

Framlington Group Pension Plan

ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 31 December 2020

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 31 December 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

Trustee's Investment Objectives

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustees' primary investment objective for the Plan 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 aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Plan.

The Trustees also ensure that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

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 Plan's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Plan's SIP includes the Trustees' policies on ESG factors, stewardship and climate change. The policies were last reviewed in September 2020 when they received investment training on this topic and the Trustees intend to undertake further investment training in the coming year. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The Trustees have reviewed the investment manager's ESG integration process and Climate Risks Policy and note that these are applied to the pooled funds that the Plan is invested. The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

The Trustees note that the Plan's assets are invested in a buy and maintain credit fund and a liability driven investment fund, which limits the investment manager's ability to take active decisions on whether to hold securities based on the investment manager's considerations of ESG factors, including climate change. Nonetheless, the Trustees can confirm that they have acted in accordance with the SIP in relation to voting and engagement activities over the year under review.

Investment Structure

The Scheme invests in pooled funds managed by AXA Investment Managers. As such, the Trustees have a direct relationship with the Scheme's underlying investment manager. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Engagement

In the year to 31 December 2020, the Trustees have reviewed their investment manager's quarterly reports, which contains an ESG summary of the buy and maintain credit fund pooled fund, and will monitor how these develop over time.

The Trustees are also working with Mercer to consider actions that can be taken to engage further with the investment manager going forward.

Voting Activity

The Trustees have delegated their voting rights to the Scheme's investment manager. The Trustees have not been asked to vote on any specific matters over the Scheme year. As the pooled funds do not invest in equities, there is no voting activity to report.

The Trustees note that best practice in developing a statement on voting and engagement activity is evolving and will take on board industry activity in this area before the production of next year's statement.