Implementation Statement for the H + H Celcon Pension Fund
6 April 2022 – 5 April 2023

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.

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 investment strategy was reviewed and updated in the period covered by this statement.

Firstly, the Trustee introduced a new Absolute Return Bond Fund ("ARBs") to the portfolio. The primary purpose of this fund is to provide stable collateral for any cash calls required by the Leveraged Liability Driven Investment Funds, where previously the Diversified Growth Funds ("DGFs") had been the source for any collateral requirements. The secondary purpose of the ARBs mandate is to generate a return in excess of the expected return on the legacy cash (Sterling Liquidity) fund which it has replaced.

Separately, following the volatility of the gilt market in October 2022, based on guidance from industry regulators, LGIM, the Fund's Liability Driven Investment ("LDI") manager, took the decision to reduce the leverage within the Matching Core LDI funds. This decision taken by LGIM effectively de-risked the Fund's investment strategy. The Trustee consulted with their Investment advisors, and the Employer and it was agreed the Trustee would 're-risk' their investment strategy back towards the risk level which had been previously agreed with the Employer, in order to help make sure that the Fund can generate sufficient investment returns in the future.

The changes that were agreed by the Trustee included selling their allocations to LGIM's and Blackrock's Dynamic Diversified funds and replacing these with a new Global Equities mandate, specifically LGIM's Future World Global Equity Index Fund. At the Fund's year end date, the Trustee was part way through implementing these investment strategy changes (the changes were made in two phases, one in March 2023 and one in April 2023).

The Fund's Statement of Investment Principles (SIP) is currently being updated to reflect the new investment strategy.

A copy of the most recently agreed SIP can be found online at:

https://www.hhcelcon.co.uk/sites/default/files/policies/H%2BH%20UK%20Ltd%20-%20Pension%20Fund%20Statement%20%20Investment%20Principles%20August%202022.pdf

2. Investment Objectives

The Trustee is required to invest the Fund's assets in the best interest of members, and its 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.

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.

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.

As at the year-end, the Fund was invested in the following funds:

- L&G Matching Core Fixed Long Fund
- L&G Matching Core Real Long Fund
- L&G Dynamic Diversified Fund *(fully redeemed in April 2023)*
- L&G Future World Global Equity Fund
- L&G Absolute Return Bond Fund
- BlackRock Dynamic Diversified Fund *(fully redeemed in April 2023)*
- BNY Mellon Real Return Fund

The L&G Matching Core Fixed Long Fund, L&G Matching Core Real Long Fund, and L&G Absolute Return Bond Fund do not hold physical equities and therefore do not have voting rights attached. All other funds hold equities and there have attaching voting rights. Voting data for the fully redeemed L&G Dynamic Diversified and BlackRock Dynamic Diversified Funds are available on request.

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."

BNY Mellon

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

"Newton has established overarching stewardship principles which guide our ultimate voting decision, based on guidance established by internationally recognized governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting our investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. It is only in the event that we recognise a material conflict of interest that we apply the vote recommendations of our third-party voting administrator.

Newton seeks to make proxy voting decisions that are in the best long-term financial interests of its clients and which seek to support investor value by promoting sound economic, environmental, social and governance policies, procedures and practices through the support of proposals that are consistent with following four key objectives:

• To support the alignment of the interests of a company's management and board of directors with those of the company's investors;
• To promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's investors;
• To uphold the rights of a company's investors to effect change by voting on those matters submitted for approval; and
• To promote adequate disclosure about a company's business operations and financial performance in a timely manner.

In general, voting decisions are taken consistently across all Newton's clients that are invested in the same underlying company. This is in line with Newton's investment process that focuses on the long-term success of the investee company. Further, it is Newton's intention to exercise voting rights in all circumstances where it retains voting authority.

All voting opportunities are communicated to Newton by way of an electronic voting platform.

The Responsible Investment team reviews all resolutions for matters of concern. Any such contentious issues identified may be referred to the appropriate global fundamental equity analyst or portfolio manager for comment. Where an issue remains contentious, Newton may also decide to confer or engage with the company or other relevant stakeholders.
An electronic voting service is employed to submit voting decisions. Each voting decision is submitted via the electronic voting service by a member of the Responsible Investment team but can only be executed by way of an alternate member of the team approving the vote within the same system.

Members of certain BNY Mellon operations teams responsible for administrative elements surrounding the exercise of voting rights by ensuring the right to exercise clients' votes is available and that these votes are exercised.

Where we plan to vote against management on an issue, we may seek to engage with the company on a best-effort basis and depending on the significance of our holding, to share our concerns and to provide an opportunity for our concerns to be allayed. In such situations, we only communicate our voting intentions ahead of the meeting direct to the company and not to third parties. In some cases, depending on the materiality of our holding and the issue of concern, we alert a company via email regarding an action we have taken at its annual general meeting (AGM) to explain our thought process. We may then hold a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the global equity analyst.

Where Newton acts as a proxy for its clients, a conflict could arise between Newton (including BNY Mellon funds or affiliate funds), the investee company and/or a client when exercising voting rights. Newton has in place procedures for ensuring potential material conflicts of interests are mitigated, while its clients' voting rights are exercised in their best interests. Newton seeks to avoid potential material conflicts of interest through:
I. the establishment of these proxy voting guidelines;
II. the Responsible Investment team;
III. internal oversight groups; and
IV. the application of the proxy voting guidelines in an objective and consistent manner across client accounts, based on, as applicable, internal and external research and recommendations provided by third party proxy advisory services and without consideration of any Newton or BNY Mellon client relationship factors.

Where a potential material conflict of interest exists between Newton, BNY Mellon, the underlying company and/or a client, the voting recommendations of an independent third-party proxy service provider will be applied.

A potential material conflict of interest could exist in the following situations, among others:
1. Where a shareholder meeting is convened by Newton's parent company, BNY Mellon;
2. Where a shareholder meeting is convened by a company for which the CEO of BNY Mellon serves as a Board Member;
3. Where a shareholder meeting is convened by a company that is a current client of BNY Mellon and contributed more than 5% of BNY Mellon's revenue as of the end of the last fiscal quarter;
4. Where a shareholder meeting involves an issue that is being publicly challenged or promoted (e.g., a proxy contest) by (i) a BNY Mellon Board member or (ii) a company for which a BNY Mellon Board member serves as Chairman of the Board of Directors, CEO, President, CFO or COO (or

functional equivalent); and
5. Where a shareholder meeting is convened by a pooled vehicle with agenda items relating to services provided by (or fees paid to) a BNY Mellon affiliate (e.g., Investment Management Agreement, Custody Agreement, etc);
6. Where an employee, office or director of BNYM or one of its affiliated companies has a personal interest in the outcome of a particular proxy proposal); and
7. Where the proxy relates to a security where Newton has invested in two or more companies that are subject to the same merger or acquisition.

All instances where a potential material conflict of interest has been recognised and Newton engages its proxy voting service provider are reported separately in Newton's publicly available Responsible Investment Quarterly Reports*.
Newton employees are required to identify any potential or actual conflicts of interest and take appropriate action to avoid or manage these and report them to Newton's Conflicts of Interest Committee for review, further information can be found in Newton's Conflicts of Interest Policy**" .

* https://www.newtonim.com/us-institutional/responsible-investment/
** https://www.newtonim.com/global/special-document/conflict-of-interest-policy/#:~:text=This%20Conflicts%20of%20Interest%20Policy,controls%20adopted%20to%20manage%20such

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	Future World Global Equity Index Fund
Approximate value of trustee's assets	£9.1m
Number of equity holdings in the fund	3,024
Number of meetings eligible to vote	5,067
Number of resolutions eligible to vote	54,368
% of resolutions voted	99.88%
% of resolutions voted with management	80.37%
% of resolutions voted against management	18.60%
% of resolutions abstained	1.03%
% of meetings with at least one vote against managements	63.26%
% of resolutions voted contrary to the proxy adviser recommendation	10.47%

**All voting information are from 31 March 2023*

BNY Mellon

	Summary Info*
Manager name	BNY Mellon Investment Management Limited
Fund name	BNY Mellon Real Return Fund
Approximate value of trustee's assets	£8.6m
Number of equity holdings in the fund	69
Number of meetings eligible to vote	78
Number of resolutions eligible to vote	1,287
% of resolutions voted	100.0%
% of resolutions voted with management	89.2%
% of resolutions voted against management	10.8%
% of resolutions abstained	0.0%
% of resolutions withheld	45.0%
% of resolutions voted contrary to the proxy adviser recommendation	7.0%

**All voting information are from 31 March 2023*

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

BNY Mellon

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

"Newton's significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders."

Most significant votes over the year:

LGIM Future World Global Equity Index Fund

Company name	Amazon.com, Inc.	NVIDIA Corporation
Date of vote	2022-05-25	2022-06-02
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.699518	1.203971
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 1g - Elect Director Harvey C. Jones
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	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
Outcome of the vote	93.3%	0.838
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 pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

BNY Mellon Real Return Fund

Company name	Greencoat UK Wind Plc	Universal Music Group NV
Date of vote	28-Apr-22	12-May-22
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.68	0.64
Summary of the resolution	Re-elect Shonaid Jemmett-Page as Director	Advisory Vote to Ratify Named Executive Officers' Compensation
How you voted	AGAINST	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	We voted against the re-election of the chairperson of the board. We raised concerns over the past share issuance undertaken by thetrust. We believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.	We voted against executive remuneration. There is inadequate information regarding the various one-off grants, specific targets, thresholds, and payouts, to be able to arrive at an informed voting decision. The short-term awards employ a metric that ensures the CEO receives the bonus more in the form of royalty than the metric being an actual driver of growth and incentivising the executive to perform.In addition, the quantum of pay is considered excessive. The pay structure currently reflects Vivendi's legacy remuneration arrangements,and we expect better disclosures and a more traditional performance-based pay structure going forward.
Outcome of the vote	15% AGAINST	20.98% AGAINST
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The vote outcome demonstrates that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.	Owing to the company having controlling shareholders, the vote outcome shows that a majority of the minority shareholders failed to support the CEO's compensation and retain concerns had with Vivendi's remuneration arrangements. The company should recognise this significant level of dissent, and determine mitigating steps required to avoid a similar or worse vote outcome occurring in the future.
On which criteria have you assessed this vote to be "most significant"?	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.	This vote provides an example of where a majority of the companies minority shareholders disagreed with a company's pay practices.