

## Implementation Statement for the H + H Celcon Pension Fund 6 April 2021 – 5 April 2022

### 1. Background

The Trustee of the H+H Celcon Pension Fund (“the Fund”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the Fund’s Statement of Investment Principles (“SIP”) during the previous Fund year. This statement also includes the details of any reviews of the SIP during the year, any changes that were made and reasons for the changes. This is the second implementation statement produced by the Trustee.

A description of the voting behaviour during the year, either by or on behalf of the Trustee, or if a proxy voter was used, also needs to be included within this statement.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

The Fund’s SIP has recently been updated to reflect investment de-risking activity which took place during the year 6 April 2021 – 5 April 2022. A copy of the most recent SIP can be found online at: [Statement of Implementation Properties](#)

### 2. Investment Objectives and activity

The Trustees are required to invest the Fund’s assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Fund’s assets which is sufficient, in conjunction with the Fund’s existing assets and employer contributions (including contingent contributions, if applicable), to pay all members’ benefits in full. In practice this means seeking to achieve full funding against a conservative “low dependency” measure of the Fund’s liabilities by the time the Fund is “significantly mature” i.e. by the time that almost all members have retired. ‘Low dependency’ status would be when the Fund is no longer heavily dependent on the Employer’s support to pay benefits. As stated in the Fund’s “Statement of funding principles”: “The Trustee and the Employer have agreed a secondary funding objective, which is to be fully funded on an agreed low dependency basis by 5 April 2029 (details of this basis are in the appendix to this document).”
- To maintain a reasonable level of investment risk, which is supported by the Fund’s funding position, time horizon, and Employer covenant (which is the Employer’s legal obligation and financial ability to support the Fund now and in the future). With this in mind the Trustee and the Employer have agreed to a de-risking framework, as detailed in the SIP, and contingent contributions, which are set out in a separate Funding Deed dated 14 February 2022.
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

During the year, the Trustee agreed a de-risk in its strategy, reducing the growth assets from 70% to 60% of assets, and the Trustee also agreed to implement a dynamic de-risking framework (whereby the investments will be further de-risked if the funding level improves more quickly than expected).

The SIP was fully reviewed and updated during the year.

### **3. ESG, Stewardship and Climate Change**

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

The Trustee will review these further in the next Fund year and provide information in the next implementation statement. The Trustee also intends to review the investment managers' ESG policies including the application of voting rights in the next Fund year.

### **4. Voting and Engagement**

The Trustee is keen that its managers are signatories to the UK Stewardship Code, which they are.

All of the Trustee's holdings are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee has not used proxy voting services over the year.

The Fund is invested in the following funds:

- L&G Matching Core Fixed Long Fund
- L&G Matching Core Real Long Fund
- L&G Dynamic Diversified Fund
- L&G Sterling Liquidity Fund
- BlackRock Dynamic Diversified Fund
- BNY Mellon Real Return Fund

The L&G Matching Core Fixed Long Fund, L&G Matching Core Real Long Fund and the L&G Sterling Liquidity Fund do not hold physical equities and therefore do not have voting rights attached. All other funds hold equities and therefore have attached voting rights.

#### **a. Description of investment manager's voting processes**

##### **LGIM**

LGIM describe their voting process as follows:

"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 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.

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. Their use of ISS recommendations is to augment their 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 they receive from ISS for UK companies when making specific voting decisions.

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

LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM's 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 LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM 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."

## **BlackRock**

BlackRock describe their processes as follows:

“BlackRock’s proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas (“AMRS”), Asia-Pacific (“APAC”), and Europe, Middle East and Africa (“EMEA”) - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock’s Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines. While we subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company’s own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research.

In summary, proxy research firms help us deploy our resources to greatest effect in meeting client expectations

- BlackRock sees its investment stewardship program, including proxy voting, as part of its fiduciary duty to enhance the value of clients’ assets, using our voice as a shareholder on their behalf to ensure that companies are well led and well managed
- We use proxy research firms in our voting process, primarily to synthesise information and analysis into a concise, easily reviewable format so that our analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial
- We do not follow any single proxy research firm’s voting recommendations and in most markets, we subscribe to two research providers and use several other inputs, including a company’s own disclosures, in our voting and engagement analysis
- We also work with proxy research firms, which apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision
- The proxy voting operating environment is complex and we work with proxy research firms to execute vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting”

## **BNY Mellon**

BNY Mellon (also known as Newton) describe their voting process as follows:

"Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company's individual circumstances, our investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, we may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by BNY Mellon.

It is only in the event of a material potential conflict of interest between BNY Mellon, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

Research ahead of voting decisions; regional distinction

We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently vote against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance."

## Summary of voting behaviour over the year

### LGIM

A summary of the investment managers' voting behaviour over the period is provided in the tables below:

	Summary Info*
Manager name	Legal & General
Fund name	Dynamic Diversified Fund
Approximate value of trustee's assets	£17.1m
Number of equity holdings in the fund	6,455
Number of meetings eligible to vote	9,010
Number of resolutions eligible to vote	90,252
% of resolutions voted	98.76%
% of resolutions voted with management	78.74%
% of resolutions voted against management	20.47%
% of resolutions abstained	0.79%
% of meetings with at least one vote against managements	69.84%
% of resolutions voted contrary to the proxy adviser recommendation	12.47%

\*All voting information are from 31 March 2022

### BlackRock

	Summary Info*
Manager name	BlackRock
Fund name	Dynamic Diversified Growth Fund
Approximate value of trustee's assets	£17.3m
Number of meetings eligible to vote	978
Votable Proposals	12,751
Proposals Voted	11,809   92.61%
For votes	10,803   84.72%
Against votes	780   6.12%
Abstain votes	179   1.40%
Withhold votes	29   0.23%
Votes with Management	11,064   86.77%
Votes against Management	745   5.84%

\*All voting information are from 31 March 2022

### BNY Mellon

	Summary Info*
Manager name	BNY Mellon Investment Management Limited
Fund name	BNY Mellon Real Return Fund

Approximate value of trustee's assets	£17.3m
Number of equity holdings in the fund	79
Number of meetings eligible to vote	98
Number of resolutions eligible to vote	1,476
% of resolutions voted	99.2%
% of resolutions voted with management	83.9%
% of resolutions voted against management	16.1%
% of resolutions abstained	0.0%
% of resolutions withheld	47.0%
% of resolutions voted contrary to the proxy adviser recommendation	11.7%

*\*All voting information are from 31 March 2022*

## **Most significant votes over the year: What constitutes "significant"?**

### **LGIM**

LGIM describes its process for determining the 'most significant' votes as follows:

"As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure they continue to help their clients in fulfilling their reporting obligations. LGIM also believe public transparency of their vote activity is critical for their clients and interested parties to hold LGIM to account.

For many years, LGIM has regularly produced case studies and/or summaries of LGIM's vote positions to clients for what they deemed were 'material votes'. LGIM are evolving their approach in line with the new regulation and are committed to provide their clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM will provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications."

For more information on how LGIM use the services of proxy providers, please refer to the following document available on their website:

<https://www.lgim.com/landg-assets/lgim/document-library/capabilities/how-lgim-uses-proxy-voting-services.pdf>

## **BlackRock**

BlackRock describes its process for determining the ‘most significant’ votes as follows:

“BlackRock Investment Stewardship (BIS) prioritizes its work around themes that we believe will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which we invest on behalf of our clients. BIS’ year-round engagements with clients to understand their focus areas and expectations, as well as our active participation in market-wide policy debates, help inform these priorities. The themes we have identified are reflected in our global principles, market-specific voting guidelines and engagement priorities, which underpin our stewardship activities and form the benchmark against which we look at the sustainable long-term financial performance of investee companies.

BIS periodically published “vote bulletins” on key votes at shareholder meetings to provide insight into details on certain vote decisions we expect will be of particular interest to clients. These bulletins are intended to explain our vote decisions relating to a range of business issues including ESG matters that we consider, based on our global principles and engagement priorities, potentially material to a company’s sustainable long-term financial performance. Other factors we may consider in deciding to publish a vote bulletin include the profile of the issue in question, the level of interest we expect in the vote decision and the extent of engagement we have had with the company. The bulletins include relevant company-specific background, sector or local market context, and engagement history when applicable.

BIS publishes vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders on our approach to the votes that we consider to be most significant and thus require more detailed explanation. We publish details of other significant votes (including vote rationales, where applicable) quarterly on the BIS website”.

Our vote bulletins can be found here <https://www.blackrock.com/corporate/about-us/investment-stewardship#engagement-and-voting-history>

## **BNY Mellon**

BNY Mellon (also known as Newton) define their process for determining the “most significant” votes as follows:

“We regard material issues as all votes against management, including where we support shareholder resolutions that the company’s management are recommending voting against. As active managers, we invest in companies that we believe will support the long-term performance objectives of our clients. By doing so, we are making a positive statement about the business, the management of risks and the quality of management. Voting against management, therefore, is a strong statement that we think there are areas for improvement. As such, by not supporting management, we think that this is material, which is different to a passive investor where there is no automatic assumption of a positive intent in ownership. As such, we report publicly our rationale for each instance where we have voted against the recommendation of the underlying company’s management. At the fund level, we consider each instance of voting against management to be significant but if required to prioritise these instances, we take an objective approach that includes the fund’s weighting in each security. This reflects our investment process and ensures the prioritised list includes those instances that could be most impactful to the long-term value to the fund as well as those that may have an immediate impact to the fund.”



## Most significant votes over the year:

### LGIM

Company name	NextEra Energy, Inc.	Union Pacific Corporation
Date of vote	2021-05-20	2021-05-13
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.408518	0.402512
Summary of the resolution	Resolution 1h Elect Director James L. Robo	Resolution 1d Elect Director Lance M. Fritz
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	88.1% of shareholders supported the resolution.	90.5% of shareholders supported the resolution.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

### BlackRock

Below are some examples of significant votes over the period, more information is available on request:

Vote 1: <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-exxon-may-2021.pdf>

Vote 2: <https://www.blackrock.com/corporate/literature/press-release/blk-vote-bulletin-barclays-may-2021.pdf>

### BNY Mellon Real Return Fund

Company name	AstraZeneca Plc	Citigroup Inc
Date of vote	11-May-21	27-Apr-21
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.45	1.20
Summary of the resolution	Elect Directors X4, Approve Remuneration Policy, Amend Restricted Stock Plan	Amend Proxy Access Right
How you voted	AGAINST	AGAINST management proposals and FOR the shareholder proposal
Where you voted against management, did you communicate your intent to	No	No

the company ahead of the vote?		
Rationale for the voting decision	Votes were instructed against the remuneration policy, a new performance share plan, and members of the remuneration committee. We did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.	We voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.
Outcome of the vote	3.4%, 1.3%, 2%, 26% AGAINST Elect Director, 39.8% AGAINST Approve Remuneration Policy, 38.3% AGAINST Amend Restricted Stock Plan	32.1% FOR Amend Proxy Access Right
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	UK best practice recognises that shareholder dissent in excess of 20% on remuneration-related proposals is significant and should result in proactive steps being taken by the company. In this case, with almost 40% of votes against pay proposals, the company is expected to consult with shareholders to determine and address underlying concerns.	The vote outcome, while not a majority, will be understood by the board as a matter of significant interest to the company's shareholders. It is a matter that should be addressed to avoid a further or increased public demonstration of concern.
On which criteria have you assessed this vote to be "most significant"?	The level of shareholder dissent merits this vote as significant.	This vote demonstrates the increased tendency of shareholders to vote in support of such proposals. In addition the actual level of support, at 32.1%, is considered significant.