

The Heygate Group Pension & Life Assurance  
Scheme

**Annual Implementation  
Statement – scheme year  
ending 30 September 2023**

## Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of The Heygate Group Pension & Life Assurance Scheme (“the Scheme”) covering the scheme year (“the year”) to 30 September 2023.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year.
- Describe the voting behaviors by, or on behalf of, the Trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustees’ SIP.

The Trustees consider that all SIP policies and principles relevant to this statement were adhered to during the year.

A copy of this implementation statement has been made available on the following website:

<https://www.heygates.co.uk/general/policies/>

## Voting and engagement

As set out above, the Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees’ agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

Consistent with the Trustees’ view that ESG factors can have a significant impact on investment returns, particularly over the long-term (and therefore that the incorporation of ESG factors is in the best long-term financial interests of its members), the Fiduciary Manager believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager’s performance in this area as part of its overall assessment of the Fiduciary Manager’s performance.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes. Three of the funds held by the Scheme at the end of the year, namely the TWIM Partners Fund, TWIM Secure Income Fund and the TWIM Global Equity Focus Fund, have Article 8 Sustainable Finance Disclosure Regulation designation. This covers Funds which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements. The Investment Manager intends for the Sub-Funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio and continue beyond that time to further reduce greenhouse gases from the portfolio with an aim of net zero emissions by 2050. Progress is measured using multiple climate metrics.

The Trustees have delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme’s investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme’s investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustees expect investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to Environmental, Social and Governance ("ESG") and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's managers that invest in equities as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. The Trustees recognise that a range of ESG issues can have an impact on the financial outcomes achieved and have endeavoured to select "significant" votes which align with the Trustees' identified priorities for voting and engagement – human and labour rights, and climate – where the data has allowed.

Further information on the voting and engagement activities of the managers is provided in the table on pages 4 and 5 of this statement.

The Scheme's equity holdings as at the end of the year were held within the TWIM Partners Fund and in the TWIM Global Equity Focus Fund for part of the year. As such, the voting entitlements in these funds lies with the underlying equity managers held within these funds. However, the Fiduciary Manager engages with the underlying managers on areas for development, namely around resourcing, and improving the breadth and depth of corporate engagements.

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business.
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network

- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Manager and strategy	Portfolio structure	Voting activity
TWIM Partners Fund (46.6% of assets at year-end)	Multi-Asset Fund	Number of meetings at which the manager was eligible to vote: 1,869. Number of resolutions on which manager was eligible to vote: 25,856. Percentage of eligible votes cast: 93.7% Percentage of votes with management: 86.8% Percentage of votes against management: 12.9% Percentage of votes abstained from: 0.3% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 61.4% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 3.7%
TWIM Global Focus Fund (held from April 2023, 10.7% of assets at year-end)	Equities Fund	Number of meetings at which the manager was eligible to vote: 171. Number of resolutions on which manager was eligible to vote: 3,229. Percentage of eligible votes cast: 98.0% Percentage of votes with management: 87.7% Percentage of votes against management: 11.9% Percentage of votes abstained from: 0.5% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 57.9% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9.5%
<b>Use of proxy voting</b>	<p>As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. We expect all of our underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. We have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of our clients. In addition, EOS is expanding the remit of engagement activity they perform on our behalf beyond public equity markets, which will enhance stewardship practices over time.</p> <p>For the TW PF, the equity exposure comes from four main areas:</p> <ul style="list-style-type: none"> <li>• Our global equity portfolio where EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS's 'ProxyExchange' electronic voting platform to facilitate voting.</li> <li>• Our China equity manager uses Glass Lewis service where they have created a bespoke policy</li> <li>• Our emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting</li> <li>• Our long-short equity managers use ISS to provide corporate research and to facilitate the voting process.</li> </ul>	

Most significant votes cast	Coverage in portfolio
<p><b><u>Company: Apple Inc.</u></b></p> <p><b>Approximate size of the TW PF holding in the company as at the date of the vote (as % of portfolio):</b> 0.28%</p> <p><b>Resolution:</b> Report on Median Gender/Racial Pay Gap</p> <p><b>How the manager voted:</b> For - shareholder proposal promotes better management of ESG opportunities and risks.</p> <p><b>Rationale for being considered a significant vote:</b> Vote against management, large holding in portfolio.</p> <p><b>Outcome of the vote:</b> Failed</p>	<p>Allocations in TWIM Partners Fund</p>
<p><b><u>Company: Meta Platforms, Inc.</u></b></p> <p><b>Approximate size of the TW PF and GEFf holding in the company as at the date of the vote (as % of portfolio):</b> PF:0.59% GEFf: 2.71%</p> <p><b>Resolution:</b> Approve Recapitalization Plan for all Stock to Have One-vote per Share</p> <p><b>How the manager voted:</b> For – A vote FOR this proposal is warranted as it would convey to the board nonaffiliated shareholders' preference for a capital structure in which the level of economic ownership is the same across all share classes.</p> <p><b>Rationale for being considered a significant vote:</b> The manager believes that all shareholders should have the voice relative to their ownership as it is fair and in the best interest of all shareholders in the long run. <b>Outcome of the vote:</b> Failed</p>	<p>Allocations in TWIM Partners Fund and TWIM Global Focus Fund</p>
<p><b><u>Company: Alphabet Inc.</u></b></p> <p><b>Approximate size of the TW PF and GEFf holding in the company as at the date of the vote (as % of portfolio):</b> PF: 0.78%, GEFf: 3.45%</p> <p><b>Resolution:</b> Proposal for greater transparency related to business conducted in places with significant human rights concerns</p> <p><b>How the manager voted:</b> For – The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns. The siting of cloud data centres and strategy for mitigating related country risk seems like appropriate and material topics for disclosure.</p> <p><b>Rationale for being considered a significant vote:</b> The manager believes transparency on country risk is a non-controversial proposal and serves both Social and Governance interests.</p> <p><b>Outcome of the vote:</b> Failed</p>	<p>Allocations in TWIM Partners Fund and TWIM Global Focus Fund</p>

<p><b>Company: Berkshire Hathaway</b></p> <p><b>Approximate size of the TW PF and GEFF holding in the company as at the date of the vote (as % of portfolio):</b> PF: 0.23%, GEFF: 0.98%</p> <p><b>Resolution:</b> Climate risk disclosure</p> <p><b>How the manager voted:</b> For – The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue over-rode the minor cost and inconvenience of compliance. Given the company already has disclosure representing 90% of emissions, and given the company's long-earned reputation for ethical stewardship, awaiting SEC guidance seems an inadequate delayed response. The manager voted against management but in line with ISS recommendations</p> <p><b>Rationale for being considered a significant vote:</b> Given Warren Buffett's stature, his reluctance to be more assetive on this topic is a significant challenge to climate risk transparency and more broadly to Environmental stewardship.</p> <p><b>Outcome of the vote:</b> Failed</p>	<p>Allocations in TWIM Partners Fund and TWIM Global Focus Fund</p>
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**Conclusion**

The Trustee considers that all relevant SIP policies and principles were adhered to during the year.