

Haldex Limited Retirement and Death Benefits Plan

Engagement Policy Implementation Statement

Financial Year Ending 31 December 2021

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Statement of Investment Principles (‘SIP’) have been followed during the year to 31 December 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 2018, as amended, and the guidance published by the Pensions Regulator.

Investment Objectives of the Plan

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

As set out in the SIP, the Trustees’ primary investment objective 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 Plan.

The objectives set out above provide a framework for the Trustees when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Trustees understand that it must consider all financially relevant factors in making investment decisions on behalf of the Plan. However, they may also consider any non-financial factors, to the extent that they have the ability to impact the financial results of the Plan’s investments over the duration of the Plan, if they believe that such factors reflect the views of members.

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Plan’s portfolio and it is therefore in members’ and the Plan’s best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated appropriately.

The Scheme’s current SIP sets out the Trustees’ policies on these factors. The SIP has not been changed over the Plan Year and the current SIP is dated 28 September 2020. We have set these policies out in

Appendix 1 to this Statement. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

Plan's Investment Structure

The Plan's only investment is a Trustee Investment Policy ('TIP') with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Plan to invest in pooled funds managed by third party investment managers.

The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

At the start of the Scheme Year, Mercer Limited had fiduciary responsibility for the selection of pooled funds on the Mobius Platform. However, following a change of Mercer's corporate policy, the fiduciary overlay was terminated with effect from 31 March 2021, and subsequent to that date, the Plan's assets remain invested through the Mobius TIP.

As such, the Trustees have no direct relationship with the Plan's underlying investment managers.

Trustees Engagement

In the relevant year the Trustees have not engaged with either Mobius, JLT IM, or the underlying pooled fund managers on matters relating to ESG, stewardship or climate change.

However, Mercer's quarterly performance reporting includes Mercer's ESG scores for the funds in which the Plan is invested.

The ESG information provided by Mercer helps the Trustees to determine whether further action should be taken in respect of specific funds.

The Trustees are satisfied that the ESG scores are satisfactory in the context of the mandates of the funds.

A further update will be provided in next year's Statement.

Voting Activity

If the Trustees are specifically invited to vote on a matter relating to the corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's members.

Over the Plan year, the Trustees have not been asked to vote on any specific matters and have therefore not cast any votes.

As noted earlier, the Plan has no direct relationship with the pooled funds it is ultimately invested in, and therefore the Trustees have no voting rights in relation to the Plan's investments and no direct ability to influence the managers of the pooled funds.

Nevertheless, Appendix 2 of this Statement sets out a summary of the key voting activity of the pooled funds in which the Plan's assets are ultimately invested for which voting is possible (i.e., those funds which include equity holdings).

This includes information on what the fund managers consider to be a significant vote, and examples of these. The Trustees have no influence on the managers' definitions of significant votes but have noted these and are satisfied that they are reasonable and appropriate.

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

Appendix 1 – Policy on ESG, Stewardship and Climate Change

The policies below are included within the 28 September 2020 SIP:

Financially Material Considerations

The Trustees consider many risks which they anticipate could impact the financial performance of the Plan's investments over the Plan's expected lifetime. Such risks are set out in the next section of this statement.

The Trustees recognise that environmental, social and corporate governance ("ESG") factors, including climate change, can influence the investment risk and return outcomes of the Plan's portfolio and it is therefore in members' and the Plan's best interests that these factors are taken into account within the investment process.

The Trustees further recognise that investing with a manager which approaches investments in a responsible way and takes account of ESG related risks may lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the total level of risk being taken. Therefore, other factors being equal, the Trustees would seek to invest in funds which incorporate ESG principles.

In setting their investment strategy, the Trustees have prioritised funds which provide leveraged protection against movements in the Plan's liability value and also funds which provide actively managed diversification across a wide range of investment markets and consider the financially significant benefits of these factors to be most important.

The Trustees note that ESG considerations are not paramount to the first level decision making process within the funds which provide either actively managed diversification or leveraged liability protection. However, in the actively managed Diversified Growth Funds in which the Plan invests, whilst managers typically do not put ESG considerations at the heart of the asset allocation decision, they will embed ESG considerations into the management of the underlying asset classes where it is appropriate to do so.

The Trustees also receive ESG scores provided by the Investment Consultant in relation to the funds in which the Plan is invested and will monitor how these develop over time.

The Trustees will review ESG considerations on an ongoing basis to make sure that their policy evolves in line with emerging trends and developments.

The Trustees are therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

Non-Financial Matters

The Trustees have determined that the financial interests of the Plan members are their first priority when choosing investments.

They have therefore decided not to consider non-financial matters, such as ethical views, or to take members' preferences into account when setting the investment strategy for the Plan.

Stewardship

The Plan is invested solely in pooled investment funds. The Trustees' policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the pooled fund investment managers and expects the investment managers to use their discretion to act in the long term financial interests of investors.

If the Trustees are specifically invited to vote on a matter relating to corporate policy, they would exercise their right in accordance with what they believe to be the best interests of the majority of the Plan's membership.

Appendix 2 – Voting Activity

The Plan does not hold any equities directly and the Trustees have not been asked to vote on any specific matters over the Plan year. Nevertheless, this Appendix sets out a summary of the key voting activity of the pooled funds in which the Plan’s assets are ultimately invested for which voting is possible.

We note that best practice in developing a statement on voting and engagement activity is evolving and we will consider relevant developments before the production of next year’s statement.

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant examples	vote
		Votes in total	Votes against manag ement endors ement	Abstentions			
Nordea Diversified Return	<p>Nordea’s proxy voting is supported by ISS and Nordic Investor Services (NIS) to facilitate the proxy voting, execution and to provide analytic input. In 2021 these two vendors merged.</p> <p>ISS is a global player with international reach and practices, while NIS is a small niche player whose best practices are much in line with those of Nordea. This gives a broad palette of input which is very valuable in the evolution of their Corporate Governance principles. Nordea expect this setup to continue after the merger of ISS and NIS</p> <p>Normally, every vote cast is considered individually on the background of their in house bespoke voting policy.</p> <p>Nordea have decided to massively scale up their voting to cover a majority of all voting activities. For 2021 they have contracted ISS to vote on some minor holdings as per ISS’s policy but still looked at all ESG related issues and most other contentious issues. From 2022 Nordea aim that all votes should be</p>	2,396 resolutions eligible for (99.87% votes cast)	10.91% of votes cast	0.59% of votes cast	<p>Those that are severely against Nordea’s principles, and where they feel they need to enact change in the company. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason.</p> <p>From there, Nordea benchmark the proposals against their policy.</p>	<p>Republic Services : a vote ‘for’ reporting on Integration of ESG Metrics into Executive Compensation Program (shareholder proposal)</p> <p>Rationale: Nordea engaged with the company on this issue as well as the company’s climate goals and think this is important since the company has several ESG-related controversies, and several peers have started integrating ESG metrics into executive compensation programs.</p> <p>Outcome of vote. Against</p> <p>Implications: Nordea will continue to support shareholder proposals on this as long as needed.</p>	

Manager/ Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant examples	vote
		Votes in total	Votes against manag ement endors ement	Abstentions			
	referenced back to their bespoke policy. Nordea's Corporate Governance unit will continue to oversee all voting activities.						Significance: Significant votes are those that are severely against Nordea's principles, and where they feel they need to enact change.
Threadneedle Multi Asset	ISS and Glass Lewis – for research and recommendations only. ISS 'ProxyExchange' electronic voting platform to electronically vote clients' shares . Threadneedle makes its own voting decisions.	4141 resolutions (100.00% votes cast)	7.15% of votes cast	1.96% of votes cast	Threadneedle consider a significant vote to be any dissenting vote i.e. where a vote is cast against (or where we abstain/withhold from voting) a management-tabled proposal, or where we support a shareholder-tabled proposal not endorsed by management.	AIA Group Limited - a vote was cast 'against' a management vote to elect Chung-Kong Chow as Director Rational for vote: Concerns regarding a lack of diversity on the Board. Outcome: The management vote was passed Implications of Outcome: Active stewardship (engagement and voting) continues to form an integral part of their research and investment process. Significant: This resolution is significant because it was a vote against management.	

Source: Investment Managers