FARREL LIMITED RETIREMENT BENEFIT SCHEME
ENGAGEMENT POLICY IMPLEMENTATION STATEMENT
Financial Year Ending 5 April 2021

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 2021. 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 2021 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		
Baillie Gifford Diversified Growth Fund	**ISS** – recommendations only. **Glass Lewis &Co.** – recommendations only. Baillie Gifford are cognisant of proxy advisers' voting recommendations but notes it makes its own voting decisions.	925 eligible for (c. 95.7% cast)	c. 5.1% of votes cast	c. 1.2% of eligible votes	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	**Covivio REIT** – a vote "against" was cast to five resolutions regarding the in-flight and proposed long term incentive scheme because it could lead to rewarding under-performance. The outcome of all five votes was 'pass'. Baillie Gifford advised that the firm expects more stretching performance criteria to apply to long term incentives going forward, but are yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action. **Gecina –** a vote "against'" was cast to three resolutions regarding remuneration as Baillie Gifford did not believe there was sufficient alignment between pay and performance. The outcome of all three votes was 'pass'. Baillie Gifford have advised they have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. They are yet to see improvements in the remuneration plan however continue to engage with the company to advise of areas for improvement. **Merlin Properties** – a vote "against" was cast opposing the resolution to approve the Remuneration Report due to concerns with quantum. The outcome of the vote was 'pass'. Baillie Gifford have opposed remuneration at the company since 2017 and engaged with the company on the issue. In 2020, they saw significant improvements in the company's remuneration policy which is a positive outcome.

Notes: ISS = Institutional Shareholder Services Inc.