



Hellmann International Forwarders Pension Scheme

Implementation Statement

For the year ended 5 April 2022

Introduction

This Implementation Statement (the “Statement”) has been prepared by the Trustee of the Hellmann International Forwarders Pension Scheme (the “Trustee” and the “Scheme” respectively), to demonstrate how the Trustee has acted on certain policies within the Statement of Investment Principles (‘SIP’).

This Implementation Statement covers the Scheme year to 5 April 2022 and provides details of how, and the extent to which, the SIP policies on engagement have been followed over the year, including a description of voting behaviour, the most significant votes cast and the use of proxy voting over the year.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (‘DB’) investments held by the Scheme. Note that this excludes any Additional Voluntary Contribution (‘AVC’) investments held by the Scheme.

Extent to which the SIP policies were followed over the year

In the opinion of the Trustee, the SIP has been followed throughout the year to 5 April 2022 for the Hellmann International Forwarders Pension Scheme.

SIP policies

This implementation statement should be read in conjunction with the Scheme’s SIP covering the year under review, which provides details of the Scheme’s investment policies along with details of the Scheme’s governance structure and objectives.

Over the Scheme year, the Scheme’s SIP was revised in September 2021 to reflect the following investment strategy changes:

- To reduce the strategic benchmark allocation to global equities by 10% to 60%; and
- To increase the strategic benchmark allocation to leveraged liability driven investment by 10% to 30%.

The Scheme’s assets were invested in a range of pooled funds over the Scheme year via the Mobius Life investment platform, managed by Legal & General Investment Management (‘LGIM’).

The Scheme’s SIP states the following policies on the exercise of voting rights and engagement activities related to their investments:

Voting Activity:

- The Trustee’s policy is to invest in pooled investment vehicles. The investment managers are responsible for taking ESG considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments;
- The Trustee acknowledges that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme’s investments and the likelihood that the Scheme’s objectives will be achieved; and
- The Trustee, in consultation with its investment advisor Deloitte Total Reward and Benefits Ltd (the “Investment Advisor”), has reviewed the ESG and stewardship policies of the investment managers and is comfortable that these policies are consistent with the views of the Trustee.

Performance and Engagement Activities:

- The Trustee recognises the potential impact financially material considerations (including but not limited to ESG, including climate change) can have on long term investment performance and both immediate and future downside risks. The ongoing management of assets is delegated to the Scheme’s investment managers through a series of pooled funds. Regular monitoring of the investment managers is key to ensuring the Trustee’s policy around financially material considerations is being adhered to. This includes the review of regular reports produced by the investment managers on their engagement with companies on ESG considerations;
- The Trustee has set an appropriate monitoring framework to ensure the Scheme’s investment managers are regularly reviewed. This includes the investment managers’ performance, remuneration and compliance against the Trustee’s ESG policy. Regular monitoring and communication with the investment managers, with specific references to ESG factors, will incentivise the Scheme’s investment managers to assess and improve the medium to long-term performance of investee companies, both financial and non-financial;
- In addition to performance measures, the Trustee reviews the engagement activity of the investment managers to ensure that active engagement with investee companies is taking place, where possible, to influence positive change in relation to ESG factors. The Trustee will also monitor the voting activity of the investment managers to ensure votes are being used and are aligned to the Trustee’s views on ESG; and
- The remuneration of the investment managers is not directly linked to performance, given the absence of performance related fees, or to ESG practices. However, the Trustee will review and replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustee’s expectations and views.

If the Trustee believes that any of the Scheme’s investment managers are no longer acting in accordance with the Trustee’s policies, including those regarding ESG and engagement with investee companies to assess and improve their medium to long term financial and non-financial performance, the Trustee will take the following steps:

- Engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- If necessary, look to appoint a replacement investment manager which is more closely aligned with the Trustee’s policies and views.

The Trustee believes that these steps will incentivise its investment managers to act responsibly and to align their actions with the Trustee’s policies.

Description of voting behaviour

The Scheme invests in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Scheme sit primarily with the investment managers. Therefore, the Trustee has effectively delegated responsibility for voting to its investment managers. The Trustee has enforced the policies in place by monitoring the engagement and voting activities of the Scheme’s investment managers and assessing their alignment with the Trustee’s policies. This Implementation Statement summarises the votes made on behalf of the Trustee over the Scheme year.

The Scheme held the following pooled fund investments via the Mobius Life investment platform over the Scheme year:

- LGIM All World Equity Index Fund – GBP Currency Hedged;
- LGIM Investment Grade Corporate Bond All Stocks Fund; and
- LGIM Matching Core (“LDI”) Funds.

Note, of the Scheme’s investments held, only the LGIM All World Equity Index Fund – GBP Currency Hedged carried equity voting rights during the Scheme year.

The Trustee did not employ a proxy-voting service during the Scheme year.

LGIM All World Equity Index Fund – GBP Currency Hedged:

The table below shows a summary of the voting activity carried out on behalf of the Trustee in respect of the Scheme’s investment in the LGIM All World Equity Index Fund – GBP Currency Hedged over the year to 31 March 2022.

LGIM All World Equity Index Fund – GBP Currency Hedged (c. £9.6m or c. 62% of the Scheme as at 31 March 2022)	1 April 2021 – 31 March 2022
Number of companies whose meetings LGIM was eligible to vote at over the year to 31 March 2022	6,519

Number of resolutions LGIM was eligible to vote on over the year to 31 March 2022	64,607
Of the eligible resolutions, percentage that LGIM voted on.	99.8%
Of the resolutions voted, percentage that LGIM voted with management.	80.7%
Of the resolutions voted, percentage that LGIM voted against management.	18.1%
Of the resolutions voted, percentage where LGIM abstained .	1.3%
Percentage of eligible meetings where LGIM voted at least once against management.	60.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.	9.6%

Note, totals may not sum due to rounding.

LGIM votes by proxy through the Institutional Shareholder Services ('ISS') electronic voting platform as given the scale of its holdings the manager cannot be present at shareholder meetings to cast votes. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS'). To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Reviewing this voting information, it is clear to the Trustee that LGIM has used the vast majority of its votes available to it. LGIM have provided examples of what they believe to be the most significant votes cast on the Trustee's behalf during the period. LGIM showed its independence by voting against management and also contrary to its proxy advisor on a number of occasions. It has also used its engagements with a number of investee companies to discuss Environmental, Social and Governance topics.

A large number of the most significant votes cast by LGIM related to the election of directors with the majority of instances being against such resolutions. LGIM improves and develops its engagement policies over time. LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair noting the belief that the two roles are substantially different and require distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 LGIM has adopted the view of voting against all combined board chair/CEO roles.

A significant vote was also placed in favour of a Report on Civil Rights Audit for Apple Inc. LGIM noted diversity as being a key factor in this decision as LGIM supports proposals related to diversity and inclusion policies as given these issues are considered to be a material risk to companies.

How engagement policies have been followed

The Trustee intends to review a summary of the voting and engagement activity taken on its behalf on an annual basis going forwards. The information published by the investment managers on their voting policies has provided the Trustee with comfort that the Scheme's voting and engagement policies have been followed during the Scheme year.

As set out in the SIP, the Trustee expects each investment manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments.

A summary of the voting and engagement topics that the Trustee expected LGIM to engage on over the year are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of Trustee?	Comments
Performance of debt or equity issuer	✓	The voting and engagement which the investment manager undertakes aims to improve the long-term future performance of investee companies.

Strategy and Corporate Governance	✓	The Trustee believes that the board’s duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the Board and the CEO, as well as policies covering independence, diversity and remuneration. The investment manager has clear voting policies covering each of these topics and has acted on them throughout the Scheme year on behalf of the Trustee.
Risks	✓	<p>LGIM has clear voting policies on ensuring that companies manage risks effectively and have robust risk management and internal control systems.</p> <p>As an example of reducing risk, LGIM encourages all audit committee chairs globally to have a financial background and be entirely comprised of independent non-executive directors and, in the UK, votes against the audit committee chair’s appointment if this is not the case.</p>
Social and Environmental impact	✓	<p>LGIM has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change. Also, if there are no women on the board, LGIM will vote against the chair and / or the chair of the nomination committee.</p> <p>LGIM has engaged with companies that have poor climate scores relative to their size and for those that don’t meet minimum standards and if these minimum standards are not met over time, LGIM may look to divest until progress is shown.</p>
Conflicts of Interest	✓	Remuneration of personnel can lead to conflicts of interest between the principal (shareholder) and agent (management). Over the period under review, LGIM voted against incentive awards which did not have performance conditions, as these awards would not align remuneration with company performance.
Capital Structure	✓	<p>The investment manager has policies on voting in respect of resolutions regarding changes to company capital structure such as share repurchase proposals and new share issuance.</p> <p>For example, LGIM has a policy that newly issued shares should not expose minority shareholders to excessive dilution.</p>

Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Furthermore, voting activity is not directly applicable for the Scheme’s fixed income investments within the LGIM Investment Grade Corporate Bond All Stocks Fund and the LGIM Matching Core LDI Funds.

Where underlying investments do not carry explicit voting rights (e.g. corporate bonds), the Trustee expects each investment manager to engage with investee companies on the relevant matters outlined in the table above.

LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice. It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so, while the corporate bonds mandate does not hold voting rights, LGIM’s position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company’s practices.

LGIM is in the process of rolling out its ESG reporting across its asset range and improving the transparency of its ESG research. LGIM’s bespoke ESG scores are available for over 17,000 companies, showing the underlying scores for each of Environmental, Social, Governance and Transparency, as well as indicating where this information is sourced.

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for clients. LGIM's voting policies are reviewed annually and take into account client feedback.

While engagements are not yet available at a fund level, they are published at a firm level each quarter. LGIM is working to be able to provide engagement information at a fund specific level.

Over the 12 months to 31 March 2022, LGIM undertook 696 engagements with 573 companies. Some engagements cover multiple topics and LGIM has provided the following summary:

- 340 on environmental topics;
- 271 on social topics;
- 332 on governance issues; and
- 20 on other topics including finance and strategy.

The top five engagement topics over the year included climate change, remuneration, board composition, energy and climate impact pledges.

The Trustee will monitor LGIM's reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

Extent to which the Trustee's policies have been followed during the year

Having reviewed the actions taken by the investment manager on behalf of the Trustee, the Trustee believes that the investment manager's policies on voting rights (where applicable) and engagement have been implemented appropriately over the year and in line with the investment manager's own policies. The Trustee will continue to monitor the actions taken on its behalf each year, and press for improved information from the investment manager, where relevant.

If the investment manager deviates substantially from the Trustee's stated policies, the Trustee will initially discuss this with the relevant fund manager. If in the opinion of the Trustee, the difference between the policies and the investment manager's actions is material, the Trustee will consider terminating the mandate.

In the opinion of the Trustee, the wider policies and objectives stated in the SIP have been followed throughout the year for the Hellmann International Forwarders Pension Scheme.