

# FARREL LIMITED RETIREMENT BENEFIT SCHEME

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2022

### Introduction

This statement sets out how, and the extent to which, the Stewardship policy in the Statement of Investment Principles (SIP) produced by the Trustees has been followed during the year to 5 April 2022. 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.

### Investment Objectives

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of reviewing the investment strategy that its investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

### Investment Strategy

The investment strategy of the Scheme as at 5 April 2022 was to invest 100% of the Scheme assets in a single Diversified Growth Fund. The rationale for such an approach is to target a level of return above that of the discount rate used by the Scheme Actuary, whilst minimising investment risk relative to a pure equity portfolio.

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

### Investment Structure

The Scheme's assets are invested directly.

As per the definitions contained within the 2019 Competition and Market Authority's Market Order in relation to the investment consultancy and fiduciary management sectors, the Scheme has adopted an 'advisory' relationship with its investment advisors.

## Statement of Investment Principles

The Scheme's SIP was last updated in September 2020. The changes made to the Statement reflected the regulatory requirements that were introduced aimed at strengthening Trustees' investment duties in relation to ESG and stewardship and arrangements with their investment Managers.

## Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's assets are invested in a single pooled investment vehicle, the Baillie Gifford Diversified Growth Fund. Given the value of the Scheme's invested assets, relative to the total value of the Fund's assets, the Trustees recognise that they have limited ability to directly influence the ESG policies adopted by Baillie Gifford. The Trustees have considered Baillie Gifford's policies and believe that these are consistent with their own. If the Trustees views change, or Baillie Gifford change its approach, the Trustees will review the appointment of Baillie Gifford to ensure its continued appropriateness.

## Engagement

Baillie Gifford is invited to attend each Trustee meeting to provide an investment update. However, the Trustees did not engage with Baillie Gifford directly on ESG or Stewardship issues.

The Trustees have reviewed and will continue to monitor the ESG policies of their investment manager. The Trustees have noted that the investment manager considers ESG risks within their investment due diligence processes and take the view that proper management of ESG risks leads to better long term outcomes for all stakeholders.

## Voting Activity

As the Scheme is invested in a single pooled investment vehicle, it has no direct relationship with the underlying companies in which it invests. Therefore, the Trustees do not have voting rights in relation to the Scheme's investments. The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their published corporate governance policy. The Trustees will take the decisions and actions of the investment manager(s) into account when considering selection and/or retention of managers.

Over the Scheme year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

Nevertheless, Appendix 1 of this Statement sets out a summary of the key voting activity of the pooled fund in which the Scheme's assets are invested.

## Appendix 1 – Voting Activity

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

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	abstentions		
<b>Baillie Gifford Diversified Growth Fund</b>	<p>ISS – recommendations only.</p> <p><b>Glass Lewis &amp; Co.</b> – recommendations only.</p> <p>Baillie Gifford are cognisant of proxy advisers' voting recommendations but notes it makes its own voting decisions.</p>	1537 eligible for (c. 96.0% cast)	c. 3.4% of votes cast	c. 0.6% of eligible votes	<p>A vote is significant due to the subject matter of the vote, for example a vote against management, if the vote had a material impact on the outcome of the meeting</p>	<p><b>RIO TINTO PLC</b> – a vote “against” was cast to two resolutions regarding the remuneration report as the manager did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards. The outcome of both votes was ‘pass’. Baillie Gifford advised they engaged with the company to communicate their concerns. Whilst they did not support the backwards looking remuneration report, they took the decision to support the forward looking remuneration policy. Baillie Gifford continue to be focussed on having good open communication with the leadership team which we believe is valuable as long-term investors.</p> <p><b>VONOVIA SE</b> – a vote “against” was cast to two resolutions regarding the amendment of Share Capital which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. The outcome of both votes was ‘pass’. Baillie Gifford have advised that in advance of the AGM they contacted the company to see if they could provide an assurance they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance therefore Baillie Gifford did not feel it was in their clients' interest to support the two equity issuance resolutions. Furthermore, they have encouraged the company to provide this additional assurance so they could consider supporting in future.</p> <p><b>GALAXY ENTERTAINMENT GROUP LTD</b> – a vote “against” was cast opposing the incentive plan they opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. In addition they felt the level of dilution was not in the interests of shareholders. The outcome of the vote was ‘pass’. Baillie principle concern was with the poor disclosure of how performance is calculated and awards granted under the Share Option Scheme. The resolution received a significant dissent with a 22% opposition. Following the AGM they contacted the company to encourage improved disclosure in this area.</p>

**Notes:** ISS = Institutional Shareholder Services Inc.