

The Heygate Group Pension & Life Assurance
Scheme

**Annual Implementation
Statement – scheme year
ending 30 September 2021**

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 2021.

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 behaviour 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, focussing 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, 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 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.

The Fiduciary Manager produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Scheme’s portfolio) on an annual basis. The Trustees have received sustainability training over the year to 30 September 2021. In particular, how sustainability is integrated into the TWIM Partners Fund and TWIM Secure Income Fund investment processes.

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 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 multi-asset 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.

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 TWIM Core Diversified Fund in pooled investment vehicles, although the Scheme's investment in the TWIM Core Diversified Fund was in transit over 30 September 2021. As such, the voting entitlements in these Funds lie 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") to undertake public policy engagement on behalf of its clients (including the Trustees). The Fiduciary Manager communicates client policies/sentiment to EOS on a regular basis, including via the Client Advisory Board (currently chaired by the Fiduciary Manager) and EOS subsequently engages 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. Engagement activities by EOS on public policy over the year included:

- EOS responded to a consultation from the Science Based Targets initiative on developing a consistent methodology for the oil and gas sector when setting emissions reduction targets, to limit global warming to 2 degrees above pre-industrial levels, and pursuing efforts to limit warming to 1.5 degrees.
- EOS have been working in collaboration with the Club 21e Siècle, to promote diversity in the workplace and education system in France.
- EOS signed up to a global statement in support of equitable access to COVID-19 tests, treatments and vaccines by the Access to Fair Medicine Foundation.
- EOS presented at a study group on net-zero emissions supported by Japan's Ministry of Economy, Trade and Industry (METI) to help develop expectations and plans for reaching net zero targets, not only in the long term but also in the medium-to-short term.
- EOS submitted a response to a consultation held by the Hong Kong Exchanges (HKEX). HKEX was proposing revisions to its corporate governance code and listing rules for companies and EOS provided support and feedback to its consultation. EOS supported HKEX on its approach and the elements it had chosen to include such as board independence and diversity.

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, as part of the first wave of signatories confirmed by the Financial Reporting Council in September 2021;
- WTW committed to both the Net Zero Asset Managers Initiative and the Net Zero Investment Consultants Initiative, both as part of the Race to Zero campaign;
- A signatory of the Principles for Responsible Investment (PRI) and active member of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations;
- A member of the Institutional Investors Group on Climate Change (IIGCC);
- A member of the Coalition for Climate Resilient Investment (with the World Economic Forum).

Manager and strategy	Portfolio structure	Voting activity
<p>TWIM Core Diversified Fund (5.2% of assets at year end)</p>	<p>Multi-Asset Fund</p>	<p>Number of meetings at which the manager was eligible to vote: 3,706 Number of resolutions on which manager was eligible to vote: 44,960 Number of votes cast: 44,849 Percentage of eligible votes cast: 99.8% Percentage of votes with management: 86.3% Percentage of votes against management: 13.1% Percentage of votes abstained from: 0.6% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 62.9% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 3.1%</p>
<p>TWIM Partners Fund (52.9% of assets at year end)</p>	<p>Multi-Asset Fund</p>	<p>Number of meetings at which the manager was eligible to vote: 493 Number of resolutions on which manager was eligible to vote: 5,959 Number of votes cast: 5,892 Percentage of eligible votes cast: 98.9% Percentage of votes with management: 85.4% Percentage of votes against management: 7.7% Percentage of votes abstained from: 6.9% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 29.8% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.7%</p>
<p>Use of proxy voting</p>	<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.</p> <p>In our global equity and listed real asset portfolios we work with EOS to provide voting recommendations to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in 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.</p> <p>Our China equity manager uses Glass Lewis service where they have created a bespoke policy. Our emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting. Our long-short equity managers use ISS to provide corporate research and to facilitate the voting process.</p>	

Most significant votes cast	Coverage in portfolio
<p><u>Company: SF Holding</u></p> <p>Resolution: Authority to give guarantees for Company’s wholly-owned subsidiary to issue debt financing instruments overseas</p> <p>How the manager voted: For – strong volume growth and expansion in overseas markets needs capital support. The manager viewed company management’s track record in capital allocation as being solid and the size and price discount of equity placement reasonable.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in TWIM Core Diversified Fund</p>
<p><u>Company: Visa</u></p> <p>Resolution: Provide right to act by written consent</p> <p>How the manager voted: For – enhances the rights of the company’s shareholders by affording them an additional means of acting in between annual meetings</p> <p>Rationale for being considered a significant vote: The manager considers proposals to enhance shareholder rights to be a key component to maintaining strong corporate governance.</p> <p>Outcome of the vote: Rejected</p>	<p>Allocations in TWIM Partners Fund</p>
<p><u>Company: Amazon</u></p> <p>Resolution: Report on the impacts of plastic packaging</p> <p>How the manager voted: For – promotes transparency around environmental issues</p> <p>Rationale for being considered a significant vote: The manager considers ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p> <p>Outcome of the vote: Rejected</p>	