

# Hickson UK Group Pension Scheme

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Year Ending 31 March 2024

### 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 in the Statement of Investment Principles (SIP) produced by the Trustee Directors ("Trustees") have been followed during the year to 31 March 2024. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The Trustees do not currently consider the ESG policies of Additional Voluntary Contributions provider(s) and associated investment funds as these are a small proportion of total assets and therefore this statement only covers assets in relation to the Defined Benefit assets of the Scheme.

### Trustees' Investment Objective

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 ensure the Scheme can meet its obligations to the beneficiaries of the Scheme.
- To pay due regard to the interest of the Sponsoring Company on the size and incidence of contribution payments.

### Review of the SIP

The Trustees reviewed the SIP in September 2020 in order to comply with the requirement to provide additional disclosures on their stewardship policy and investment manager arrangements, specifically:

- i. How the arrangement with the asset manager incentivises the investment managers to align its investment strategy and decisions with the Trustees' policies.
- ii. How that arrangement incentivises the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.
- iii. How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' policies.
- iv. How the Trustees monitor portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range.

- v. The duration of the arrangements with the investment managers.

The SIP has undergone subsequent review and revision to reflect changes in overall policy while remaining compliant with these requirements.

### **Policy on ESG, Stewardship (including Engagement Activities) and Climate Change**

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

In order to establish these beliefs and produce this policy, the Trustees undertook investment training provided by their Investment Consultant on responsible investment that covered ESG factors, stewardship, climate change and ethical investing.

The Trustees keep the policies under regular review with the SIP subject to review at least annually and are satisfied that the engagement and voting policies set out in the SIP have been followed.

The Scheme invests in pooled investment vehicles managed by the investment managers. This means that the Scheme's investments are pooled with those of other investors and the Trustees do not own shares in individual companies directly. Instead, the Trustees have a direct relationship with the Scheme's appointed investment managers. The Trustees have the responsibility of monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer Limited. While it can be harder for those invested in pooled funds to exert their influence, given the other investors with a stake, the Trustees monitor and engage with their appointed managers on a regular basis.

The following work was undertaken during the year to 31 March 2024 relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

- With support from Mercer, the Trustees reviews the mandates of the investment managers in relation to ESG factors, on an ongoing basis. For example, Mercer include ESG ratings in their quarterly investment reports and provide a review against each mandate's peer group annually.
- The reports for this Scheme year included managers in the top two ratings for their category. If a particular fund in which the Scheme invests were to have its ESG rating downgraded, then the Trustees may consider their continued investment and may put a manager 'on-watch' or, in the case of a material change in rating, potentially terminate the appointment.
- The Trustees requested that the Scheme's investment managers confirm compliance with the principles of the UK Stewardship Code. All of the investment managers have confirmed that they are a signatory of the current UK Stewardship Code, and most have also confirmed that they submitted 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. The Trustees will continue to engage with these managers on the UK Stewardship Code and its relevance as appropriate. Mercer has confirmed that they support the UK Stewardship Code and also plan to report accordingly.

- The Trustees received (via their investment subcommittee (“ISC”)) investment manager presentations last year where the investment managers provided detail on how they integrate ESG into their investment processes and details of relevant engagement activity. The Trustees were satisfied with the content of the reports and presentations, and that investment manager performance on these matters was in line with the SIP and the Trustees’ expectations. In light of the above and otherwise, the Trustees have considered their policy in regard to voting and stewardship and concluded that (i) voting and stewardship policies and implementation remain aligned with the Trustee’s view on these matters; and (ii) the current policy is appropriate, and no further action is required at this stage, albeit the Trustees will continue to review their policy and monitor performance in the future.

### Voting Activity

The Trustees do not hold investments directly but instead are invested in pooled funds and hence they do not have voting rights in relation to individual companies. The Trustees have therefore, effectively, delegated their engagement and voting rights to the pooled fund investment managers, who cast votes cast on behalf of the pooled fund not the Trustees). As a result, the Trustees do not use the direct services of a proxy voter as this is not relevant, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the pooled funds in which the Trustees invest. Nonetheless, the Trustees review from time to time, the voting policies of the managers including what they consider to be significant votes. The Trustees are happy to align with the managers’ views on significant votes, but will keep this under review.

The engagement initiatives are driven by investment managers mainly through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies’ Annual General Meetings.

Following the DWP’s consultation response and outcome regarding Implementation Statements on 17 June 2022 updated guidance was produced which is effective for all scheme year ends on or after 1 October 2022. The updated Guidance requires trustees to include a description of what they believe to be a significant vote within the Implementation Statement. The voting information should also include details explaining why each vote has been categorised as most significant, what the vote was, and why the manager voted in the way it did. The Trustee has defined a significant vote as one which meets the following parameters (where available):

- Materiality: the size of the holding within the relevant fund is at least 1%;
- Relates to ESG;

The Scheme’s investment managers have provided significant vote information across the funds previously noted as containing equity. The significant vote information included in this Statement focuses on the areas described above.

### Voting Information

Fund	Proxy voter used?	Votes cast		
		Votes in total	Votes against management endorsement	Abstentions
<b>LGIM</b> LDI, Active Corporate Bonds	LGIM does not have any voting rights in respect of the underlying holdings in either the LDI or Active Corporate Bond funds.			
<b>RLAM</b> Buy and Maintain Credit	RLAM does not have any voting rights in respect of the underlying holdings in the Buy and Maintain Credit fund.			
<b>LGIM</b> UK Equity	LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure LGIM's proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions	10,363 resolutions (99.8% cast)	5.6% of votes cast	0.03% of eligible votes
<b>LGIM</b> World (ex UK) Developed Equity Index Fund - GBP Currency Hedged and Unhedged	Same as above	28,133 resolutions (99.8% cast)	23.0% of votes cast	0.14% of eligible votes

Fund	Proxy voter used?	Votes cast		
		Votes in total	Votes against management endorsement	Abstentions
<b>LGIM</b> World Emerging Markets Equity Index Fund	Same as above	33,716 resolutions (99.9% cast)	19.0% of votes cast	0.9% of eligible votes
<b>Aviva</b> Diversified Growth Fund	Aviva subscribe to proxy advisory services for independent research and recommendations including recommendations based on their own policy (where certain resolutions will be referred to Aviva for further consideration). These providers include the IVIS service, Glass Lewis and MSCI. Aviva use research for data analysis only as they have our own robust voting policy, which is applied to all their holdings. They also take into consideration the views of the fund manager and the conversations with the company through their voting specific engagement.	3,454 resolutions (95.44% cast)	42.5% of votes cast	1.1% of eligible votes

Significant Votes								
Fund	Holding	Date of Vote	Company	Summary of Resolution	How you Voted	Outcome	Rationale for voting decision	Why Vote is Significant
LGIM UK Equity (5% Capped) Passive Fund	4.9%	2023-05-23	Shell Plc	Approve the Shell Energy Transition Progress	Against (Against Management)	80% (Pass)	LGIM remain concerned by the lack of disclosure surrounding future oil and gas production plans and	Related to Climate Change (Environmental) Holding in Excess of 1%

							targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	
LGIM UK Equity (5% Capped) Passive Fund	4.1%	2023-04-27	BP Plc	Re-elect Helge Lund as Director	Against (Against Management)	Not disclosed	A vote against is applied due to governance and board accountability concerns. Given the revision of the company's oil production targets, shareholders expect to be given the opportunity to vote on the company's amended climate transition strategy at the 2023 AGM. Additionally, LGIM note concerns around the governance processes leading to the decision to implement such amendments.	Related to Climate Change (Environmental) Holding in Excess of 1%
LGIM UK Equity (5% Capped) Passive Fund	2.6%	2023-05-26	Glencore Plc	Resolution in Respect of the Next Climate Action Transition Plan	For (Against Management)	29.2% (Fail)	In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following LGIM's multi-year discussions with the company since 2016 on its approach to the energy transition.	Related to Climate Change (Environmental) Holding in Excess of 1%
LGIM UK Equity (5% Capped) Passive Fund	1.3%	2023-07-19	Experian Plc	Re-elect Mike Rogers as Director	Against	8% (Pass)	A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female.	Related to Social (Diversity) Holding in Excess of 1%

LGIM UK Equity (5% Capped) Passive Fund	1.2%	2023-04-27	Flutter Entertainment Plc	Re-elect Gary McGann as Director	Against (Against Management)	Not disclosed	A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.	Related to Social (Diversity) Holding in Excess of 1%
LGIM UK Equity (5% Capped) Passive Fund	1.1%	2023-09-06	Ashtead Group Plc	Re-elect Paul Walker as Director	Against	Not disclosed	A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female.	Related to Social (Diversity) Holding in Excess of 1%
LGIM World Emerging Markets Equity Index Fund	1.7%	2023-05-17	Tencent Holdings Limited	Elect Jacobus Petrus (Koos) Bekker as Director	Against (Against Management)	88.4% (Pass)	A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.	Related to Climate Change (Environmental) Holding in Excess of 1%
LGIM World (ex UK) Developed Equity Index Fund - GBP Currency Hedged and Unhedged	4.2%	2024-02-28	Apple Inc.	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Against	Fail	Environmental and Social: A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	Related to Social (Diversity) Holding in Excess of 1%
LGIM World (ex UK) Developed Equity Index Fund - GBP Currency Hedged and Unhedged	1.3%	2023-05-24	Amazon.com, Inc.	Report on Median and Adjusted Gender/Racial Pay Gaps	For (Against Management)	29% (Fail)	LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.	Related to Social (Diversity) Holding in Excess of 1%
LGIM World (ex UK) Developed Equity Index Fund - GBP Currency Hedged and Unhedged	1.7%	2023-06-22	NVIDIA Corporation	Elect Director Stephen C. Neal	Against (Against Management)	Not disclosed	A vote against is applied as LGIM expects a company to have at least one-third women on the board.	Related to Social (Diversity) Holding in Excess of 1%

LGIM does not have any voting rights in respect of the underlying holdings in either the LDI or Active Corporate Bond funds, nor do RLAM have any voting rights in respect of the underlying holdings in the Buy and Maintain Credit fund. As such no voting information is included in the above table for these funds. With respect to Aviva, there were no votes within the equity holdings that satisfied the criteria for a significant vote, as such none are included in the above table.