG focussed funds. This position will be periodically reviewed as part of investment strategy considerations.

The Trustees have delegated the evaluation of ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments to the appointed investment managers, in accordance with their own corporate governance policies. Asset managers appointed directly by the Trustee or appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, is expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios. Mercer also provides and assessment of how BlackRock and Insight integrate ESG into their investment processes.

Member views are not taken into account in the selection, retention and realisation of investments.

The Trustees have not set any investment restrictions in relation to ESG matters.

Policy Updates

- The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. Mercer, and MGIE, have provided reporting to the Trustees on a regular basis.
- The Mercer [Sustainability Policy](#) was provided in September 2020. In August 2020 the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021 there was a further update in relation to sustainability-related disclosures in the financial services sector ("SFDR") implementation.
- In line with the requirements of the EU Shareholder Rights Directive II, Mercer have implemented a standalone [Engagement Policy](#) to specifically address the requirements of the directive.

Climate Change Reporting and Carbon Footprinting

- Mercer undertake climate scenario modeling and stress testing on the Mercer multi sector funds used by the Scheme on an annual basis, in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations, with the latest review as at 31 March 2020. The results of the climate scenario modelling and carbon footprinting are within the [TCFD compliant Climate Change Management Report](#). The findings of the modelling are integrated into the asset allocation and portfolio construction decisions, with portfolios increasingly aligned with a 2°C scenario, where consistent with investment objectives and for consistency with the Paris Agreement on Climate Change.
- Carbon Footprint analysis of all equity funds is completed on a six monthly basis. From 31 December 2019 the approach was enhanced to include the top 5 carbon emitters and the top 5 contributors to the Weighted Average Carbon Intensity (WACI) to give the Mercer and MGIE investment teams additional information to drive engagement with managers.
- Since Q4 2020 carbon footprint metrics for the Mercer passive equity funds has been included in the quarterly reporting reviewed by the Trustees, and a comparison of these against the metrics of their representative benchmarks.

ESG Rating Review

- ESG ratings assigned by Mercer (and its affiliates') global manager research team, are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. In addition, ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration. Since Q3 2020 the quarterly performance report has included the Mercer funds overall ESG rating compared to the appropriate universe of strategies in Mercer's global investment manager database.
- As at 31 December 2020 the Trustees noted that all of the Mercer Funds invested by the Scheme now have an ESG rating equal to or above their asset class universe.

Update to Exclusions – Mercer Funds

- As an overarching principle, Mercer and MGIE, as the Trustees discretionary investment manager, prefer an approach of positive engagement rather than negative divestment. However Mercer and MGIE recognises that there are a number of cases in which investors deem it unacceptable to profit from certain areas and therefore exclusions will be appropriate.
- From 1 October 2020, controversial weapons have been excluded from the passive equity funds invested in by the Scheme.
- In addition, Mercer and MGIE monitors for high-severity breaches of the UN Global Compact (UNGC) Principles that relate to human rights, environmental and corruption issues.

Diversity – Mercer Funds

- From 31 December 2020 Gender diversity statistics have also been included in the quarterly reporting for the Mercer equity funds and this is being built into a broader investment policy.

3. Voting Activity

The Trustees' investments take the form of shares or units in the Mercer Funds. Any voting rights that do apply with respect to the underlying investments attached to the Mercer Funds are, ultimately, delegated to the third party investment managers appointed by MGIE. MGIE accepts that managers may have detailed knowledge of both the governance and the operations of the investee companies and has therefore enabled managers to vote based on their own proxy-voting execution policy, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. As such the Trustees do not use the direct services of a proxy voter.

The MGIE Engagement Policy outlines this framework.

Set out below is a summary of voting activity for the year to 31 March 2021 relating to the relevant Mercer Funds.

- **Voting:** As part of the monitoring of managers' approaches to voting, MGIE assesses how active managers are voting against management and seeks to obtain the rationale behind voting activities, particularly in cases where split votes may occur (where managers vote in different ways for the same proposal). MGIE portfolio managers will use these results to inform their engagements with managers on their voting activities.

The statistics set out in the table below are drawn from the Glass Lewis voting system (via Mercer's custodian). Typically, votes exercised against management can indicate a thoughtful and active approach. This is particularly visible where votes have been exercised to escalate engagement objectives. The expectation is for all shares to be voted.

"Unvoted" reflects instances where managers have not actioned a vote – these are specific areas where MGIE will follow up to ensure managers have appropriate systems in place to ensure all votes are actioned.

"Other" reflects instances where managers have withheld votes due to situations such as when conflicts of interest may be present.

- Significant Votes:** Mercer Investment Solutions has based its definition of significant votes on its Global Engagement Priorities, based on its Beliefs, Materiality and Impact (“BMI”) Framework. This is summarised in the Engagement Section of the MGIE Sustainability Policy. In order to capture this in the monitoring and reporting of managers voting activities, significant votes focus on proposals covering these priority areas, with specific focus placed on shareholder proposals (“SHP”) relating to these priority areas and taking into account the size of holding across funds

Mercer Funds

Voting Activity Summary: 1 April 2020 to 31 March 2021

Fund	Total Proposals	Voted 'For'	Voted 'Against'	Abstained from voting	Unvoted	Other	For Management	Against Management	Use of Proxy Advisor
Mercer Passive Global Equity CCF	21,551	83%	9%	0%	5%	2%	87%	13%	Yes

Example Summary of Significant Votes 1 April 2020 to 31 March 2021

Fund	Shareholder Proposal (“SHP”)	Issuer	Vote Decision
Mercer Passive Global Equity CCF	Shareholder Proposal Regarding Linking Compensation to ESG Criteria	Alimentation-Couche Tard, Inc. & Saputo Inc	For
	Shareholder Proposal Regarding Aligning Investments with The Paris Agreement	Mizuho Financial Group, Inc.	For
	Shareholder Proposal Regarding Report on Plans to Reduce Total Contribution to Climate Change	3 companies*	For
	Shareholder Proposal Regarding Reporting and Managing Greenhouse Gas Emissions	Transdigm Group Incorporated	For
	Shareholder Proposal Regarding Diversity and Inclusion Report	Fortinet Inc & Procter & Gamble Co.	For
	Shareholder Proposal Regarding Report on Response to Opioid Epidemic	Johnson & Johnson	For
	Shareholder Proposal Regarding Restriction on Investment in the Japan Atomic Power Company	Chubu Electric Power Co Inc	Against
	Shareholder Proposal Regarding Health Risks of Tobacco Sales During COVID-19	Walgreens Boots Alliance Inc	For

*3 Companies J.B. Hunt Transport Services, Inc., Union Pacific Corp. & United Parcel Service, Inc.

BlackRock Dynamic Diversified Growth Fund

Voting Activity Summary: 1 April 2020 to 31 March 2021

Fund	Total Proposals	For Management	Against Management	Abstained from voting	Use of Proxy Advisor
BlackRock Dynamic Diversified Growth Fund	11,707	94%	6%	1%	Yes

Example Summary of Significant Votes 1 April 2020 to 31 March 2021

Procter & Gamble Company (P&G) are a Company registered in the United States. At their meeting in October 2020 BlackRock voted on proposals that included: Report on Efforts to Eliminate Deforestation; and Annual Report on Diversity Board.

The company recommended shareholders vote against the two shareholder proposals. BlackRock voted for the shareholder proposal on deforestation. While BlackRock recognises the company's efforts to date towards enhancing their sustainability and monitoring disclosure reports, they determined that there is room for P&G to improve the frequency and depth of disclosure.

BlackRock voted against the shareholder proposal requesting the publication of a report assessing the company's diversity and inclusion efforts. BlackRock determined that P&G already make numerous disclosures and the requested report would be redundant and therefore did not support it.

More details on this example can be found at [blk-vote-bulletin-procter-and-gamble-oct-2020.pdf](https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-procter-and-gamble-oct-2020.pdf) (blackrock.com)

Other examples are available at the links outlined below

Company	Voting details
BARCLAYS PLC	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2020.pdf
CHEVRON CORP	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-chevron-may-2020.pdf
DAIMLER AG	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-daimler-jul-2020.pdf
WOODSIDE PETROLEUM LTD	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-woodside-may-2020.pdf
CHENIERE ENERGY INC	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-cheniere-jun-2020.pdf
LAIR LIQUIDE SOCIETE ANONYME POUR	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-air-liquide-jun-2020.pdf
FACEBOOK CLASS A INC	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-facebook-jul-2020.pdf
AMAZON COM INC	https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-amazon-jul-2020.pdf

HENNES & MAURITZ

Insight Secured Finance II Fund Engagement Activity

Due to the nature of the assets within the Fund, voting detail is not available. However, they are able to engage with the borrowers they lend money to. Over the year to 31 March 2021 they undertook 221 engagements covering 28% of the assets of the Fund. An example engagement undertaken in Q1 2021 related to Liberty. Insight felt they were very weak on environmental governance with no overall strategy and no reporting metrics available. They have begun dialogue with the Company on improvements and have further calls planned.

Statement approved by the Trustees on 21 September 2021 via email