

Implementation Statement, covering the Plan Year from 1 September 2023 to 31 August 2024 (the "Plan Year")

The Trustees of the Hartwells Pension Plan (1971) (the "Plan") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles ("SIP") during the Plan Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Plan Year. The last time these policies were formally reviewed was in September 2020.

The Trustees have, in their opinion, followed the Plan's voting and engagement policies during the Plan Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. After discussion in October 2023, the Trustees discussed and agreed stewardship priorities for the Plan which were: Climate Change and Business Ethics.

These priorities were selected as market-wide risks and areas where the Trustees believe that good stewardship and engagement can improve long-term financial outcomes for the Plan's members, as well as being areas that they thought members might consider most important, and these were also believed to align well with the sponsoring employer's own stewardship policies.

The Trustees' investment advisor, LCP, has communicated these priorities to the managers.

The Trustees consider their managers' ESG and stewardship practices via regular reporting from their investment adviser.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Plan Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees have not used proxy voting services over the Plan Year. However, the Trustees monitor managers' voting and engagement behaviour and challenge managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Plan's funds that hold equities as follows:

- LGIM UK Equity Index Fund
- LGIM All World Equity Index Fund

In addition, the Plan's infrastructure manager (IFM) provided the following commentary.

IFM Global Infrastructure Fund:

"With regards to the voting and engagement activities between IFM and the underlying portfolio companies, the underlying holdings are private equity investments rather than public market listed equities. Our influence on such investments is made directly by IFM through IFM's Board representation on the underlying portfolio companies rather than through any form of proxy voting.

While the primary focus of the Fund is to provide investors with exposure to a diversified portfolio of unlisted infrastructure assets, there are times where an opportunistic hold of a listed entity is an attractive complement to the unlisted portfolio. The acquisition of listed positions is generally motivated by gaining long-term strategic positions, with significant equity ownership, in attractive core infrastructure assets.

Even for the listed assets, we hold board seats. Consequently, we do not need to vote on our shares to influence the board; as a senior executive in IFM's Infrastructure Team is on the board. This ensures we follow an active ownership style".

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies of their managers.

LGIM

In response to questions from the Trustees' adviser, LGIM provided the following wording to describe its voting practices:

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in

accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out our expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations."

3.2 Summary of voting behaviour

A summary of voting behaviour over the Plan Year is provided in the table below.

LGIM only produces voting data quarterly so the data in the table below for LGIM is for the year to 30 September 2024, except for the value of Plan assets at the end of the Plan Year, which is as at 31 August 2024

	LGIM UK Equity Index Fund	LGIM All World Equity Index Fund
Total size of fund at end of the Plan Year	£10,525m	£4,610m
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£0.1m / 0.1%	£35.5m / 26.1%
Number of equity holdings at end of the Plan Year	513	4,193
Number of meetings eligible to vote	730	6,643
Number of resolutions eligible to vote	10,436	64,367
% of resolutions voted	99.8%	99.8%
Of the resolutions on which voted, % voted with management	94.0%	79.2%
Of the resolutions on which voted, % voted against management	6.0%	20.0%
Of the resolutions on which voted, % abstained from voting	0.0%	0.8%
Of the meetings in which the manager voted, % with at least one vote against management	40.5%	63.2%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	5.2%	10.8%

Totals may not sum due to rounding.

3.3 Most significant votes

Commentary on the most significant votes over the Plan Year, from the Plan's asset managers who hold listed equities, is set out below.

The Trustees did not inform their managers which votes they considered to be most significant in advance of those votes. The Trustees will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting their manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the manager could use the PLSA's criteria¹ for creating this shortlist. By informing its managers of their stewardship priorities and through their regular interactions with the managers, the Trustees believe that their managers will understand how they expect managers to vote on issues for the companies they invest in on the Trustees' behalf.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial; and
- the Plan or the sponsoring company may have a particular interest in.

If members wish to obtain more investment manager voting information, this is available upon request.

3.3.1 LGIM

LGIM UK Equity Index Fund

Unilever Plc, 1 May 2024

- **Summary of resolution:** Approve Climate Transition Action Plan
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 4.2%
- **Why this vote is considered to be most significant:** LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
- **Company management recommendation:** For
- **Fund manager vote:** For
- **Rationale:** A vote for the plan was applied as LGIM understand it to meet their minimum expectations. This includes disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5C Paris goal. Despite SBTi recently removing their approval of the company's long-term scope 3 target, they note that the company has recently submitted near term 1.5C degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. They therefore remain supportive of the net-zero trajectory of the company at this stage.
- **Was the vote communicated to the company ahead of the vote:** No, LGIM publicly communicates its vote instructions with rationale for all votes against management.
- **Outcome of the vote and next steps:** Pass, LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Shell Plc, 21 May 2024

- **Summary of resolution:** Approve the Shell Energy Transition Strategy
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote** 7.7%
- **Why this vote is considered to be most significant:** LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan. The vote is also relevant to the Trustees' climate change stewardship priority.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** A vote against is applied. LGIM acknowledges the substantive progress the company has made in respect of climate related disclosure over recent years, and they view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, they seek more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, LGIM would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonization strategy.
- **Was the vote communicated to the company ahead of the vote:** Yes, LGIM publicly communicates its vote instructions with rationale for all votes against management
- **Outcome of the vote and next steps:** Pass, LGIM will continue to engage with their investee companies, publicly advocate for their position on this issue and monitor company and market-level progress.

During the reporting period there were no significant votes in the LGIM UK Equity Index fund relating to business ethics.

LGIM All World Equity Index Fund**Amazon.com, Inc, 22 May 2024**

- **Summary of resolution:** Report on Customer Due Diligence
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote:** 2.2%
- **Why this vote is considered to be most significant:** This shareholder resolution is considered significant as one of the largest companies and employers not only within its sector but in the world, LGIM believes that Amazon's approach to human capital management issues has the potential to drive improvements across both its industry and supply chain. LGIM voted in favour of this proposal last year and continue to support this request, as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for their products (RING doorbells and Rekognition) and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic. Despite this, Amazon's coverage and reporting of risks falls short of LGIM's baseline expectations surrounding AI. In particular, LGIM would welcome additional information on the internal education of AI and AI-related risks. The vote is also relevant to the Trustees' business ethics stewardship priority.
- **Company management recommendation:** Against

- **Fund manager vote:** For
- **Rationale:** A vote in favour is applied as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.
- **Was the vote communicated to the company ahead of the vote:** Yes, LGIM publicly communicates its vote instructions with rationale for all votes against management.
- **Outcome of the vote and next steps:** Pass, LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Exxon Mobil Corporation 29 May 2024

- **Summary of resolution:** Revisit Executive Pay Incentives for GHG Emission Reductions.
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 0.7%
- **Why this vote is considered to be most significant:** This shareholder resolution is considered significant due to misleading proposals (shareholder resolutions brought with the aim of undermining positive environmental, social and governance behaviours) a relatively recent phenomenon. Such proposals often appear to be supportive of, for example, the energy transition but, when considered in depth, are actually designed to promote anti-climate change views. The vote is also relevant to the Trustees' climate change stewardship priority.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** A vote against is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- **Was the vote communicated to the company ahead of the vote:** Yes, LGIM publicly communicates its vote instructions with rationale for all votes against management.
- **Outcome of the vote and next steps:** Fail, LGIM will continue to engage with its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.