

Annual Implementation Statement – for scheme year ending 5 April 2021

Hyster-Yale UK Retirement Plan

Introduction and purpose to this statement

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee Directors of the Hyster-Yale UK Retirement Plan (the “Plan”) covering the scheme year to 5 April 2021.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the engagement policy under the Plan’s Statement of Investment Principles (“SIP”) has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee Directors over the year.

A copy of this implementation statement will be made available on the company’s website and included in the Trustees’ Annual Report and Financial Statements for the year to 5 April 2021.

The Statement of Investment Principles was updated in April 2021 to reflect a change in the benchmark asset allocation to move 10% of the Plan’s assets from equities to gilts.

Trustee Directors’ voting and engagement policy

In line with the Trustee Directors’ Statement of Investment Principles, the Trustee Directors have delegated all day-to-day investment decisions to the Plan’s sole investment manager (apart from AVCs) – BlackRock Investment Management & Financial Services (“BlackRock”). The Plan’s assets (excluding AVCs) are entirely passively managed and invested in unit-linked pooled arrangements.

Due to the passive nature of the Plan’s investments, the Trustee Directors recognize that no material decisions are taken by the investment manager on the holdings to be included in the portfolio. However, the Trustee Directors expect that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment manager in the exercise of their delegated duties.

The Trustee Directors encourage BlackRock to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council. The Trustee Directors will monitor the activities of its manager on a regular basis but appreciates that its applicability may be limited for certain asset classes such as bonds.

The Trustee Directors meet with the investment manager, BlackRock, at least once a year to discuss any relevant matters. The Trustees met the manager on 1 July 2021 and discussed BlackRock’s approach to sustainable investment. The Trustee Directors are comfortable that the manager is engaging with investee companies in a manner aligned with the Plan’s long-term investment objectives.

The BlackRock Investment Stewardship (“BIS”) team engages with public companies on behalf of all portfolio strategies at BlackRock. When engaging with a company BlackRock are focused on the long-term governance and business operational matters (including environmental and social considerations) that they believe are consistent with sustained financial performance. Each year BlackRock prioritises its engagement work around themes that they believe will encourage sound governance practices. In 2020, the key focus for BlackRock was on board quality, environmental risks and opportunities, corporate strategy and capital allocation, compensation that promotes long-termism and human capital management. The Trustee Directors’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

Use of proxy voting service

The BIS team performs independent research and analysis, coming to vote conclusions that are consistent with their own voting guidelines and that they believe are in the best long-term economic interests of their clients. The team does not follow the recommendations of any single proxy advisor. While BIS subscribe to research from several proxy advisory firms, their research is one among many inputs into BIS' vote analysis process. BIS use proxy research firms to synthesize corporate governance information and analysis so that their analysts can identify and prioritise those companies where their own additional research and engagement would be beneficial.

Summary of voting over the year to 5 April 2021

The Plan's equity investments are managed by BlackRock via a pooled fund on an index-tracking basis. Given the indexed nature of the mandates, BlackRock are limited by the equities they must hold in the portfolio, but the Trustee Directors believe they have a strong engagement process.

A summary of the voting on behalf of the Plan over the year to 31 March 2021 is provided in the table below (this being the closest date to the year-end of 5 April 2021 that data is available).

| Fund | Number of votes eligible | % of votes exercised | % of votes with management | % of votes against management | % abstained |
|---|--------------------------|----------------------|----------------------------|-------------------------------|-------------|
| Aquila Life UK Equity Index Fund | 15,742 | 97.17% | 91.59% | 5.68% | 1.85% |
| BlackRock Aquila Emerging Markets Fund | 32,114 | 98.23% | 88.56% | 9.67% | 2.07% |
| Aquila Life European Equity Index Fund | 9,326 | 81.42% | 71.41% | 10.00% | 1.15% |
| Aquila Life Japanese Equity Index Fund | 6,221 | 100.00% | 97.97% | 2.03% | 0.00% |
| Aquila Life Pacific Rim Equity Index Fund | 3,150 | 99.62% | 89.78% | 9.84% | 0.13% |
| Aquila Life US Equity Index Fund | 7,542 | 100.00% | 97.20% | 2.80% | 0.09% |

Voting information on the Plan's bond funds is not provided since the vast majority of loan and debt securities do not come with voting rights.

Significant votes

BlackRock have provided the Trustee Directors with the following link setting out their voting history, with bulletins explaining their vote decisions and the engagement and analysis underpinning it, on certain high-profile proposals at company shareholder meetings.

<https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history>.

In 2020, the Trustee Directors discussed with BlackRock some of these voting decisions to formulate what they consider to be significant votes for the Plan. It was agreed that votes associated with companies with the largest exposures in the Plan's portfolio are most significant.

In the Trustee Directors' opinion, the Statement of Investment Principles has been followed during the year to 5 April 2021 in relation to voting and engagement.

The Trustee Directors of the Hyster-Yale UK Retirement Plan

October 2021