

FRANKE SISSONS LIMITED PENSION SCHEME

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31st December 2020

Introduction

This statement sets out how, and the extent to which, the engagement policy in the Statement of Investment Principles ('SIP') produced by the Trustee, has been followed during the year to 31st December 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 2019 and the guidance published by the Pensions Regulator.

Trustee Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set. The Trustee's primary objective is 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 between the members and beneficiaries and the Company, in the sole interest of the members and beneficiaries. Within this framework, the Trustee has agreed a number of secondary objectives to help guide it in its strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustee's secondary objectives are as follows:

- To ensure that the Trustee can meet the obligations which have been promised to the beneficiaries of the Scheme by the Company;
- To operate funding and investment strategies in a coordinated approach. Variation in the funding position (in particular improvements) may be reflected in the level of risk in the investment strategy.
- To achieve a return that matches or exceeds the specified benchmark return within the invested asset classes (see section 6.1.1 of the Statement of Investment Principles) and is compatible with the level of risk considered appropriate.
- To pay due regard to the Company's interest in the size and incidence of contribution payments and to avoid significant volatility in the deficit reduction contributions.
- To avoid significant volatility in the pension expense reported in the Company's accounts.

Given the nature of the Scheme's liabilities, the investment time horizon of the Scheme is potentially long-term (i.e. several decades), although opportunities for risk transfer (e.g. by purchase of bulk annuities) could reduce the time horizon materially.

Investment Strategy

During the course of the financial year, the Trustee did not make any changes to the Scheme's investment strategy.

Statement of Investment Principles

The Scheme's Statement of Investment Principles was updated over the course of the year. The changes made to the Statement reflect new legislative wording requiring the Trustee to state their policies regarding 'financially material' and 'non-financial' considerations.

Policy on ESG, Stewardship and Climate Change

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustee has given the appointed investment manager full discretion in evaluating ESG issues, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme's investments.

The Scheme's voting rights are exercised by its investment manager in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. This applies to both equity and debt investments, as appropriate, and covers a range of matters including the issuers' performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee will monitor investment manager engagement activity (such as voting) at least annually.

The Trustee has not set any investment restrictions on the appointed investment manager in relation to particular products or activities, but may consider this in the future.

The Trustee will not consider the ESG policies of Additional Voluntary Contributions provider(s) and associated investment funds as these are a small proportion of total assets.

Engagement

In the year to 31 December 2020, the Trustee has not engaged with the Scheme's investment manager, Legal and General Investment Management (LGIM) on matters pertaining to ESG, stewardship or climate change.

The Trustee received training on ESG issues at its August 2019 meeting. In subsequent Trustee meetings and communications, it was confirmed that the investment manager is rated highly on its ESG approach.

The Trustee is looking to review the stewardship and ESG policies of the investment manager on a regular basis.

Voting Activity

The Trustee has delegated its voting rights to the investment managers, principally through being invested in pooled funds (noting that in this case, votes are cast on behalf of the pooled fund not the Trustee, who do not own the underlying assets directly). The Trustee does not use the direct services of a proxy voter and over the 12 months the Trustee has not actively challenged its managers on voting activity.

The investment manager is expected to provide voting summary reporting on at least an annual basis. The investment manager has been asked to confirm key voting activity on behalf of the Trustee (or in relation to the pooled funds in which the Trustee invests), over the year to 31 December 2020 and have responded as below.

The Trustee notes that best practice in developing a statement on voting and engagement activity is evolving and will take on board industry activity in this area before the production of next year's statement.

The table below sets out a summary of the key voting activity over the financial year:

LGIM

All voting decisions are made by LGIM's Investment Stewardship team and they do not outsource any part of the strategic decisions. LGIM uses the electronic voting platform of Institutional Shareholder Services Inc. (ISS) and also their recommendations to augment their own research and tools. LGIM also uses Institutional Voting Information Services (IVIS) for its research on UK Companies to supplement research provided by ISS.

In determining significant votes, LGIM's Investment Stewardship team takes 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 LGIM's annual Stakeholder roundtable event, or where there is a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

Fund	Votes cast				Significant Votes Example
	Votes in total	Votes in favour of the management	Votes against management endorsement	Abstentions	
UK Equity (5% Capped) Passive	11,407	93.19%	6.80%	0.01%	<i>Rank Group</i> : a vote "for" was cast on the approval of the remuneration reports. <i>Plus500 Ltd.</i> : a vote "against" was cast on the approval of a special bonus based on the belief that such transaction bonuses do not align with the achievement of pre-set targets.
North America Equity Index and North America Equity Index - GBP Hedged	9,634	72.31%	27.65%	0.04%	<i>The Procter & Gamble Company (P&G)</i> : a vote "for" was cast on the reporting the effort to eliminate deforestation. <i>ExxonMobil</i> : a vote "against" was cast on the election of a Director due to recurring shareholder concerns.
Europe (ex UK) Equity Index and Europe (ex UK) Equity Index - GBP Hedged	10,389	84.19%	15.47%	0.35%	<i>Lagardere</i> : a vote "for" was cast in a shareholders resolution proposing new directors to the Supervisory Board of Lagardere.
Japan Equity Index and Japan Equity Index - GBP Hedged	6,538	86.68%	13.32%	0.00%	<i>Olympus Corporation</i> : a vote "against" was cast on the election of a Director at the company's annual shareholder meeting to signal the company needed action on more female representation on the Board of Directors. <i>Fast Retailing Co. Limited</i> : a vote "against" was cast on the election of a Director to signal the company needed action on more female representation on the Board of Directors.

Asia Pacific (ex Japan) Developed Equity Index and Asia Pacific (ex Japan) Developed Equity Index - GBP Hedged	3,634	73.20%	26.77%	0.03%	<i>Qantas Airways Limited:</i> a vote “for” was cast in the approval of a Remuneration Report. <i>Whitehaven Coal:</i> a vote “for” was cast in the approval of capital protection regarding the potential wind-down of the company’s coal operations.
World Emerging Markets Equity Index	34,492	85.53%	12.99%	1.48%	<i>There were no significant votes made in relation to the securities held by this fund during the reporting period.</i>
FTSE RAFI Developed 1000 Equity Index	16,795	81.73%	18.19%	0.08%	<i>International Consolidated Airlines Group:</i> a vote “against” was cast in the approval of a Remuneration Report proposed at the company’s annual shareholder meeting. <i>Barclays:</i> a vote “for” was cast in the approval of Barclays’ Commitment in Tackling Climate Change Resolution.
Dynamic Diversified	80,979	84.32%	15.00%	0.68%	<i>Pearson:</i> a vote “against” was cast on the amendment to the remuneration policy proposed at the company’s special shareholder meeting. <i>SIG plc.:</i> a vote “against” was cast on the approval of a one-off payment to the CEO proposed at the company’s special shareholder meeting