

Statement of Investment Principles - Implementation Report

HJ Banks & Company Limited Discretionary Retirement Benefits Scheme

The Trustees of the HJ Banks & Company Limited Discretionary Retirement Benefits Scheme (the Scheme) present their annual Statement of Investment Principles (SIP) implementation report setting out how the Trustees have followed the policies outlined in the SIP that came into force from 1 October 2020. This report meets the requirements set out in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations. The Report covers the annual period from 1 April 2020 to 31 March 2021.

The Statement of Investment Principles

During the Scheme Year ending 31 March 2021, the Trustees undertook a review of the SIP. The review resulted in an update to the existing SIP covering the following:

- The addition of a section on Responsible Investment, Stewardship and Corporate Governance as required by new regulation. The Trustees believe that good stewardship can enhance long-term portfolio performance and is therefore in the best interests of the Scheme's members. The Trustees' policy is to delegate the considerations of the long-term financial impact of Environment, Social and Governance (ESG) considerations and good stewardship to the Investment Manager of the selected funds. The Trustees will monitor the investment managers adherence to these considerations on an annual basis.
- Establish a process for the Trustees to monitor how the investment manager applies these policies.

Following the end of the Scheme Year ending 31 March 2021, the Trustees reviewed the Statement of Investment Principles. The Scheme currently has less than 100 members and so the Trustees are no longer required to hold a Statement of Investment Principles under Section 35 of the Pensions Act 1995. A decision was made that the current Statement of Investment Principles would cease to apply to the Scheme from 1 April 2021.

In this report we consider the application of the Statement of Investment Principles that applied from 1 October 2020 to 1 April 2021.

Monitoring investments against the SIP

As part of the governance of the Scheme the Trustees have established a process to review the investments within the Scheme to ensure that they continue to perform in line with the SIP. In this section, we set out the actions taken during the Scheme year:

- Trustee governance process: The SIP sets out that the Trustees monitor the investment funds at least annually. The Trustees met in October 2020 to monitor and review the performance of the Scheme's investments against their objective. The level of monitoring is in accordance with the policy established in the SIP.
- Trustee knowledge and understanding: There have been no changes to the Trustee Board during the Scheme Year. As a result, the level of understanding of the Scheme's investments and the SIP has remained sufficiently high to enable the Trustee board to monitor the Scheme effectively. The Board includes an appointed professional trustee from an organisation that specialises in trusteeship of pension schemes. The appointment of PTL with their detailed knowledge and understanding helps the Trustee board undertake effective oversight of the Scheme including its view on the Scheme's investments against the SIP.
- Trustee governance investment advice: During the Scheme Year, the Trustees received support with understanding the investment performance of the Scheme's funds and assessing costs and charges met by members. The Trustees are able to seek further formal advice from Punter Southall Aspire (PS Aspire) when required but have not done so during the Scheme Year. The Trustee board is satisfied that it had appropriate support to undertake its monitoring of the investments included in the Scheme.
- Scheme Investment objective: The Scheme's default funds are two With-Profits arrangements. The objective of these funds are to provide a stable and smoothed level of investment return over the medium to long term to the member's policy vesting date. This approach is designed to provide the member with a higher level of certainty of their retirement outcome and benefit from guaranteed annuity rate where applicable. The smoothing approach reduces the level of investment market volatility risk on the member's policy in the future. Through its governance and monitoring process the Trustees conclude that these funds continue to meet these objectives in line with the SIP.
- Manager monitoring – default fund: The nature of the With-Profits funds is such that performance data is only available when bonuses are announced. The Trustees are notified of the bonus rates applicable to the Scheme's membership and monitor any other changes within the fund such as Market Value Adjustments. The Trustees concluded that the bonuses during the Scheme Year align with the objective of the fund in continuing to provide stable, secure returns.

- **Manager monitoring – wider fund range:** The Trustees reviewed the performance of the fund’s that have been self-selected by certain members. The Trustees do not assess the appropriateness of the funds self-selected by members. However, during the year the Trustees consider whether the funds have performed in line with their stated objective. During the year, the Trustees consider the majority of funds to have performed in line with the policies set out within the SIP. However, there are two funds that have underperformed over the medium and long-term investment horizons, which the Trustees will continue to monitor.
- **Non-financial matters:** The Trustees’ policy is to delegate consideration for non-financial matters to the underlying fund managers. During the Scheme Year, the With-Profits funds were managed by Aberdeen Standard Investments (ASI) on behalf of Scottish Widows. The Trustees have taken the view in the SIP that they will delegate non-financial matters to the underlying managers. Therefore, the fund has performed in line with the policies set out in the SIP.

Later in this report we consider further some of the activity undertaken within the fund. The Trustees note that ASI has a strong ESG team with clear policies on major matters. Key features of this include being a signatory to the UN Principles of Responsible Investing and having in place a policy committed to tackling climate change.

- **Engagement with underlying Companies invested in:** The Trustees are aware that ASI undertakes a high level of engagement with companies and organisation that are invested in through the policyholder assets.
- **Divergences from the SIP:** The Trustees have not identified any areas where the Scheme’s investments have diverged from the policies set out within the SIP.



Trustees Conclusion

The Trustees are satisfied that the Scheme’s investments, investment managers and the Trustees’ investment governance processes have been undertaken in accordance with the Statement of Investment Principles during the 2019/20 Scheme Year.

Assessing voting rights of the Scheme

During the Scheme year the with profit fund operated by ASI invested in the following funds that include an allocation to equity markets:

- SW Fundamental Index Emerging Markets Equity
- Scot Widows US Equity Tracker Fund
- SW Fundamental Low Volatility Index Emerging Markets Equity
- SW Fundamental Low Volatility Index Global Equity
- Scot Widows Japan Equity Tracker
- Scot Widows European Equity Tracker
- Scot Widows Fundamental Idx Gbl Eqty
- Scot Widows Asia Pacific Ex Japan Equity
- Scot Widows Emerging Markets Equity

In the below table we summarise their engagement through its equity exposure.

Fund	Number of meetings voted at:	Number of resolutions voted:	For Against Abstain*

SW Fundamental Index Emerging Markets Equity	106	732	600 73 59
Scot Widows US Equity Tracker Fund	41	472	376 88 0
SW Fundamental Low Volatility Index Emerging Markets Equity	47	360	315 37 8
SW Fundamental Low Volatility Index Global Equity	41	442	373 50 13
Scot Widows Japan Equity Tracker	44	412	363 16 33
Scot Widows European Equity Tracker	62	1,121	1,013 92 16
Scot Widows Fundamental Idx Gbl Eqty	139	1,872	1,633 191 34
Scot Widows Asia Pacific Ex Japan Equity	2	16	15 1 0
Scot Widows Emerging Markets Equity	377	3,462	3,107 336 15

*Excludes votes withheld.

Please note that at the time of writing, voting activity for the wider fund range was not available.

The Trustees delegate voting activity to the fund manager. Therefore, no one vote is more significant in the context of the Trustees policies or the policies set out within the SIP. The key directives within the voting behaviour of ASI during the Scheme year focused on:

- Board composition to ensure it is diverse, appropriate and includes independent elements.
- Climate change and carbon emissions
- Human rights and labour practices.

Below, we set out voting and engagement activity that may be of significant interest to our membership.

Company	Details
Rio Tinto	Rio Tinto is a multinational mining company. Following mining activity causing destruction to a site of importance indigenous people ASI engaged with Rio Tinto to promote a review of governance processes.
Petrobras	Petrobras is Brazil's national integrated oil company. ASI engaged with Petrobras on its environmental and climate change policies to support improvement in policies,

	with Petrobras now comparing well to its peers and endorsing the TCFD disclosure requirements.
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The above is based on the information provided by the Scheme's administrator.

Declaration

I confirm that the above report has been produced by the Trustees to the best of our knowledge.

NAME: Louisa Harrold

POSITION: Trustee, HJ Banks & Company Limited Discretionary Retirement Benefits Scheme