BIG THINKING
FOR SMALL SCHEMES

Implementation Statement

Road Haulage Association Retirement Benefits Plan

December 2020

BARKER TATHAM™
PENSION INVESTMENTS

1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principals outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of Road Haulage Association Retirement Benefits Plan (the Scheme). In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

2. ESG Principles

Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest.

In principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect the fund managers to have integrated ESG factors as part of their investment analysis and decision- making process where appropriate.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

Trustees view that the stewardship responsibilities attached to the ownership of shares is important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares. Managers are expected to be signatories to the FRC UK Stewardship Code.

Further information on the Trustees' policies can be found in the latest SIP dated September 2019.

In the Trustees' opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 December 2020.

The following pages illustrate how the Trustees, through their fund managers, have followed their stewardship and engagement policies.

3. Investments Attitudes to ESG

Fund Manager/Fund	ESG Description
BMO *(Formerly F&C)*	
LDI Real Dynamic Fund **LDI Nominal Dynamic Fund** **Sterling Liquidity Fund**	• **Fund Manager Overview** BMO Global Asset Management believes in the importance of taking a responsible approach to investment. They have produced a document "BMO Responsible Investment Approach" which describes their approach to responsible investment across their global operations. They take responsible investment seriously. The identification of financially material environmental, social and governance (ESG) issues forms part of their investment process, helping them to manage risk and support long-term returns. BMO also see responsible-investing and broader investment stewardship activities as part of their duty as an investor acting in the best interest of their clients. It is their belief that these can both support the delivery of long-term financial returns to their clients and contribute towards a more sustainable future for people and the planet. Responsible investment to BMO, is an umbrella term that incorporates a range of practices and approaches in considering the key environmental, social and governance (ESG) risks, opportunities and impacts of the investments that they make. For BMO, it means a commitment to: • integrating analysis of relevant ESG issues into investment processes, as appropriate. • engaging in dialogue with companies on significant matters related to ESG issues, so as to reduce risk, improve performance, encourage best practice and underpin long-term financial, social and environmental value creation. • voting in line with their corporate governance guidelines across global holdings. • taking a transparent approach to their responsible investment activities, both to clients and the wider public. BMO have over three decades of experience in offering ESG products and services to satisfy those clients with requirements for specific ESG solutions. BMO recognise that climate change presents potential systemic risks to their business and their investments,

	which require a different scale and nature of response. BMO discuss their approach to climate change in depth in a separate document, "Climate Change Approach", in line with the recommendations of the Task Force on Climate-related Financial Disclosures. • **ESG Integration** For BMO, ESG integration is the consideration of financially material ESG issues in the course of investment analysis and decision-making, with a view to gaining a more comprehensive understanding of risk and long-term opportunity. BMO apply a tailored approach to ESG integration by investment strategy and asset class, to ensure that the additional analysis is relevant and meaningful to each investment process. BMO are committed to the good stewardship of their clients' investments though their engagement, voting and public policy activities. Their primary purposes in engagement are to support long-term returns and to mitigate risk. They also believe that by encouraging better management of ESG issues by their investee companies we contribute to a more resilient global economy, which will ultimately enhance their clients' long-term prosperity and security. • **Active Ownership (1 year to 31 December 2021)** BMO's policy is to vote at all shareholder meetings. BMO aims to apply a consistent philosophy and approach to corporate governance and the exercising of voting rights. This approach is embodied in their Global Corporate Governance Guidelines, approved by their Executive Committee and published on their website. The guidelines are reviewed annually to address developments in international governance practices and are based on principles that they believe constitute good corporate governance practice. Further information on these can be found in the document titled "BMO Responsible Investment Approach". The following paragraphs relate to the active ownership or approaches to ESG specific to the funds in which the Scheme is currently invested: **BMO LDI Real and Nominal Dynamic Funds** LDI portfolios are very different to traditional equity or bond portfolios and so BMO's engagement programme primarily focuses on trading counterparties and clearing members. This engagement work is structured both in terms of prioritisation (both in terms of companies to whom they have the greatest exposure and to companies whom they feel have the greatest ESG

	deficiencies) and in terms of progress monitoring against predefined milestones. Each milestone is rated on a three-star scale related to the extent to which BMO assesses it to protect and enhance investor value. BMO reports these in half yearly reports on counterparty engagement within the LDI funds. Over the 2020 period, BMO had a total of 74 engagements with their LDI counterparties. **BMO Sterling Liquidity Fund** Over the year to end December 2020, BMO had 14 engagements with 10 companies (6 in North America), the majority of which were regarding climate change, followed by corporate governance. A case study by BMO looks at Citigroup Inc. BMO gave them a milestone rating of two-star. Citigroup were committed to measure carbon emissions from lending activities. The bank will measure and disclose emissions tied to its lending portfolio, which is a step that only a very limited number of banks globally have done. This action is linked to broader climate risk management processes, which BMO have engaged upon repeatedly. • **References** BMO aims to implement best practice reporting to stakeholders including an: ○ BMO Global Asset Management: Responsible Investment Approach ○ BMO UK Stewardship Code ○ BMO Climate Change Approach ○ Half Yearly Reports on LDI Fund Counterparty Engagement
Pinebridge	
Global Dynamic Asset Allocation Fund	• **Fund Manager Overview** Although PineBridge is a mid-sized firm, they have the breadth and geographic reach usually associated with the very largest in the asset management industry. They believe their size is a key strategic advantage to harness the power of collaboration across their teams to deliver superior investment outcomes for their clients. In addition, PineBridge seeks to combine the structure and reach of a globally connected investment manager with the client-focused advantages of a private company. This means identifying investment opportunities for their clients, delivering superior investment performance through collaboration across teams, and providing a high degree of attention and service at every client touchpoint. They are governed by a corporate structure that ensures regulatory compliance, the achievement of client objectives, and adherence to their firmwide principles – including those

	related to environmental, social, and governance (ESG) issues and stewardship. Pinebridge believes businesses that are sustainable create the most value for investors and for society at large – and this is true both for Pinebridge as a firm and for the companies in which they invest. Pinebridge integrated ESG principles into their investment processes when they began the journey in 2006. PineBridge is a signatory of the Principles for Responsible Investment ("PRI"), which provide a framework through which to report and assess ESG factors. • **ESG Integration** Pinebridge performs due diligence on companies with ESG either fully integrated or considered on most of their end-to-end investment processes. As investors and global citizens, they look for continuous improvement in ESG metrics rather than a narrow focus on a company's current state of being, which is prevalent in the industry through its overreliance on data vendors. With their research-driven, active, high-conviction approach, they are able to advocate for, and encourage, change in the select companies in which they invest. They do this by maintaining an active dialogue with management and co-investors and partnering with them to define and advance best practices, leading to improvement over the medium to long term. Reflecting their journey since 2006, they are among the top 25% of UN Principles for Responsible Investment (UNPRI) signatories, with an A+ rating for their strategy and governance efforts. Pinebridge believe that as responsible corporate citizens, they understand that being a good steward of their clients' capital is not only about integrating ESG into their investment decisions; it is also about engaging to ensure corporate improvement and aligning their proxy voting principles with their investment processes and engaging practices. Another key priority to Pinebridge, is thinking about how they conduct themselves as a firm. This means being a supportive and empowering employer, an involved member of their communities, a trusted partner for their clients, and a respectful, compliant firm in the numerous jurisdictions in which they operate.

	• **Active Ownership across all eligible Pinebridge funds (1 year to 31 December 2020)** Over the 12-month period Pinebridge attended 893 meetings and cast 9,688 votes for proposals and 664 votes against proposals. Some examples include: • The Boeing Company PineBridge voted against the re-election of long-time directors Collins, Giambastiani, Schwab and Williams due to the board's failure to exercise sufficient oversight of management strategy and corporate culture. • Cintas Corp Voting was in line with management and ISS recommendations to elect Ronald W. Tysoe to the board of directors. PineBridge will continue to monitor the company's progress, particularly the anticipated GRI reportThe company has been family run since inception and has been gradually moving toward the standards expected from a larger company in terms of transparency. • **References** More information on Pinebridge's ESG policies and principles can be found in their document on "*ESG Integration*." This has further information also on how Pinebridge actively incorporates ESG. Pinebridge provided a statement on the specifics to their active ownership and voting case studies shown above.
Schroders	
Diversified Growth Fund	• **Fund Manager Overview** In 2017, the Schroders Sustainable Investment Team introduced a sustainability accreditation process to help distinguish how environmental, social and governance (ESG) factors are considered across our products. This is intended to help investors understand the different roles that ESG plays in their investment processes. There are three key sustainability categories • Screened - Negative screening beyond cluster munitions, anti-personnel mines and biological and chemical weapons. • Integrated - ESG factors are systematically integrated into the investment process and can be clearly evidenced. • Sustainable - Sustainability is a building block of the investment process.

	• **ESG Integration**
	Schroders embeds ESG into their multi-asset approach through: research with priority sustainability tools and ESG integrated multi-asset research; asset allocation via a 30-year asset class return adjusted for climate change and tactical trade screening for sustainability; stock selection/engagement with sustainable security selection expertise, active engagement and voting; and ESG measurement through a sustainability budget and measurement through a variety lenses.
	
	Schroders measure in quarterly reports the sustainability and carbon reporting metrics using their inhouse SustainEx. SustainEx measures the net benefits or harms to society that companies create per $100 of revenue they produce, expressed as a percentage. For this DGF, a SustainEx score of +2.0% means that the aggregated companies in the active equity, credit, high yield, convertible bond and alternative energy holdings add $2.0 of benefit to society for every $100 of sales relative to the comparator.
	
	• **Active Ownership – Schroder Diversified Growth Fund (1 year to 31 December 2020)**
	Schroders report quarterly on their active ownership. Over the twelve-month period Schroders participated in 780 engagements discussing 1,555 topics consisting of 268 Social, 186 Environmental and 1,101 Governance issues.
	
	Over the year period to December 2021, Schroder were eligible to vote at 1,637 meetings and on 19,533 resolutions. 91.9% of their votes were with management, 7.8% of their votes were against and 0.3% of resolutions were abstained from voting.
	
	The top 10 engagement topics consisted of corporate strategy, remuneration, human capital management, board structure, climate change, environmental policy/strategy, governance oversight, transparency and disclosure, human rights and diversity.
	
	• **References**
	More information can be found in the following documents:
	  • Schroder DGF quarterly investment reports.
	  • Integrating Sustainability into Schroder Diversified Growth Fund

Ninety One	
Diversified Growth Fund	• **Fund Manager Overview** The Ninety One Multi-Asset team believes that sustainability is aligned with successful long-term investing: companies and countries that respond successfully to the global sustainability challenges will outperform over time. They have been integrating active stewardship and environmental, social and governance (ESG) research into their multi-asset investment processes across all asset classes for many years. Increasingly though, they realise that more needs to be done. The headwinds are mounting for companies and countries with material negative environmental and social footprints. There is growing recognition that, collectively, asset owners and managers have a responsibility to redirect the flow of capital towards sustainable investments with the potential for positive impact. They believe that there is also a financial incentive to invest sustainably: in a world where global real yields are now negative, the opportunity to access untapped growth enriches the potential for attractive long-term risk-adjusted returns. Their global engagement policy is driven by a clear purpose to preserve and grow the real value of the assets entrusted to them by their clients over the long term. As a business, they are active (not passive or activist) investors. They believe that effective boards and management that are aligned with their long-term objectives should be supported. There are four pillars to their assessment of governance: 1. Capital allocation 2. Culture 3. Incentivisation 4. Management and the Board • **ESG Integration** In relation to exposure to climate risk, the lower carbon footprint of the Diversified Growth portfolio versus the MSCI ACWI comparator can be explained by a combination of sector and stock selection. For example, at June 2020, the energy sector represents a 24% contribution to the MSCI ACWI's carbon footprint whereas it represented a c.4% contribution to the Diversified Growth portfolio carbon footprint. The portfolio had a meaningfully lower allocation to the energy sector compared to the MSCI ACWI. In Ninety One's view, ESG ratings should not be used to make investment decisions and instead, the underlying

	research should be used to inform and prioritise fundamental research. Scores and data are just the beginning, offering an efficient means by which they can identify potential issues. They remain conscious that dispersion in data quality will continue to be a challenge and cannot be relied upon on a standalone basis. The first question they ask is whether the drivers and scores are a fair representation of the analysts' own understanding of the company. Ninety One's analysts make their own judgement on materiality informed by MSCI data, but primarily founded upon their understanding of each company's business model and its drivers of returns. • **Active Ownership – Ninety One Diversified Growth Fund (1 year to 31 December 2020)** Ninety One believe that they are active investors and that effective boards and management that are aligned with their long-term objectives should be supported. Engagements take place as an integral part of the investment process, with the investment team initiating engagements based on the investment processes and priorities. Over the period Ninety One were eligible to vote at 150 shareholder meetings and on 1,794 resolutions. Ninety One voted on 90.8% of the resolutions for which they were eligible. On circa 94.0% of the resolutions, they voted with management, 4.0% were against management and Ninety One abstained from about 2.0% of the votes. A case study by Ninety One looks at engagement with a company called Smith (A.O.) regarding governance. The board had 10 members and was 50% independent with two female members. They felt the Board would benefit from a refresh; across the board, there was a lack of expertise in key areas such as water treatment, environmental impact and industrial technology which have been identified as key growth opportunities. Regionally, China makes up c. 30% of sales but there are no board members with experience in this market. In Ninety One's view there should be two members with experience ideally across both China and India. Ninety One were encouraged by the call with AO Smith; it was clear that the company recognises the need for board structure to evolve and it intends to add 2-5 new members to refresh the board over the next few years. They also followed up the call with a letter outlining the need for firmer commitments and a clear plan on the

	board direction within the next 6 months and for action to be taken within the next 12 months. On diversity, Ninety One stressed the need to consider this holistically – considering diversity of industry experience, regional experience, operational versus business strategy as well as gender. Ninety One look forward to continuing their dialogue with AO Smith and monitoring the firm's plans and progress for the board over the coming months. • **References** ○ Diversified Growth Strategy – Environmental, social and governance review. Executive Summary. September 2020 ○ Annual Stewardship Report 01.04.19 to 31.03.20 ○ Engagement and Voting Highlights to 31.03.21