

Halcyon Business Solutions Pension Scheme Implementation Statement for the year ended 31st January 2023

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Halcyon Business Solutions Pension Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31st January 2023 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast by the underlying investment managers during the reporting year.

Background

In Q1 2019, the Trustees received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers’ own equivalent policies. Over the reporting year the Trustees completed an ESG survey to better understand their beliefs / identify areas that may require additional training.

The Trustees’ new policy was first documented in the updated Statement of Investment Principles dated June 2019 and remains in the updated Statement of Investment Principles dated August 2020.

The Trustees’ policy

The Trustees believe that there can be financially material risks relating to ESG issues.

The Trustees will take their views on ESG factors into account in any future Investment Manager Selection exercise.

The Trustees will monitor the ESG integration practices of the managers they are invested in using the research capability of their Investment Consultants.

The Trustees have delegated the ongoing management of ESG risks to the Scheme’s investment managers recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and expect the Investment Managers to report on significant votes made on behalf of the Trustees.

Manager selection exercises

During the reporting year, there have been no manager selection exercises.

Ongoing governance

The Trustees have appointed XPS as their Investment Consultant. XPS’s research department have regular and extensive interaction with the Scheme’s investment managers including monitoring the processes and operational behaviour of the investment managers. This information is collated, and any developments are reported to the Trustees in the quarterly investment management reports, if it arises.

The Scheme invests with four investment managers via the Mobius Life Platform:

- The BlackRock fund invests in a range of asset classes, including, equities, bonds and property. BlackRock regularly engage in voting activity in regard to the underlying equity holdings (further information below).
- The LGIM funds invest in UK government bonds and as such there is limited engagement given the bonds are issued by the UK government.
- The Allianz and Payden & Rygel Funds invest in a variety of credit-based assets. There is no equity exposure in these funds and therefore the managers do not engage in voting activity, given the underlying bonds do not carry voting rights. However, both Funds incorporate ESG considerations into their investment decision making to varying degrees (see below).

XPS engage with, and frequently monitor, all investment managers on an ongoing basis. During the period, no developments were noted.

During the reporting year, the Trustees agreed to map the Scheme against a Responsible Investment Framework. This mapped the Scheme's approach against ten key areas, including the extent and nature of the Scheme's ESG policy, approach to ESG integration and the level of consideration given to climate change and stewardship. The framework highlighted areas that could enhance the current approach.

In addition, during the year, the Trustees commissioned a new ESG Beliefs Survey to obtain up-to-date views from all Trustees to aid future discussions around ESG. Post year end this survey was repeated to reflect the views of new Trustees / the sponsor. Any follow up actions on this will be reported in the Implementation Statement for the year ended 31 January 2024.

The Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. Investments in equities will form part of the strategy through the diversified growth fund in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by BlackRock is shown in the table below.

The Scheme also holds a proportion of its portfolio in fixed income funds managed by Allianz, Legal & General Investment Management ("LGIM") and Payden & Rygel. These funds invest in various bond holdings which do not carry voting rights.

Based on this summary, the Trustees conclude that Blackrock have exercised their delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard.

BlackRock Dynamic Diversified Growth Fund

Voting Information
BlackRock Dynamic Diversified Growth Fund
<p>The manager voted on 94% of resolutions of which they were eligible out of 11899 eligible votes</p> <p>94% of the time they voted with management</p> <p>5% of the time they voted against management</p> <p>1% of the time they voted to abstain</p>
<p>Investment Manager Client Consultation Policy on Voting</p> <p><i>BlackRock's policy and commentary in respect to voting is provided below and any reference to "our", "we" etc. is from their perspective.</i></p>
<p>BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. We believe that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.</p> <p>Consistent with these shareholder rights, we believe BlackRock has a responsibility to monitor and provide feedback to companies, in our role as stewards of our clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given us authority, through voting proxies in the best long-term economic interests of our clients. We also participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with our clients' interests as long-term shareholders.</p> <p>BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with our view of what supports sustainable long-term value creation, we will engage with a company and/or use our vote to encourage a change in practice.</p> <p>BlackRock views engagement as an important activity; engagement provides us with the opportunity to improve our understanding of the business and ESG risks and opportunities that are material to the companies in which our clients invest. As long-term investors on behalf of clients, we seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where we believe they could be enhanced. We primarily engage through direct dialogue but may use other tools such as written correspondence to share our perspectives.</p> <p style="text-align: center;">Engagement also informs our voting decisions.</p> <p>BlackRock's approach to corporate governance and stewardship is explained in our Global Principles. These high-level Principles are the framework for our more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe our philosophy on stewardship (including how we monitor and engage with companies), our policy on voting, our integrated approach to stewardship matters and how we deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews</p>

our Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

Our Global Principles available on our website at <https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

Investment Manager Process to determine how to Vote

BlackRock's policy and commentary in respect to voting is provided below and any reference to "our", "we" etc. is from their perspective.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Our voting guidelines are market-specific to ensure we take into account a company's unique circumstances by market, where relevant. We inform our vote decisions through research and engage as necessary. Our engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. We may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. We welcome discussions with our clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in our Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. Our voting guidelines are intended to help clients and companies understand our thinking on key governance matters. They are the benchmark against which we assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. We apply our guidelines pragmatically, taking into account a company's unique circumstances where relevant. We inform our vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.

How does this manager determine what constitutes a 'Significant' Vote?

BlackRock's policy and commentary in respect to voting is provided below and any reference to "our", "we" etc. is from their perspective.

BlackRock Investment Stewardship prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance. Our year-round engagement with clients to understand their priorities and expectations, as well as our active participation in market-wide policy debates, help inform these themes. The themes we have identified in turn shape our Global Principles, market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

We periodically publish "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that we consider, based on our Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance. These bulletins are intended to explain our vote decision, including the analysis underpinning it and relevant engagement history when applicable, where the issues involved are likely to be high-profile and therefore of interest to our clients and other stakeholders, and potentially represent a material risk to the investment we undertake on behalf of clients. We make this information public shortly after the shareholder meeting, so clients and others can be aware of our vote determination when it is most relevant to them. We consider these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Does the manager utilise a Proxy Voting System? If so, please detail

BlackRock's policy and commentary in respect to voting is provided below and any reference to "our", "we" etc. is from their perspective.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to and enhance the value of clients' assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm's voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company's own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Costco	Report on GHG Emissions Reduction Targets	Against	Pass

<p>BlackRock did not support this shareholder proposal because the request included reduction targets across the “full value chain” by July 2022. Disclosing emissions across the “full value chain” – which would include Scope 3 emissions – within such a short timeframe is beyond our current expectations for this type of disclosure at this company, given Costco’s business model and emissions profile.</p> <p>BlackRock will continue to engage and monitor progress against these targets and other climate action commitments Costco has made</p>			
Samsung Electronics Co Ltd	Election of Directors	For	Pass
<p>BlackRock supported the nomination of Dr. Wha-Jin Han. The former Secretary for the Environment to the President of South Korea and founding member of the Korea Environment Institute – brings to the board deep expertise to better assess and provide oversight to ensure adequate management of climate-related risks and opportunities.</p> <p>BlackRock believe that long-term investors and the company itself will benefit from greater transparency and clear disclosure of the company’s environmental strategy and targets. Consistent with helping clients achieve positive investment outcomes, we aim to be supportive of and provide constructive feedback to companies.</p>			
Rio Tinto Group	Approve Climate Action Plan	For	Pass
<p>BlackRock voted for the management proposal seeking shareholders’ approval of the Rio Tinto Group’s Climate Action Plan, which is described in the report “Our Approach to Climate Change 2021.” The group’s climate action plan, targets, and disclosures are consistent with what we look for and, in our assessment, demonstrate management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of our clients as long-term shareholders to support the proposal to approve the Climate Action Plan.</p>			
Petroleo Brasileiro SA	Election of Márcio Andrade Weber as Chairman of the Board of Directors	For	Pass
<p>BlackRock supported the nominee to chair Petrobras’ Board of Directors. Mr. Andrade Weber was added to the slate relatively late in the process. The previous nominee unexpectedly pulled out of the board nomination process, in the interests of his other business commitments, after being indicted by the Brazilian Federal.</p> <p>BlackRock believe that the performance of the board is critical to the economic success of a company and the protection of shareholders’ interests. We believe that, as part of their fiduciary duty to the company, directors in Brazil should take shareholder interests into consideration in the fulfilment of their responsibilities to oversee the strategic direction and operation of the company. For this reason, BlackRock sees engaging with and the election of directors as one of our most important and impactful responsibilities.</p>			
Grupo Financiero Banorte	Election of board members as proposed by the Nominating Committee	For	Pass
<p>BlackRock supported all 14 directors up for election given that the company provided robust and timely disclosures, articulating how the proposed board is well positioned to oversee the company’s strategic aims over the long-term.</p> <p>BlackRock engages company leadership to provide feedback from the perspective of a long-term investor and better understand how companies identify and manage risks and opportunities that we believe can impact their ability to deliver</p>			

sustained financial performance for long-term investors like BlackRock's clients. As such, BlackRock looks to company boards to have a clearly defined role in overseeing executive leadership's approach to material risks and opportunities, and the company's strategy overall, in alignment with long-term shareholders' interest

Disclaimer: All voting information is provided for the 12-month period to 31 January 2023, as provided by the investment manager. Neither XPS Investment Limited nor the Trustees have vetted these votes. These summaries have been provided by the investment manager and any reference to "our", "we" etc. is from the investment manager's perspective.

I confirm that this Implementation Statement is accurate, and representative of the Trustees' investment policies followed during the year.

Signed: Alison Creasy, Chair of Trustees

For and on behalf of Capital Cranfield Pension
Trustees Limited

Date: 7/6/23