

Forman Hardy Holdings Limited Pension Scheme Implementation Statement for the year ended 31 March 2021

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Forman Hardy Holdings Limited Pension Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31 March 2021 (“the reporting year”). In addition, the statement provides a summary of the voting during the reporting year.

Background

During the reporting year the Trustees received further training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues.

The Scheme’s Statement of Investment Principals (“SIP”) was reviewed and updated from September 2020. This review was initiated by the Trustees in order to update the SIP wording in relation to ESG and voting issues in compliance with regulations which took effect from 1 October 2020.

The Trustees’ previous SIP also covered the Trustees’ views on ESG factors but this wording was updated to include additional wording around climate change risks and voting practices. The previous version of the SIP had been in existence since September 2019, meaning each version of the SIP was relevant during different parts of this reporting year.

The Trustees’ updated policy

The Trustees have considered their approach to ESG factors and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment managers. The Trustees require the Scheme’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from their Investment Adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of their Investment Adviser, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in the SIP.

The Trustees’ policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments. *(Where non-financial matters means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme.)*

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Managers.

The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees’ expectation and the investment mandate guidelines provided, then the Trustees may consider terminating the relationship with that Investment Manager. When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility

to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS Investment on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

Ongoing governance

The Trustees, with the assistance of XPS Investment, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS Investment the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

During the reporting year, the Trustees commissioned a report from XPS Investment on the extent to which ESG considerations are incorporated into the investment processes of the T Bailey Dynamic Fund that the Scheme invests in.

The report was discussed at the Trustees' meeting on 6 July 2020. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Scheme is ultimately invested via the funds held within the Scheme's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices.

The conclusion of the report was that, although no formal policy was in place, the investment manager, T. Bailey Asset Management Limited undertakes dialogue with the individual fund managers it invests in, including discussions around ESG matters and voting.

The investment manager has noted that it invests according to key investment themes, for which they consider the demand and supply dynamics are robust and sustainable into the future. These key investment themes are: Sustainability, Living Longer, Environment, Materials, Robotics, Security, Reform, Nutrition, Infrastructure, Consumer Aspiration, Disruptive Influences, Smaller Companies, Education. The investment manager's ESG considerations are aligned with one or more of the fund's key investment themes.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The Scheme invests in a gilt portfolio, managed by River & Mercantile Investment Solutions and the T Bailey Dynamic Fund, a "fund of funds" where the fund itself will own units of other funds that will invest in underlying assets.

Voting activity does not apply to the gilt portfolio. In relation to the T. Bailey Dynamic Fund, the main asset class where the investment manager may have voting rights relates to investment, or indirect investment via another fund, in equities.

A summary of the voting behaviour information the Trustees have been provided with by T. Bailey Asset Management Limited in relation to the T. Bailey Dynamic Fund is set out on the following page.

Voting Information - T. Bailey Dynamic Fund for the year ending 31 March 2021

The custodian of the T. Bailey Dynamic Fund (through which voting intensions are relayed) does not report on how many meetings the Fund was eligible to vote on nor the percentage of resolutions voted on.

T. Bailey Asset Management Limited has commented as follows in relation to their equity holdings:

All are investment companies or investment trusts that, we consider in the spirit of the fund of funds approach adopted by the T. Bailey Dynamic Fund, collectively pool a range of investments within a single structure. In particular, we make use of such closed ended structures for less liquid assets (e.g. property, infrastructure, private equity, etc) where we consider an open-ended structure would create a liquidity mismatch between investors and the underlying assets.

We thus engage with management of these investment companies similarly to the open-ended investment funds (which represent the predominant proportion of assets) held in the T. Bailey Dynamic Fund. In summary, we endeavour to meet management (either in person or via conference call or video) twice per year as a matter of course and more frequently should we consider it necessary. A log of these interactions is maintained and reviewed at our fortnightly investment meetings. For the holdings as of the reporting date we have met with management during the reporting period.

Investment Manager Client Consultation Policy on Voting

T. Bailey Asset Management Limited do not consult with clients before voting.

Investment Manager Process to determine how to Vote

Given the small number of holdings within the portfolio where this may be relevant, T. Bailey Asset Management Limited consider significant decisions on individual merit through discussion between the fund managers and the wider investment team.

How does this manager determine what constitutes a 'Significant' Vote?

Given the small number of holdings within the portfolio where this may be relevant, T. Bailey Asset Management Limited consider significant decisions on individual merit through discussion between the fund managers and the wider investment team.

Does the manager utilise a Proxy Voting System? If so, please detail

None

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
The custodian of the T. Bailey Dynamic Fund (through which voting intensions are relayed) does not report this information.			

The T. Bailey Dynamic Fund is a fund of funds which thereby predominantly invests in other funds run by external managers rather than direct equities. Specific data on any significant voting behaviour carried out by T. Bailey Asset Management Limited during the reporting year has not been provided at the time of issuing this statement. The investment manager has stated that the custodian of the T. Bailey Dynamic Fund (through which voting intensions are relayed) does not report this information.

The investment managers has stated that the T. Bailey Dynamic Fund's investment decisions are aligned with their current responsible investment themes and standards. XPS Investment and the Trustees will continue to request any voting information that may be provided by the investment manager for future periods.

Trustees of the Forman Hardy Holdings Limited Pension Scheme

Date: 21 September 2021