

Engagement Policy Implementation Statement

HPC Pension Plan (“the Scheme”)

Defined Benefit (“DB”) Section October 2020 Introduction Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustees are required to produce an annual Implementation Statement, setting out how the stewardship, voting and engagement policies described in the Statement of Investment Principles (“SIP”) have been followed.

This is an annual statement produced by the Scheme’s Trustees. It is intended to meet the updated regulations and will be included in the Scheme’s Annual Report & Accounts and made public online. This Statement only relates to the DB Scheme (there are no DC elements to the DB Scheme).

This Implementation Statement covers the Scheme’s accounting year from 6 April 2020 to 5 April 2021 and relates to the relevant SIPs in force over the accounting period, namely:

- The SIP which is in force runs from October 2019 which can be accessed here:

<https://www.hpccompressors.co.uk/about-hpc/accreditations-policies-terms-statements/hpc-plc-statements/>

Summary of how investment decisions are taken.

The investment strategy is set with the aim of ensuring that the Scheme can meet its obligations to the beneficiaries when they fall due. The Trustees attempt to minimise the risk of not meeting this objective through the agreed contributions schedule and the level of expected return on the assets.

The Trustees will seek guidance and written advice from its investment adviser as appropriate when undertaking these activities. The Trustees manage the Scheme’s investment strategy in accordance with the policies set out in the SIP.

Changes to the SIP over the period

It is intended that the SIP investment strategy will be reviewed formally at least every three years, with the next review due October 2022, following the actuarial valuation of the Scheme, but will normally be reviewed annually by the Trustees. In reviewing strategy, the Trustees will seek written advice as required.

The SIP was last updated in October 2019 to comply with amendments to investment regulations applying to occupational pension schemes that require inclusion of specific policies on:

- Financially material considerations, including (but not limited to) those arising from Environmental, Social and Governance (“ESG”) considerations, including climate change.
- The extent to which non-financial matters are taken into account when making decisions regarding the selection, retention and realisation of investments.
- The undertaking of engagement activities in respect of investments held. There were also some minor clarifications and updates to existing investment strategy policy.

The SIP states: “The Trustees recognise that environmental, social and governance (ESG) considerations are among the many factors that can have an impact on the performance of its investments. The Trustees recognise the importance of the ethical management of ESG risks, particularly for a portfolio-wide issue like climate change, can add value to its portfolio.”

The Trustee’s investment managers provide quarterly updates on the performance of investments. Taking account of these updates, the Trustees did not make any changes to its investment strategy or managers as a result of those updates. Over the period the Trustees did not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision-making, in line with the SIP.

In terms of stewardship, the SIP confirmed that direct engagement with underlying companies is carried out by the Scheme's investment managers as appropriate, and when required the investment adviser assesses the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. Engagement is factored into the decision-making process to the appropriate level for the specific asset class in question. No other changes were made to the SIP over the period.

Investment Governance:

There were no changes to the Scheme's governance structure relating to the DB Scheme over the year to 5 April 2021:

The Trustees are satisfied that the investment governance of the Scheme is consistent with the Statement of Investment Principles and is appropriate for the circumstances of the Scheme.

Investment Strategy and Risk Management:

The Trustees keep the investment strategy under review and did not make any material changes during the period to 5 April 2021.

There have been no changes to the investment managers over the period. The Trustees monitor a number of investment risks including those outlined in the SIP, when required with the help of its investment adviser. The adviser provides reports incorporating information obtained from the investment managers. The Trustees are satisfied that the implementation of the investment strategy and risk management for the Scheme is consistent with the Statement of Investment Principles and is appropriate for the circumstances of the Scheme.

The total Pension Scheme investment return in the year ended 5 April 2021 was 12.55% (-3.10% 2020). As 2021 progressed, the markets remained positive, with a further growth in the scheme investments of 7.89% seen between April 2021 and 31 August 2021. The global economic recovery remains positive with global GDP rising close to pre pandemic levels. This has been helped by a number of factors including government and central bank support together with a strong vaccination programme. Nevertheless caution remains as new strains of the Covid virus emerges (Delta) together with the global challenge of supply verses demand causing inflationary pressures across various markets.

Stewardship, engagement and voting behaviour

No voting rights in relation to the Scheme's investments have been exercised by trustees during the year.

The Scheme's equity investments are held through pooled vehicles and the Trustees do not directly exercise voting rights. Voting decisions are exercised by the manager and are strategic decisions made in line with their investment and corporate governance policies. The investment institutions disclose their voting and engagement records on their websites.

Concluding remarks

The Trustees are comfortable that the policies in the SIP have been followed over the year to 5 April 2021.

The Trustee will disclose additional information, as appropriate, in next year's Engagement Policy Implementation Statement, to cover the policy changes reflected in the most recent SIP update. Date: 1 Oct 2019