

Hayter Retirement Benefits Plan

Implementation Statement for the year to 5 April 2024

Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustee of the Hayter Retirement Benefits Plan (the "Plan") and sets out the following information over the year to 5 April 2024:

- How the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- The voting activity undertaken by the Plan's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

The stewardship activity of the investment managers is not given over the Plan year ending 5 April 2024 because the investment managers only report on this data quarterly. This information has therefore been provided over the year to 31 March 2024.

The Plan has an Additional Voluntary Contribution arrangement in place and holds one annuity policy. These holdings have been excluded from this Statement on materiality grounds.

Stewardship policy

The Trustee's Statement of Investment Principles ("SIP") in force at 5 April 2024 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It has been made available online here:

<https://schemedocs.com/download/hayter-statement-investment-principles.pdf>

No material changes were made to the Plan's stewardship policy over the year.

At this time, the Trustee has not set stewardship priorities or themes for the Plan but will consider the extent that it wishes to do this in due course, in line with other Plan risks.

How voting and engagement policies were followed over the year

Based on the information provided by the Plan's investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Plan invests entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Plan's investment managers.
- As at 5 April 2024, the Plan's investment managers were Legal & General Investment Management ("LGIM"), Newton Investment Management ("Newton") and Schroder Pension Management ("Schroders"). The Plan's investment managers are signatories to the UK Stewardship Code. The Trustee regularly considers the performance of the funds held with each investment manager and any significant developments as they arise.

- The Trustee receives voting and engagement information from the investment managers on an annual basis, which is reviewed to ensure alignment with the Plan's policies. This exercise was undertaken during the preparation and approval of this Statement.
- Having reviewed the information presented in this Statement, the Trustee is comfortable that the actions of the investment managers are in alignment with the Plan's stewardship policies.

Approved by Hayters Retirement Benefits Plan Trustee Limited as the Trustee of the Hayter Retirement Benefits Plan

July 2024

Voting data

This section provides a summary of the voting activity undertaken by the relevant investment managers on behalf of the Trustee over the year to 31 March 2024. The Plan's liability-driven investment ("LDI"), cash and buy and maintain credit holdings with LGIM are expected to have no voting rights and there is expected to be limited ability to engage with key stakeholders given the nature of these mandates. As such, these funds have been excluded from this section.

Newton utilises an independent voting service provider, Institutional Shareholder Services ("ISS") for the purposes of managing upcoming meetings, instructing voting decisions and for providing research. The voting recommendations of the voting service provider are not routinely followed; it is only in the event that Newton recognises a potential material conflict of interest that the recommendation of the voting service provider is applied. Newton does not maintain a voting policy with the voting service provider, but rather applies its own voting guidelines.

ISS act as Schroders' one service provider for which they have their own bespoke policy. Schroders have informed us that they only voted on 94% of resolutions due to legislative requirements in certain markets, primarily Brazil and Sweden. These regulations necessitate that the asset owner (Schroders) must grant Power of Attorney to the voting agent (ISS) if they are to vote via proxy, which has not yet been established.

Manager	Newton	Schroders
Fund name	BNY Mellon Real Return Fund	Schroder Life Intermediated Diversified Growth Fund
Structure	Pooled	
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	
Number of company meetings the manager was eligible to vote at over the year	69	1,109
Number of resolutions the manager was eligible to vote on over the year	1,101	14,566
Percentage of resolutions the manager voted on	99%	94%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	0%	0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	92%	89%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	8%	11%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	5%	7%

Source: information provided by the investment managers.

The Trustee has queried why the percentage of resolutions Schroder voted on was not closer to 100%. At the time of writing, the Trustee were awaiting a response to this query.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a pension scheme's stewardship priorities or themes. Since the Trustee has decided not to set stewardship priorities for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a "significant vote". The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee does not have a specific voting policy.

Newton provided a selection of ten votes which they believe to be significant. In the absence of agreed stewardship priorities or themes, three votes have been shown to represent significant votes cast on behalf of the Plan. To represent the most significant votes, votes relating to the three largest distinct holdings from the selection provided are shown below.

Schroder provided details of 1,466 votes that they believe to be significant. In the absence of agreed stewardship priorities or themes, three votes have been shown to represent significant votes cast on behalf of the Plan. Information for each of these votes is available upon request. Schroders did not provide details that would allow for an assessment of which votes may be most significant (as per the approach outlined for Newton) and therefore the votes shown have been selected to represent a broad variety of themes. The Trustee, through its investment consultant, has provided feedback to Schroder on their reporting in the hope of being able to reflect the most significant votes going forwards.

A summary of the significant votes provided is set out below.

BNY Mellon Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Shell Plc	Unilever Plc	Lockheed Martin Corporation
Date of vote	23 May 2023	3 May 2023	27 April 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.03%	1.15%	0.99%
Summary of the resolution	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Approve Remuneration Report	Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement Goal
How you voted	Abstain	Against	For
If the vote was against management, did you communicate your intent to the company ahead of the vote?	Yes	No	No
Rationale for the voting decision	Newton abstained on the proposal requesting an	Newton voted against executive pay arrangements	Newton supported a shareholder proposal asking for

	alignment of the 2030 Scope 3 reduction target to the Paris agreement. While the argument is acknowledged, voting in favour of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, Newton abstained in line with their views that the current transition plan merits more robust 2030 goals in order to gain credibility.	owing to significant pay increases granted to executives and the absence of a compelling rationale for this.	a report on efforts to reduce full value chain GHG emissions in alignment with the Paris Agreement as, in their view, more information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk.
Outcome of the vote	80% voted against the resolution	58% voted against the resolution	33% voted for the resolution
Implications of the outcome	The significant dissent on the proposal shows concern from the shareholder base around Shell's transition plan.	The vote outcome is a clear indication of shareholder dissatisfaction with pay decisions made at the company during the year under review. The company has reached out to shareholders, and Newton has communicated their concerns and reasons for adverse vote recommendations. They will continue exercising future votes in support of their views surrounding significant salary increases and alignment between pay and performance.	The support received for the shareholder proposal is substantial and must be accounted for. Newton would expect the company to provide enhanced disclosures, especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.
Criteria on which the vote is considered "significant"	As a significant GHG emitter, it is critical for Shell to have a credible transition plan. Abstaining on this resolution would convey to the company, in addition to Newton's engagement, the need to add credibility to its transition planning.	The failed vote outcome owing to significant shareholder dissent merits this vote as significant.	The support received for the shareholder proposal is substantial and must be accounted for.

Source: information provided by the investment manager.

Schroder Life Intermediated Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	The Walt Disney Company	A. O. Smith Corporation	Bank of Montreal
Date of vote	3 April 2023	11 April 2023	18 April 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided	Data not provided	Data not provided
Summary of the resolution	Report on Political Expenditures	Elect Director Idelle K. Wolf	Advisory Vote on Environmental Policies
How you voted	For	Abstain	For
If the vote was against management, did you communicate your intent to the company ahead of the vote?		Data not provided	
Rationale for the voting decision	Schroder believes that a report assessing the congruence of its political and electioneering expenditures against its publicly stated values and policies and listing incongruencies will provide enhanced transparency to shareholders and better facilitate analysis of risks to the company's brand, reputation, and shareholder value.	Gender Diversity: Less than 33% of the board are female directors. Climate: Behind peers on climate risk management and oversight, Schroders believe the way in which they have voted is in the best financial interests of their clients' investments.	The company is asked to establish an annual advisory vote policy regarding its environmental and climate change targets and action plan. Schroders welcome additional mechanisms for shareholders to hold the board accountable for its management of climate risk and contribution to a low carbon economy. As such, Schroder supports this proposal.
Outcome of the vote	Not provided		
Implications of the outcome	Schroder has not provided the implications of the outcome of the votes on an individual level, but they have confirmed that following any vote against management they email the company to inform them how they voted and their rationale for this.		
Criteria on which the vote is considered "significant"	Schroder believes that all resolutions when they vote against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.		

Source: information provided by the investment manager.

Engagement data

Engagement summary

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager over the year to 31 March 2024 for the relevant funds.

Engagement activities are limited for the Plan's LDI and cash holdings due to the nature of the underlying investments. As such, these funds have been excluded from this section.

Manager	Newton	Schroder	LGIM
Fund name	BNY Mellon Real Return Fund	Schroder Life Intermediated Diversified Growth Fund	LGIM Buy and Maintain Credit Fund LGIM Maturing Buy and Maintain Credit Fund 2035-2039 LGIM Maturing Buy and Maintain Credit Fund 2040-2054
Number of engagements undertaken on behalf of the holdings in this fund in the year	20	1,402	191
Number of entities engaged on behalf of the holdings in this fund in the year	9	395	94
Number of engagements undertaken at a firm level in the year	42	6,530	2,144

Source: information provided by the investment managers.

Examples of engagement activity undertaken over the year to 31 March 2024

BNY Mellon Real Return Fund | Shell Plc – Climate Change

Newton engaged with Shell Plc to address the company's climate change strategy, particularly its Scope 3 emissions. Recognising the need for conventional fuel, Newton emphasised the importance of large oil majors like Shell demonstrating investment in clean energy alternatives to establish credibility in their transition plans. Shell's largest source of emissions is Scope 3, and the absence of an absolute Scope 3 reduction target raised questions about the credibility of its transition plan. During the engagement, Shell reiterated that Green Capex is not expected to rise significantly in the near term, pointing to the Naturgy deal as evidence of its green ambitions. Newton advised that setting a credible Scope 3 target for emissions under Shell's direct control would align its plan with EU peers and aid in the transition to a low-carbon world. Although Shell expressed hesitations about setting such targets, Newton underscored the importance of clear and credible transition narratives. Following the meeting, no significant updates were expected, but Shell noted potential exploration of near-zero methane targets and expansion in biofuels and transport sector disclosures. Newton have stated that they will monitor announcements and vote accordingly at the 2024 AGM, although progress on Green Capex and ambition remains uncertain.

Schroder Life Intermediated Diversified Growth Fund | Ecora Resources – Climate Change

Schroder engaged with Ecora Resources on climate change, focusing on setting emissions reduction targets for Scopes 1, 2, and 3, aligning with their engagement blueprint and UN Sustainable Development Goal 13. Starting in 2022, Schroder's UK small and mid-cap team, along with sustainability colleagues, met with Ecora's management in November to discuss various climate issues and introduce the Science-Based Target initiative's (SBTi) small and medium-sized enterprise (SME) framework. Despite initial concerns about the suitability of this pathway, Schroders provided examples of peers who had successfully adopted it. By March 2023, Ecora had validated its near-term goals, committing to reduce Scope 1 and 2 emissions by 46% by 2030 from a 2019 base year and addressing Scope 3 emissions through partner engagement. Schroders considers this a successful initial engagement and will continue to promote best practices and monitor progress.

LGIM (Firm Level) | Volkswagen – Human Rights

LGIM conduct all engagements at a firm level, and an example of this over the year is provided below.

LGIM engaged with Volkswagen to address governance and human rights issues related to the company's plant in Xinjiang, China. This engagement aimed to understand Volkswagen's presence in Xinjiang, enforce governance practices, and work towards removing a red controversy flag assigned by MSCI due to allegations of forced labour. LGIM maintained continuous dialogue with Volkswagen, including meetings with senior management and investor relations, to push for an independent audit of the plant. Following these discussions, Volkswagen conducted the audit, leading to the removal of the red controversy flag by MSCI. This outcome allows a greater proportion of LGIM funds to invest in Volkswagen.