

The Barnett & Hall Holdings Pension Scheme

Implementation Statement

Introduction

This statement sets out how, and the extent to which, the engagement policies in the Statement of Investment Principles ('SIP') produced by the Trustees have been followed during the year to 30 April 2020. 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 (Northern Ireland) 2018 and the guidance published by the Pensions Regulator.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries, by:

- Ensuring that the Scheme can meet its obligations to the beneficiaries of the Scheme;
- Paying due regard to the level and incidence of the employers' contribution payments.

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.

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their investment consultant on responsible investment, which covered ESG factors, stewardship, climate change and ethical investing.

The Trustees will keep their policies under regular review with the SIP subject to review at least triennially.

The following work was undertaken during the year relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustee's engagement and voting policies were followed and implemented during the year.

Engagement

As set out in the SIP, the Trustees have given the investment managers full discretion in evaluating ESG factors, including climate change considerations. The Trustees also consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers.

The Trustees have reviewed the investment managers' compliance with the principles of the UK Stewardship Code as part of this statement and will continue to do so annually. Blackrock and MFS confirmed that they are signatories of the current UK Stewardship Code and plan to submit the required reporting to the Financial Reporting Council by 31 March 2021 in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020.

The Trustees also requested details of relevant engagement activity for the year from the Scheme's investment managers. Of the Scheme's mandates, the voting and engagement policies and activities are most relevant where equities are held directly (Blackrock UK Equity and MFS Global Equities). A summary is provided below:

- Both managers highlighted engagement with companies over the year with a particular focus on ESG issues, including climate change.
- MFS provided examples of instances in which they had engaged with companies they were invested in which resulted in a positive outcome, including:
 - Pernod Ricard (Q3 2019): Members of the proxy team held a meeting to discuss various governance topics with the Chairman and CEO. Amongst the topics of discussion was the recent appointment of two new independent directors to the board. As part of ongoing dialogue with

the company, the team have expressed their belief that the appointment of a lead independent director with robust duties and responsibilities would enhance the board's ability to provide independent oversight and to act in the best interests of shareholders. The company was happy to announce that the board had recently appointed a lead independent director to the board.

- Starbucks Corporation (Q4 2019): The MFS proxy team led a discussion with representatives of Starbucks to discuss director recruitment and the company's response to a shareholder proposal seeking a report on its sustainable packaging initiatives, which MFS voted in support of at the March 2019 annual shareholder meeting. While the proposal failed to receive support from a majority of shares voted (44.5% support), the significant support from shareholders encouraged Starbucks to continue to expand sustainability efforts to encompass its broader supply chain, as well as to adopt plastic reduction and sustainability targets.
- Blackrock provided examples of key engagement activity linked to the Scheme's investment in the UK Equity Fund. Over the year to 30 June 2020, Blackrock engaged with 67 of the 144 companies in the UK Equity Fund across a range of ESG topics, noting there was a particular focus on governance related topics. Key engagements included:
 - Barclays PLC (Q1 2020): In January 2020, a coalition of investors filed a shareholder resolution (Resolution 30) asking Barclays to set and disclose targets to phase out the provision of financial services to the energy sector, as well as electric and gas utility companies that are not aligned with Articles 2.1(a) and 4.1 of the Paris Agreement. Following engagement with its shareholders and other stakeholders, including BlackRock, Barclays announced on 30 March 2020 updated ambitions with respect to tackling climate change. Barclays proposed its own resolution (Resolution 29) at its annual general meeting (AGM) to commit the company to a strategy, with targets, for alignment of its entire financing portfolio to the goals of the Paris Agreement. Barclays has committed to provide further details of the strategy by the end of the year.

The investment performance reports from the investment managers are reviewed by the Trustees on a regular basis. Where there are any issues from either a performance or an ESG perspective, the Trustees would continue to monitor closely. When implementing a new manager the Trustees would consider the ESG rating of the investment manager. The investment performance reports include how each investment manager is delivering against their own specific mandates.

Voting Activity

The Trustees have delegated their voting rights to the investment managers.

Where applicable, the Trustees expect the Scheme's investment managers, unless impracticable, to exercise all voting rights attaching to shares or securities and take account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The managers are authorised to exercise discretion to vote as they think fit, but in doing so reflect the best interests of the Scheme.

Investment managers, where relevant, are expected to provide voting summary reporting on a regular basis, at least annually. As noted in the previous section, the voting and engagement policies and activities are most relevant for the mandates where equities are held directly (Blackrock UK Equity and MFS Global Equities).

The Trustees do not use the direct services of a proxy voter.

Over the last 12 months, the key voting activity on behalf of the Trustees is as follows:

MFS – Global Equity Fund – Active

- MFS retains the services of a third party (ISS) for proxy voting services and votes at all meetings where it is deemed appropriate and responsible to do so. The voting policy of the manager has been considered by the Trustees and the Trustees deem it to be consistent with their investment beliefs.

- The voting activity applicable to the MFS Global Equity Fund over the year was as follows:

Fund	Votable meetings attended	Proposals voted on	Percentage of proposals with opposing vote	Number of votes against management
MFS Global Equity Fund	89	1,293	6%	78

- Key votes undertaken over the prior year are summarized below:
 - UBS Group: At the May 2019 shareholder meeting, MFS voted against the formal discharge of the board of directors and senior management at the company due to concerns with a recent ruling by the French court concerning the illegal solicitation and laundering proceeds of tax evasion.
 - Walt Disney Company: At the March 2020 annual shareholder meeting, MFS voted in support of a shareholder proposal requesting the company provide a report on its lobbying payments and policies. MFS generally supports this type of proposal in cases where the company does not already provide sufficient publicly available information, as they believe additional disclosure enables shareholders to evaluate the potential opportunities and risks that such contributions pose to the company's operations, sales and capital investments. Additionally, MFS voted against the executive compensation proposal due to concerns around the structure and magnitude of the executive pay program.

Blackrock - UK Equity Fund - Active

- Blackrock retains the services of a third party for proxy voting services and aims to vote at all meetings in which their shareholders are invested.
- Blackrock provided voting information for the meetings attended over the year to 30 June 2020. Blackrock attended all of the votable company meetings in relation to the UK Equity Fund, and voted on all proposals.
- The voting activity applicable to the Blackrock UK Equity Fund over the year was as follows:

Fund	Votable meetings attended	Proposals voted on	Percentage of proposals with opposing vote	Number of votes against management
Blackrock UK Equity Fund	163	2,370	4%	114

Over the prior 12 months, the Trustees have not actively challenged the managers on their voting activity. The Trustees will be more active in challenging their investment managers going forwards with regard to their voting activity, including in respect of climate change.