The Hadley Industries PLC Pension and Life Assurance Scheme

Implementation Statement 1 May 2020 – 30 April 2021

The 2019 Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations ("the Regulations") require that the Trustees outline how they have ensured compliance with the policies and objectives set out in their Statement of Investment Principles (SIP) over the course of the year under review.

During the year, the Scheme's assets were invested:

- In a direct commercial property, and
- In a portfolio managed by a single discretionary wealth manager, Brown Shipley.

The Trustees' policies on ESG considerations and the exercise of voting rights

The Trustees believe that environmental, social and governance ("ESG") issues do not have a material financial impact on investment returns. The Trustees have given their fund manager their full discretion when evaluating ESG issues and in exercising rights, engagement activities, and stewardship obligations attached to the Scheme's investments. The Trustees have not given their manager any instructions or restrictions regarding these matters.

The Trustees' policy is to delegate the exercise of voting rights to their managers.

Full details of the Trustees' Stewardship and Engagement policies are included in the Scheme's SIP, which is available on request.

Changes to the SIP during the year regarding Stewardship and Engagement

The SIP has been reviewed and revised over the period as summarised in the Addendum to the SIP dated September 2020, shown as Appendix A to this Implementation Statement.

Stewardship

Brown Shipley is a signatory to the UK Stewardship code and UN Principles for Responsible Investment (UN PRI). The UN PRI are a set of global best practices that provide a framework for integrating ESG issues into financial analysis, investment decision-making and ownership practices.

Voting behaviour

Brown Shipley have been unable to provide details of their specific voting records in relation to the assets held by the Trustees during the period. They have, however, provided details of their firm-wide voting and engagement behaviour, as shown in Appendix B. They have also provided a report summarising their general policies, as shown in Appendix C.

Reviews of fund managers

The Trustees reviewed the performance of the investments regularly throughout the period. The Trustees did not formally review the provision of fund management services during the period.

Statement of compliance with Regulations

The Trustees are pleased to report that, during the period under review, they have in their opinion adhered to the policies set out in their SIP and have complied with the Regulations.

Appendix A – summary of changes to SIP during the period

Addendum to Statement of Investment Principles

This document updates the Trustees' Statement of Investment Principles (SIP), and should be read in tandem with that document. Its purpose is to:

- set out further details of the Trustees' policies in relation to the stewardship of the Scheme's assets,
- describe the arrangements that exist between the Trustees and the asset managers, and
- to ensure the SIP remains compliant with the relevant legislation:
    - Section 35 of the Pensions Act 1995
    - Section 244 of the Pensions Act 2004
    - The Occupational Pension Schemes (Investment) Regulations 2005
    - The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification Regulations 2018)
    - The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Monitoring the capital structure of investee companies

The Trustees delegate the responsibility for monitoring the make-up and development of the capital structure of investee companies to their Investment Managers.

Managing conflicts of interest

The Trustees have a formal conflict of interest policy and register, which is reviewed at each Trustee meeting. These documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for the management of any such conflict of interest.

Incentivising asset managers

The Trustees will select Investment Managers who are primarily remunerated via an agreed fixed annual percentage of the asset value for each underlying fund. The Trustees may also agree to pay a performance related fee to its fund managers.

The Trustees do not directly incentivise the Investment Manager to align its investment strategy and decisions with the Trustees' policies and objectives. Neither do the Trustees incentivise the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

However, the Trustees will review their Investment Managers from time to time and will select funds that they believe operate in line with the Trustees' policies and objectives, and will meet the Trustees' return requirements overall.

Evaluation of the asset manager's performance and remuneration

The Trustees will review the Investment Managers' remuneration and performance relative to the market costs and performance of managers with similar strategies.

Monitoring portfolio turnover

The Trustees expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Managers are expected to provide information on portfolio turnover and associated costs to the Trustees so that this can be a factor in the Trustees' review process.

The duration of the arrangement with the asset manager

The Trustees will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs. The Trustees expect the Investment Manager to supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

Frequency of review

The Trustees will review Investment Managers' performance via the managers' own quarterly reports and will conduct a fuller review to consider all of the matters referred to above at least once every three years.

Appendix B – summary of Brown Shipley firm-wide voting behaviour

Brown Shipley provided the following summary details of their firm-wide voting behaviour:

- 10,033 proposals voted on at 711 meetings
- 11% of votes against 9,752 management proposals
- 75% votes against 281 shareholder proposals

Brown Shipley further engaged with 769 companies on 2,849 ESG issues. They voted in support of 96% of environmental proposals and 95% of social proposals.

Appendix C – Brown Shipley's Active Ownership Policy

As asset managers, we at Brown Shipley have adopted a responsible investment policy of which active ownership is an integral part. Our responsible investment policy emphasizes our ability to create positive change by being active owners, which we believe to be consistent with improving long-term investment returns for our clients. Engagement with the companies in which we invest is a vital part of this. Moreover, active ownership is one of the six Principles for Responsible Investment [https://www.unpri.org/] of which we are a signatory.

All of our investment activities are undertaken with a focus on the long-term interests of our clients. This is the focus of our investment policy, and our active ownership policy is fully aligned with these beliefs. Since we represent a diverse group of clients with diverse holdings across the investment universe, we invest in a wide range of companies. As many of these companies are large, our holdings may be small relative to the size of the firm. To be effective in engaging with these companies, we believe that collective engagement is likely to achieve better results than efforts we might undertake on our own. We have therefore hired specialised external service providers to conduct engagement and voting on our behalf.

In cases where collective engagement or voting is not practical, we may undertake direct engagement ourselves.

Governance, Implementation, Scope

Our Group Investment Committee is responsible for our investment activities, including our responsible investment activities, of which active ownership is part. We have established a Responsible Investment Committee which implements our Responsible Investment Policy. With respect to active ownership, this policy includes:

- Providing input on our priorities to our voting and engagement service providers,
- Determining whether our priorities and principles require specific engagement or voting activities on our behalf,
- Monitoring and reporting on the voting and engagement activities conducted on our behalf,
- Reviewing periodically the selection of external voting and engagement providers.

We will engage on behalf of both equity and fixed income securities held in investment funds we manage or in client accounts we manage or actively advise. Voting is of course restricted to equity securities.

Key engagement priorities

The full range of issues on which our service providers may engage incudes many different topics. This recognizes the increasing breadth of sustainability issues now material to the companies in which we invest. As we work with our service provider, it is important that our engagement focuses on the most critical areas, and we will work actively with our engagement provider in determining those priorities. This includes the following areas:

- Board composition: A company's board is appointed to set strategy and oversee the company's executive management and operations. There is increasing evidence that good corporate governance is a driver of enhanced business performance, leading to improved outcomes for relevant stakeholders and better shareholder returns. A critical focus of engagement should be to ensure that the right board is in place and it has the right structures and process, such as board committees and regular evaluation, to carry out its oversight role properly.
- Climate change: Our engagement service provider is an active supporter of Climate Action 100+, the collaborative engagement initiative representing over $32 trillion of assets, and serves as lead or co-lead engager for 27 companies. Climate change engagement has traditionally focused significant engagement resource on the fossil fuel 'supply' side businesses

of oil & gas and coal mining, together with utilities. In 2019, the engagement activities will extend to other sectors which drive high demand for fossil fuels and which bear potentially significant transition risk. These include the automotive sector, energy intensive industrials such as steel, cement, petrochemicals and industrial smelting as well as financial services, where bank lending policies arguably may provide a stronger point of leverage on the extent of access to finance by carbon intensive businesses than equity markets themselves.

- Human rights: The ability and commitment to respect and if necessary remedy salient human rights issues, reflects the strength of a company's wider corporate culture and enterprise risk management including reputational risk, which affect the creation and preservation of long term value. For many companies, human rights issues reside less in their own operations and more in the supply chain, or potentially in use of products or services. Engaging to establish best practices in supply chain human rights risk management will be a special focus using a combination of 'top-down' policy led measures that require suppliers to guarantee adherence to standards, together with 'bottom-up' due diligence using data from the supply chain itself.

- Human Capital Management: In service and knowledge-based economies, innovation and employee collaboration are critical to success. Yet, good human capital management is difficult to assess, which is exacerbated by a lack of data for investors and of standardized reporting. Areas of focus will include meaningful company specific human capital-related metrics to enable better comparison and engagement by investors, increased workforce diversity beyond the board and executive teams, and identifying best practices.

Key voting priorities

The primary focus of our voting decisions will be good governance of the organisation, including management of material environment and social risks. Governance structures that drive performance, create shareholder value and maintain a proper tone at the top are a key to mitigating risk and building long-term shareholder value. Boards that work to protect and enhance the best interests of shareholders are independent, have a record of positive performance, and have members with a breadth and depth of experience.

Our voting services provider has codified their approach to reviewing how boards are overseeing environmental and social issues. In instances where it is clear that a company has not properly managed or mitigated environmental or social risks to the detriment of shareholder value, or when such mismanagement has threatened shareholder value, we may vote against members of the board who are responsible for the oversight of environmental and social risks.

Reporting

As signatory of the Principles for Responsible Investment, we are committed to reporting on our active ownership policies and practices. In addition to our annual PRI Report, we will publish annually an overview of our engagement and voting activities. Our reporting currently consists of this policy, and will be updated periodically, prior to our first full active ownership report.

Conflicts of interest

We believe that our current policies regarding conflicts of interest adequately address our active ownership activities.