

HYDRO ALUMINIUM DEESIDE PENSION SCHEME

Engagement Policy Implementation Statement

Financial Year Ending 5 April 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 Trustees’ Statement of Investment Principles (“SIP”) have been followed during the year to 5 April 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 Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The objectives of the Scheme included in the SIP are as follows: *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 Scheme.*

Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme’s investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme’s SIP dated March 2020 first included the Trustees’ policies on ESG factors, stewardship and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. These are also included in the latest SIP which was signed on 15 September 2020, after it had been updated to include new policies in relation to the Trustees’ arrangements with their investment managers. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

The Scheme’s assets are invested in pooled funds and therefore the Trustees accept that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

Furthermore ESG considerations don’t directly apply to the funds currently held by the Scheme, as the funds are invested in government bonds, cash and equity derivatives.

Mercer will take ESG considerations into account in advising the Trustees in relation to the selection, retention and realisation of investments.

Scheme's Investment Structure

The Scheme's only investment is a Trustee Investment Policy with Mobius Life Limited ('Mobius'). Mobius provides an investment platform and enables the Scheme to invest in pooled funds managed by third party investment managers. As such, the Trustees have no direct relationship with the Scheme's underlying investment managers.

Trustee Engagement

Monitoring

The Trustees will consider how ESG, climate change and stewardship are integrated within investment processes in appointing new investment managers, implementing investment strategy decisions, and monitoring the existing investment managers. Over the year, no changes were made to the Scheme's strategic asset allocation and no new investment managers were appointed by the Trustees.

Mercer's investment performance reports are reviewed by the Trustees on a quarterly basis. From 30 September 2020 these have included Mercer's ratings (both general and specific ESG) and enable the Trustees to determine whether further action should be taken in respect of specific funds. As noted above, ESG considerations don't directly apply to the funds currently held by the Scheme and therefore Mercer has not given the funds specific ESG ratings.

Stewardship:

Over the year, Mercer on behalf of the Trustees, requested that the investment managers confirm compliance with the principles of the UK Stewardship Code. LGIM has confirmed that they are a signatory of the current UK Stewardship Code and submitted the required reporting to the Financial Reporting Council by 31 March 2021, in order to be on the first list of signatories for the UK Stewardship Code 2020 that took effect on 1 January 2020. BMO has confirmed that they will submit the required reporting to the Financial Reporting Council by 31 October 2021.

Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2021

The Trustees are satisfied that the Engagement Policies set out in the SIP which have been in place over the year have been followed.

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 Scheme's members.

None of the underlying funds in which the Trustees invest hold equity securities, as the funds are invested in government bonds, cash and equity derivative instruments which do not have voting rights.

Consequently, there has been no voting activity undertaken by the Scheme's underlying investment managers and the Trustees have not been asked to vote on any specific matters over the 12 months to 5 April 2021.