

Farrel Limited Retirement Benefits Scheme

Implementation Statement

Purpose of this statement

This implementation statement has been produced by the Trustees of the **Farrel Limited Retirement Benefits Scheme (the Scheme)** to set out the following information over the year to **5 April 2024**:

How the Trustees' policies on exercising rights and engagement activities have been followed over the year.

The engagement data is not given over the Scheme year end to 5 April 2024 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2024.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 5 April 2024 describes the Trustees' stewardship policy on the exercise of rights and engagement activities as follows:

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment manager on the Trustees' behalf. In doing so, the Trustees expect that the investment manager will use their influence as a major institutional investor to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees' SIP was last reviewed in March 2024 and has been made available online here under Farrel Ltd UK:

<https://www.hf-mixinggroup.com/en/group/locations/>

Following a training session and consideration of a number of different themes, the Trustees have set the following stewardship priorities for the Scheme: climate change; board ethics and governance; and diversity, equality and inclusion. The Trustees believe that these factors may be financially material for the Scheme.

In addition, the Trustees expect their relevant asset managers to be able to evidence their stewardship activity in this area which the Trustees will monitor annually. For example, by considering the voting and engagement activity of the asset managers. Therefore, this is also an area which the Trustees believe they can meaningfully monitor progress and engage with their investment manager over time.

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment manager, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out engagement activities to the Scheme’s investment manager.
- The Trustees, and the manager of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.
- The Trustees have reviewed and will continue to monitor the ESG policies of LGIM. 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 EGS risks leads to better long-term outcomes for all shareholders.
- The Trustees obtained training on stewardship priorities in September 2023 to allow them to carefully select the most appropriate stewardship priorities for the Scheme.
- Having reviewed the data presented below and in accordance with their policies, the Trustees are comfortable with the actions of the investment manager are in alignment with the Scheme’s engagement policies.

**Prepared by the Trustees of the Farrel Limited Retirement Benefits Scheme
June 2024**

Voting Data

At the year-end, the Scheme invests entirely across bond and cash funds. Voting is not applicable to these funds as they invest only in fixed income assets, which have no voting rights. The Scheme previously held voting rights through the Baillie Gifford Diversified Growth Fund, however this investment was not in place for the majority of the year and therefore no voting data is presented for the purpose of this Implementation statement.

Fund level engagement

The Trustees consider it a part of their investment manager’s role to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the manager invests on behalf of the Scheme. The table below provides a summary of the engagement activities undertaken by the manager for the relevant funds over the year to 31 March 2024 (please note that investment managers only report on this data quarterly).

Engagement activities are limited for the Scheme’s LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	LGIM	
Fund name	Maturing Buy and Maintain Credit Fund 2035-2039	Maturing Buy and Maintain Credit Fund 2040-2054
Number of engagements undertaken on behalf of the holdings in this fund in the year	82	100

Manager	LGIM	
Number of entities engaged on behalf of the holdings in this fund in the year	43	52
Number of engagements undertaken at a firm level in the year	2,144	

Examples of engagement activity undertaken over the year to 31 March 2024

LGIM were unable to provide fund-level engagement examples, so the examples below are on a firm-level, selected for each stewardship priority.

LGIM – APA

Stewardship priority: Climate change

As part of their Climate Impact Pledge Campaign, LGIM have been engaging with APA, Australia’s largest energy infrastructure business since 2022. LGIM believe that this company has the scale and influence across its industry and supply chain for its actions to have an impact.

The company was originally identified as lagging LGIM’s expectations on climate-related lobbying activities. In early 2022, LGIM set out their expectations for management-proposed ‘Say on Climate’ votes and the criteria they consider in assessing whether to support them. LGIM expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5C. This includes the disclosure of scope 1, 2 and material scope 3 Green House Gas (GHG) emissions and short, medium and long-term GHG emissions reductions targets consistent with the goal. As a consequence, when APA Group brought its climate transition plan to a vote, LGIM were unable to support it as no scope 3 targets were included.

LGIM initiated engagement with the company after this vote, and met with them for the first time in early 2023 as part of their climate impact pledge engagement and have continued to build the relationship. APA confirmed in early 2024 that they will include a scope 3 goal in the 2025 refresh of their Climate Transition Plan, as well as outlining their Scope 3 reduction pathway. The company noted that the feedback from investors, including LGIM, had solidified their decision to commit to a Scope 3 target.

Stewardship priority: Board ethics and governance

LGIM believe voting is an essential right for shareholders to promote market efficiency and to hold company boards accountable. LGIM are proponents of the ‘one share, one vote’ standard, based on the principle that control of a company should be commensurate with the economic interests of investors.

As part of their campaign initiated in 2022, LGIM announced that from 2023, they will be voting against the re-election of the board chair at US-incorporated companies with dual-class structures, where:

- The company does not have a plan to set a time limit on a dual-class structure;
- Shareholders have not been given the opportunity to regularly vote on its continuation.

Up to the end of May 2023, LGIM have voted against 95 companies under this campaign, demonstrating how widespread this issue has become. They have also been looking at whether there is any overlap with any other areas of governance issues: looking at the overlap between these votes and those against combined chair/CEO roles, LGIM can see that there is commonality in about a third of cases. They will return to this analysis later in the year for more insight into potential governance trends.

Stewardship priority: Diversity

LGIM were invited to a dialogue with approximately 90 members of the Japan Association of Corporate Directors, a group of CEOs and corporate directors committed to enhancing corporate governance in Japan.

LGIM used the occasion to present their history of engaging on diversity issues both globally and in Japan. They also shared responses to common pushbacks, with the aim of creating a discussion about what could work to promote diversity on boards and across different levels of the organisation.

Diversity remains a priority for LGIM in Japan and they have had voting policies in place on this issue in Japan since 2020. LGIM will continue to tighten their policies, but with market-specific features in mind, to ensure a company's nomination and selection process is well thought out.