

# Heygate Group Pension and Life Assurance Scheme Implementation Statement – 30 September 2024

## Why have we produced this Statement?

The Trustees of the Heygate Group Pension and Life Assurance Scheme have prepared this statement to comply with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

This statement sets out how the Trustees have complied with the voting and engagement policies detailed in the Scheme's Statement of Investment Principles (SIP).

## What is the Statement of Investment Principles (SIP)?

The SIP sets out key investment policies including the Trustees' investment objectives and investment strategy.

It also explains how and why the Trustees delegate certain responsibilities to third parties and the risks the Scheme faces and the mitigated responses.

The Trustees last reviewed the SIP in October 2022.

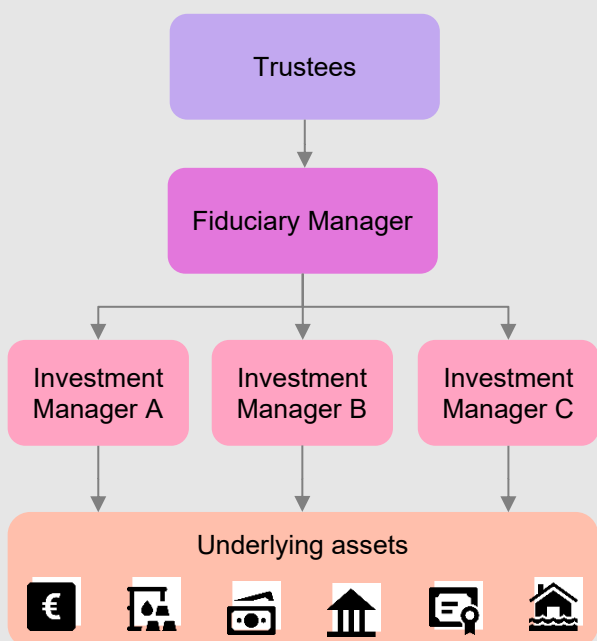
## What is the purpose of this Statement?

1. To explain how the Trustees' engagement policy has been applied over the year.
2. To describe the voting rights attached the Scheme's assets have been exercised over the year.

## What changes have we made to the SIP?

The Trustees have made no changes to the SIP over the year.

## How are the Scheme's investments managed?



**Trustees** - The Trustees' key objective is to ensure sufficient assets to pay members' benefits as they fall due. The Trustees retain overall responsibility for the Scheme's investment strategy but delegates some responsibilities to ensure they are undertaken by somebody with the appropriate skills, knowledge and resources.

**Fiduciary Manager (WTW)** – The Trustees employ a Fiduciary Manager to implement the Trustees' investment strategy. The Fiduciary Manager allocates the Scheme's assets between asset class and investment managers.

**Investment managers** – The Fiduciary Manager appoints underlying investment managers either using a pooled vehicle or a segregated mandate where these assets are held directly in the Scheme's name. The Fiduciary Manager will look for best in class specialist managers for each asset class.

**Underlying assets** – The investment managers pick the underlying investments for their specialist mandate e.g. shares in a company or government bonds.

## Why do the Trustees believe voting and engagement is important?

The Trustees' view is that Environmental, Social and Governance (ESG) factors can have a significant impact on investment returns, particularly over the long-term and therefore contribute to the security of members' benefits. The Trustees further believe that voting and engagement are important tools to influence these issues.

The Trustees have appointed a Fiduciary Manager who shares this view and considers and integrates ESG factors, voting and engagement in its processes.

The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance.

## What are the Trustees' voting and engagement policy?

When considering its policy in relation to stewardship including engagement and voting, the Trustees expect investment managers to address broad ESG considerations but has identified climate change as a key area of focus for the Trustees.

The day-to-day integration of ESG considerations, voting and engagement are delegated to the investment managers. The Trustees expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital.

Where ESG factors are considered to be particularly influential to outcomes, the Trustees expect the Fiduciary Manager to engage with investment managers to improve their processes.

## What are the Fiduciary Manager's policies?

### Climate change and net zero goal

The Trustee believes Climate Change is a current priority when engaging with public policy, investment managers and corporates.

The Fiduciary Manager has a goal to achieve net zero greenhouse gas emissions across 'In Scope Solutions' by 2050. They believe the trajectory is important, so are also aiming to approximately halve emissions per amount invested by 2030.

### Public policy and corporate engagement

The Fiduciary Manager partners with an external stewardship service provider, whose services include public policy engagement, and corporate voting and engagement on behalf of its clients (including the Trustee).

Some highlights from 2024 include:

- Engagements with 994 companies on a total of 4,267 issues and objectives.
- Voting recommendations on 143,075 resolutions, with 25,070 against management.
- Active participation in a range of public consultations and meetings with government officials, financial regulators, stock exchanges, industry associations, and other key parties to contribute to the development of policy and best practice.

### Industry initiatives

As at end December 2024 the Fiduciary Manager was a member of the following initiatives:

- Signatory of the UK Stewardship Code
- Net Zero Investment Consultants Initiative and Net Zero Asset Managers Initiative
- Signatory of the Principles for Responsible Investment (PRI)
- ESG Data Convergence Initiative
- Member of the Institutional Investors Group on Climate Change (IIGCC)
- Asian Investors Group on Climate Change (AIGCC)
- Australasian Investors Group on Climate Change (IGCC)
- Investment Consultants Sustainability Working Group
- The Diversity Project
- The Thinking Ahead Institute
- Supporter of the Transition Pathway Initiative

### How does the Fiduciary Manager assess the investment managers?

**Investment manager appointment** - The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG factors and stewardship (which includes voting and engagement) at the appointment of a new manager. In 2024 the Fiduciary Manager collected data from around 1,200 products, conducted engagements with over 70 managers across various asset classes and engaged on over 100 products on sustainability and stewardship.

**Investment manager monitoring** - The Fiduciary Manager produces detailed reports on the investment managers' ESG integration and stewardship capabilities on an annual basis.

**Investment manager termination** - The Fiduciary Manager engages with investment managers to improve their practices and increases the bar by which they are assessed as best practice evolves. The Fiduciary Manager may terminate an investment manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no investment managers were terminated on these grounds during the year.

### Example of engagement carried out over the year

#### Equity manager A Environment - Climate issue

*Issue:* EOS at Federated Hermes (EOS) began engaging Petrobras in April 2022 with the objective for the company to expand the coverage of its medium-term operational carbon emissions intensity reduction targets to at least 95% of relevant scopes 1 and 2 emissions. In a call with the head of climate change, EOS questioned this coverage, which only amounted to 67%. The company acknowledged the concerns about the metrics and announced they were extending the detailed measurement of carbon emissions to their transportation and power generation businesses, as it only covered exploration, production and refining.

*Outcome:* EOS established a plan with Petrobras to improve this emissions intensity reporting, and the company committed to achieving 15kgCO<sub>2</sub>/barrel in the oil and gas exploitation and production segment and promised to maintain this level until 2030. The company also committed to achieving 30kgCO<sub>2</sub>/barrel in their refining business. The coverage currently stands at 84.5%, and EOS are still working with Petrobras to get this up to the required 95%.

#### Equity manager B General ESG issue

*Issue:* EOS at Federated Hermes (EOS) began engaging Netflix in February 2020 and raised their concerns over the company's sustainability reporting. EOS highlighted that Netflix's current reporting was not up to a high standard and needed to include more historic data, goals and better narrative around progress and difficulties.

*Outcome:* In an engagement meeting with EOS, Netflix acknowledged that they should improve their sustainability reporting and by January 2024 the company had made significant improvements in the quality of their reports, adopting the Sustainability Accounting Standards Board sustainability requirements. Netflix continue to improve their sustainability reporting and are hoping to provide even more depth to their narrative around any progress and difficulties.

#### African Fixed Income manager Environment – Climate Issue

*Issue:* Anecdotally the fund is engaging robustly with certain issuers, but we have asked for regular and consistent engagement reporting to evidence this and ensure the engagement is not selective/ad-hoc.

*Outcome:* The Fiduciary manager asked the manager to start producing alignment data for fund in line with the Net Zero Investment framework. This is expected to be completed by second half of 2025.

### **What are the voting statistics we provide?**

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example bonds do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity investment managers.

Responses received are provided in the following pages. The Trustees used the following criteria to determine the most significant votes:

- Trustees' stewardship priorities (climate change)
- Financial outcome for members, including size of holding
- High profile vote, including votes not supporting company management

The Scheme is invested in both active (trying to outperform the market) and passive (aiming to perform in line with the market) equity funds. The Trustees have decided not to publicly disclose active investment manager names as the Trustees believe this could impact the investment manager's ability to generate the best investment outcome.

### **In conclusion...**

The Trustees are satisfied that over the year, all SIP policies and principles were adhered and in particular, those relating to voting and engagement.

## Voting statistics over the year

# Global Equity Focus Fund

## Voting activity over the year

### Voting activity over the year

Number of votes eligible to cast: 3,284  
Percentage of eligible to cast: 99.3%



■ For: (88%) ■ Against: (11.7%) ■ Abstain: (0.3%)

### Significant vote

**Company:** Eli Lilly and Company

**% Fund:** 1.4%

**Vote topic:** Report on effectiveness of diversity, equity, and inclusion efforts

**Issue:** Shareholder proposal promotes better management of social, environmental and ethical opportunities and risks.

**Voting instruction:** For shareholder proposal, against management

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** Diversity, equity and inclusion is one of the stewardship priority

**Next steps:** The manager will continue to consider proposals on effectiveness towards diversity, equity and inclusion efforts.

### Significant vote

**Company:** Berkshire Hathaway

**% Fund:** 0.9%

**Vote topic:** Report on efforts to measure, disclose and reduce greenhouse gas emissions associated with underwriting, insuring, and investing

**Issue:** The manager supported climate risk disclosure, aligning with ISS recommendations and noting that the company already discloses 90% of emissions, viewing SEC guidance as an inadequate delay

**Voting instruction:** For shareholder proposal, against management

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** Climate change is one of the stewardship priority

**Next steps:** The manager expressed disappointment to the CEO, urging the company to lead on climate risk transparency instead of waiting for policy guidance.

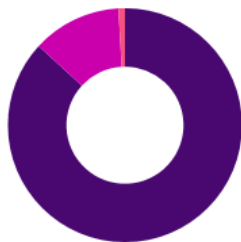
**Voting policy:** As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Funds underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has appointed 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 the investors. In addition, EOS is expanding the remit of engagement activity they perform on the Fund's behalf beyond public equity markets, which will enhance stewardship practices over time.

# Multi-Asset Fund

## Voting activity over the year

### Voting activity over the year

Number of votes eligible to cast: 23,639  
Percentage of eligible to cast: 98.9%



■ For: (86.8%) ■ Against: (12.3%) ■ Abstain: (0.9%)

### Significant vote

**Company:** Amazon

**% Fund:** 1.1%

**Vote topic:** Commission a third-party audit on working conditions

**Issue:** Promoting transparency on warehouse working conditions

**Voting instruction:** For shareholder proposal, against management

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** The manager considers worker safety to be an important element of company performance as well as reputation

**Next steps:** The manager will continue to consider proposals on worker safety

### Significant vote

**Company:** Meta Platforms, Inc.

**% Fund:** 0.93%

**Vote topic:** Report on framework to assess company lobbying alignment with climate goals

**Issue:** Shareholder proposal promotes better management of environment, social, and government (ESG) opportunities and risks

**Voting instruction:** For shareholder proposal, against management

**Prior communication of against vote:** No

**Outcome:** Failed the resolution

**Why a significant vote?** Climate change is one of the stewardship priority, and it has a large holding in the portfolio

**Next steps:** None to report

**Voting policy:** As the manager manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The manager expects all of the Funds underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. The manager has 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 the investors. In addition, EOS is expanding the remit of engagement activity they perform on the Fund's behalf beyond public equity markets, which will enhance stewardship practices over time.