

Implementation Statement for the Candles Provident Pension Fund

Covering 1 January 2020 to 31 December 2020

1. Background

The Trustee of the Candles Provident Pension Fund (the “Fund”) is required to produce an annual statement to set out how, and the extent to which, the Trustee has followed the Fund’s Statement of Investment Principles (“SIP”) during the previous Scheme year in relation to voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes.

This is the first implementation statement produced by the Trustee.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIP can be found at <https://charlesfarris.co.uk/statement-investment-principles>.

2. Investment Objectives and activity

The Trustee is required to invest the Fund’s assets in the best interest of members, and their main objectives with regard to investment policy are to seek a cumulative return, after management fees, that:

- exceeds the benchmark index over a full equity market cycle (approximately 3-5 years). The benchmark defined as the Candles benchmark index;
- provides a real rate of return now and above UK inflation as measured by the headline RPI.
- manages portfolio volatility to seek less volatility than competitors and the benchmark index over the long term

Accompanying this, the Trustee have regard to actuarial assumptions, liquidity and the interests of the Employer. Indeed the Trustee understands, following discussions with the Employer, that it is willing to accept a degree of volatility in its contribution requirements in order to reduce the long-term cost of the Fund’s benefits.

During the year, progress was reviewed on a quarterly basis as part of the formal quarterly monitoring report provided by the Fund’s Investment Manager. No formal manager selection or strategy decisions were made during the last Fund year.

The SIP was fully reviewed and updated during the period to incorporate the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors, stewardship and climate change, as required under new regulations.

3. ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustee's policy on Environmental, Social and Governance ("ESG") factors, stewardship and climate change. This policy sets out the Trustee's beliefs on ESG and climate change, and the processes followed by the Trustee in relation to voting rights and stewardship.

The Trustee will review these further in the next Scheme year and provide information in the next implementation statement. The Trustee also intends to review the managers' ESG policies including the application of voting rights in the next Scheme year.

4. Voting and Engagement

As noted in the SIP, the Trustee is keen that its investment manager, Mondrian, is a signatory of the UK Stewardship Code, which they are.

The Trustee has elected to delegate full discretion to Mondrian to vote proxies on its behalf, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustee considers these policies in manager selections, where applicable.

The Fund's investments are managed accordingly by Mondrian Investment Partners in their 'Balanced Portfolio', which can be overweight or underweight relative to the Candles benchmark, across the range of the below asset classes.

Asset Class	Candles Benchmark (%)	Minimum	Maximum
UK Equity	60	40	75
International Equity	10	5	20
UK Fixed	20	10	30
Unlisted Security and Property	10	0	20
International Fund	0	0	10
Cash	0	0	15
Total:	100		

In addition to the assets managed by the Mondrian, the Fund has legacy private equity and loan notes holdings. It is the Trustee's intention to sell these assets and reinvest the proceeds in line with its agreed investment strategy.

a. Description of Mondrian's voting processes

Mondrian describe their processes for voting the equities within the 'Balanced Portfolio' as follows:

"Mondrian authorises and instructs client custodians to forward proxy materials to Mondrian's Proxy Voting Adviser to enable them to vote the proxies. Mondrian provides the Proxy Adviser with a list of client accounts and security holdings to make the adviser aware of which proxies it will vote on. This list of clients and client holdings is regularly updated.

For active equity products, proxy voting items are forwarded to the investment teams when they are received. Mondrian does not have a default voting position. Each motion is reviewed by a portfolio manager from the investment team responsible for research coverage of that stock. This includes matters to be voted on proposed by shareholders and proposals related to ESG, including climate change. The portfolio manager considers each motion, taking into account the relevant facts and circumstances that apply to that company, the Proxy Voting Adviser's recommendation and any conflicts of interest that may exist.

Mondrian utilises a third-party firm (ISS Governance) to provide proxy voting advice and facilitate the proxy voting process. Mondrian conducts a due diligence process review prior to appointing and renewing contracts with a Proxy Adviser. Mondrian will continuously assess the Proxy Adviser in their capacity to provide proxy voting services, addressing any concerns as they arise and where necessary, escalating these concerns to the Proxy Voting Committee."

b. Summary of voting behaviour over the year

	Summary Info
Manager name	Mondrian Investment Partners
Fund name	Balanced Portfolio
Approximate value of trustee's assets	c.£18.1m as at 31 December 2020
Number of equity holdings	67
Number of meetings eligible to vote	64
Number of resolutions eligible to vote	1,023
% of resolutions voted	95.00%
% of resolutions voted with management	92.83%
% of resolutions voted against management	6.75%
% of resolutions abstained	0.42%
% of meetings with at least one vote against managements	36.00%
% of resolutions voted contrary to the proxy adviser recommendation	1.70%

c. Most significant votes over the year

Mondrian describe their process for identifying most significant votes as follows:

"Mondrian's Proxy Voting Committee will determine the most important votes that the firm has voted on; this is typically where Mondrian has voted against management, against ISS or considered significant for any other reason."

Mondrian have defined the below three votes as the only votes classified as significant during 2020 (the Scheme year).

IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?	VOTE 1
Company name	Stericycle Inc
Date of vote	22 May 2020
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.24%
Summary of the resolution	The proposal was the re-election of several Audit Committee members as directors.
How you voted	We voted against the company, in line with our proxy advisors, against the election of the audit committee members as directors.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No, we did not communicate with management ahead of the vote.
Rationale for the voting decision	We have doubts over the effectiveness of the audit committee members due to their failure to address the material weaknesses in the company's internal controls in consecutive years. In the company's form 10-K for the year ended Dec. 31, 2019, management noted that the company did not maintain effective internal control over financial reporting. The company has had ineffective internal control over financial reporting since FY15.
Outcome of the vote	The audit committee members were elected; the member that received the fewest votes still achieved 72.9% for.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	
On which criteria have you assessed this vote to be "most significant"?	Voting against management on a high profile topic.

IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?	VOTE 2
Company name	DuPont de Nemours Inc
Date of vote	27 May 2020
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.24%
Summary of the resolution	The proposal requested the company take the necessary steps to reduce the ownership threshold for shareholders to call a special meeting to 10 percent.
How you voted	We voted against the company, in line with our proxy advisors, to reduce the threshold.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No, we did not communicate with management ahead of the vote.
Rationale for the voting decision	The proposal sought to reduce the ownership threshold needed for shareholders to call a special meeting from 25 percent to 10 percent. This appeared to be in the best interests of shareholders, and would increase the accountability of the board and management.
Outcome of the vote	The proposal failed, with 38.4% in favour.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	
On which criteria have you assessed this vote to be "most significant"?	Voting against management on a high profile topic.

IN RELATION TO THE FUND NAMED ABOVE, WHICH 10 VOTES (AT A MINIMUM) DURING THE REPORTING PERIOD DO YOU CONSIDER TO BE MOST SIGNIFICANT FOR THE SCHEME?	VOTE 3
Company name	Exxon Mobil Corp
Date of vote	27 May 2020
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.23%
Summary of the resolution	The company operates with a combined CEO and Chair role. At the company's 2020 annual general meeting, the agenda included a shareholder proposal to require an independent Chair. This proposal implicitly seeks the separation of the roles of CEO and board Chair. The board recommended voting against the proposal, arguing that they alone should have the flexibility to determine the appropriate leadership structure.
How you voted	We voted in favour of the shareholder proposal and against the recommendation of both Exxon's board and our proxy voting advisors.
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No, we did not communicate with management ahead of the vote.
Rationale for the voting decision	We believe an independent board Chair is in the best interest of our clients as shareholders. An independent chair should result in a board of directors that can better represent the interest of shareholders, the owners of the company, to the CEO and management team, who are appointed to run the company. We expect the board of directors to provide independent oversight of the CEO and management and this is ineffective if the CEO also chairs the board of directors. We do not see company knowledge and industry experience as a barrier to having an independent chairman. A suitable chairman would be aware of the key issues impacting the company and the industry. In any case, it would be incumbent on the CEO to ensure the board was aware of all relevant issues. Many large and complex multi-national companies operate successfully with an independent Chair, including ExxonMobil peers Royal Dutch Shell and BP. The creation of the Lead Director role is a positive sign that the company is responding to shareholder feedback and taking steps to improve governance, but this is an untested role and we believe there is merit in continuing to push for an independent Chair to whom the CEO reports.
Outcome of the vote	The motion failed with 32.7% voting in favour.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We continue to push the company for change through our future voting and company meetings.
On which criteria have you assessed this vote to be "most significant"?	Voting against management and our proxy advisors on a high profile topic.