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 2022. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place for the Scheme Year, which was the SIP dated 30 September 2020.

A copy of the SIP is available at http://thompson.co.uk/BHHPSStatementOfInvestmentPrinciples310522.pdf

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 are 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.

Details of relevant engagement activity for the year were requested 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). The voting and engagement data and information for MFS is based on 1 May 2021 – 14 January 2022 when the fund was terminated. 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:

- Nestle (Q3 2021): In September 2021, MFS had a conversation with the CFO of Nestle to discuss the company's climate impacts, regenerative agriculture investments, and methane risks related to their dairy products. MFS believe as the world moves toward net zero in 2050, agriculture practices will need to adapt. Nestle and other large-packaged food companies have a key role to play in reducing agricultural emissions, so MFS have conducted in-depth dialogues with the companies to understand what they're doing at corporate and industry level to address these "scope 3" impacts. These dialogs have covered topics from regenerative farming to renewable natural gas opportunities, and the discussions have been held with both executives and members of the companies' sustainability teams.

  Also in September 2021 and earlier meetings, MFS raised the issue of supply chain monitoring, as relates to child labour and responsible sourcing with the CEO of Nestle. MFS recognise that the monitoring of supply chains, given Nestle's scale is complex, and difficult. Nonetheless, child labour and modern slavery is morally reprehensible and a real risk to companies such as Nestle. Nestle recognises the gravity of this and its code of conduct prohibits the use of child labour in its supply chain.

- BlackRock provided examples of key engagement activity linked to the Scheme's investment in the UK Equity Fund. Over the year to 30 April 2022, Blackrock engaged with 62 of the 140 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:

  - BHP Group Plc (2021): BlackRock Investment Stewardship (BIS) has engaged with BHP for many years to discuss a range of corporate governance and sustainability risks and opportunities that they believe can help drive long-term shareholder value. BHP is one of the 1,000+ companies included in BlackRock's climate focus universe.

    During BlackRock's five engagements with the company over 2021, they discussed corporate governance issues and also focused our engagements on environmental-related risks, including climate risk management. During these engagements, BlackRock sought to further their understanding of BHP's approach to climate risk and its plans to align its business model to a net zero by 2050 scenario.

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 from 1 May 2021 – 14 January 2022 was as follows:

Fund	Votable meetings attended	Eligible Proposals	Proposals voted on	Percentage of proposals with opposing vote	Number of votes against management
MFS Global Equity Fund	56	866	866	8.2%	71

- Key votes undertaken over the prior year are summarized below:
  - United Parcel Service, Inc. (Q2 2021) - Report on Diversity and Inclusion: MFS voted against management for a report to be published annually assessing diversity and inclusion efforts. The outcome of the vote was 33.1% in favour. MFS voted in favour of the proposal as they felt additional diversity-related disclosures would provide shareholders more information in order to better assess the effectiveness of the company's diversity initiatives and its management of related risks.
  - Oracle Corporation (Q4 2021) – Compensation Committee: As a reflection of their strong, ongoing concerns with the company's pay practices, MFS voted against the re-election of the members of the compensation committee due to what they consider to be poor responsiveness to shareholders in addition to consecutive years of low say-on-pay vote results. The outcome of the vote was 66.6% (on average) in favour. MFS believe multiple years of low level support for the executive compensation plan indicates that the compensation committee has demonstrated insufficient responsiveness to shareholder concerns. MFS expect the compensation committee to engage with shareholders in order to understand their concerns and demonstrate accountability by making meaningful changes to the executive compensation program so that it better aligns with the expectations of shareholders.

Blackrock – UK Equity Fund – Active

- Blackrock retains the services of third parties (ISS and Glass Lewis) for proxy voting services and aims to vote at all meetings in which their shareholders are invested.
- The voting activity applicable to the Blackrock UK Equity Fund over the year was as follows:

Fund	Votable meetings attended	Eligible proposals	Proposals voted on	Percentage of proposals with opposing vote	Number of votes against management
Blackrock UK Equity Fund	165	2,459	2,459	3.5%	87

- Key votes undertaken over the prior year are summarized below:
  - Royal Dutch Shell Plc (Q2 2020) - Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions: BIS voted against this resolution because they prefer the annual "say on climate" advisory vote offered by management as a mechanism for shareholders to give feedback on the company's climate strategy.

    The binding resolution requested that "the company set and publish targets that are consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. These quantitative targets should cover the short-, medium-, and long-term greenhouse gas (GHG) emissions of the company's operations and the use of its energy products (Scope 1, 2, and 3). Shareholders request that the company report on the strategy and underlying policies for reaching these targets and on the progress made, at least on an annual basis, at reasonable cost and omitting proprietary information."

    While BlackRock have some reservations about the language used in the supporting statement, they broadly support the specific ask of the resolution. Shell already publishes much of the information sought by the resolution through its current Energy Transition Strategy, but BlackRock prefer the annual "say on climate" advisory vote offered by management as a mechanism for shareholders to give feedback on the company's approach. BlackRock expect that Shell will continue to progressively refine GHG emissions reduction targets in its triennial transition strategy updates.

BlackRocks view is that investors would benefit from having greater specificity around what constitutes targets aligned with the Paris Agreement. BlackRock recognise that these methodologies are emerging, and they think that organisations like the Science-Based Targets Initiative will have an important role to play in defining the ‘right’ transition pathways for large energy companies. BlackRock think this will be essential to achieving broad-based support for transition strategies for large energy companies. However, until such methodologies are finalised and broadly adopted, BlackRock recognize that it might be challenging for any company to prove compliance with the Paris Agreement.

BlackRock are generally supportive of Shell’s current climate strategy, while acknowledging the need for regular revisions in light of regulatory and policy changes, as well as market and societal developments. BlackRock also value the annual advisory vote offered by management as a mechanism for shareholders to give feedback on the company’s climate strategy. BlackRock will monitor Shell’s progress on the energy transition strategy on an ongoing basis and will use its annual “say on climate” vote, as well as hold the company’s directors accountable by voting against the re-election of relevant board members, should they have concerns with the planning, implementation or disclosures of the strategy.

Over the prior 12 months, the Trustees have not actively challenged the managers on their voting activity.