

# GCE SECTION OF THE HOWDEN GROUP PENSION PLAN ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

Financial Year Ending 5 April 2025

## Introduction

This Engagement Policy Implementation Statement (the “Statement”) sets out how, and the extent to which, the stewardship policy and policies on environmental, social and governance (“ESG”) factors and climate change, set out in the Statement of Investment Principles (the “SIP”), have been followed during the year to 5 April 2025 (the “Plan Year”).

This Statement has been produced in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and subsequent amendments; and the statutory and non-statutory guidance from the Department of Work and Pensions.

This Statement is based on the latest SIP which was put in place during the Plan Year, i.e., the SIP dated September 2024 (which can be accessed online):

[https://esab.com/sites/eur\\_en/assets/About/Pensions/GCE\\_Section\\_of\\_the\\_HGPP\\_SIP\\_2024\\_09\\_v2.pdf](https://esab.com/sites/eur_en/assets/About/Pensions/GCE_Section_of_the_HGPP_SIP_2024_09_v2.pdf)

## Trustee’s Investment Objectives

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

As set out in the SIP, the investment objectives can be categorised into three components:

### 1. Insured Members:

The Trustee has purchased insurance policies, known as “buy-in” policies, whereby the policies are under the name of the Trustee. Their longer-term objective is to fully “buy-out” the Plan’s liabilities with an insurance company (i.e., the policies will be under the name of the individual members thereafter).

### 2. GMP Equalisation Reserve:

The Trustee has also retained assets to account for the GMP equalisation exercise, which refers to the process of equalising benefits provided to members of the Plan who have accrued Guaranteed Minimum Pension (“GMP”) rights (i.e., a “GMP Equalisation Reserve”). The liability relating to this exercise was estimated to be c.£600k at the time the most recent insurance policy was purchased. (It is important to note that the actual liability relating to this exercise will not be known until the exercise is complete.) As a result, the Trustee has agreed that an appropriate objective for the assets held in respect of the GMP equalisation exercise is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet the GMP equalisation liabilities as and when they fall due and to ensure the assets are liquid enough to meet all liabilities when they fall due.

### **3. “Surplus” Assets:**

Lastly, the Trustee has agreed that an appropriate objective for the “surplus” assets, i.e., those assets in excess of the insurance policies and the GMP equalisation reserve, should be to achieve capital stability (and to provide a competitive return in relation to SONIA, i.e., the Sterling Overnight Index Average).

#### **Plan’s Investment Structure**

The Plan invests in pooled investment vehicles managed by the investment manager, L&G. As such, the Trustee has a direct relationship with L&G. The Trustee has the responsibility of selecting and monitoring the pooled funds, in conjunction with advice received from their investment advisor, Mercer Limited.

The Trustee also has insurance policies with Legal & General Assurance Society (“LGAS”).

#### **Policy on ESG, Stewardship and Climate Change**

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Plan’s portfolio and it is therefore in members’ and the Plan’s best interest that these factors are taken into account within the investment process.

The Plan’s SIP includes the Trustee’s policies on ESG factors, stewardship and climate change. The Trustee keeps its policies under regular review, with the SIP subject to review at least triennially. The policies were last reviewed and approved in September 2024 following the purchase of a ‘buy in’ policy with the insurance provider LGAS. The previous SIP was reviewed and approved in August 2023.

The Plan’s remaining assets are invested in passive pooled funds, namely: corporate bonds, fixed interest and index-linked gilts issued by the UK Government and a money-market fund. The Trustee notes that ESG considerations do not readily apply to these investments, except for the corporate bond fund.

Therefore, the Trustee accepts that it has no ability to influence the ESG policies and practices of the companies in which the investment manager invests. The Trustee expects the investment manager to evaluate ESG factors, including climate change considerations and stewardship obligations attached to investments and engagement activities in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

However, the Trustee considers how ESG, climate change and stewardship are integrated within the investment process when appointing a new investment manager, implementing investment strategy decisions, and monitoring the existing investment manager:

- The Trustee reviews the ESG ratings of funds when undertaking an investment strategy review.
- Mercer will notify the Trustee of changes in ESG ratings of the funds in which the Plan invests.

This enables the Trustee to monitor the development of the ESG scores and determine whether further action should be taken in respect of specific funds.

#### **Trustee’s Engagement**

Over the Plan Year, the Trustee has not directly engaged with the investment manager on matters pertaining to ESG, stewardship or climate change.

This is because, as noted above, ESG considerations do not readily apply to the vast majority of the Plan’s invested assets, and therefore the Trustee has no ability to influence issuer behaviour by engagement.

For the corporate bond fund, the engagement initiatives are driven by L&G. L&G have been actively engaging with companies on behalf of the Plan over the period. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the manager invests in, related to various issues such as ESG.

We have included examples of engagement, undertaken on behalf of the Plan, in the Appendix, as provided by L&G.

The Trustee notes that L&G's approach to responsible investment and engaging with investee companies is on their website:

<https://group.legalandgeneral.com/en/sustainability/responsible-investing>

The Trustee also notes that L&G has been a signatory of the UK Stewardship Code since 2020. A copy of their latest report can be found on the Financial Reporting Council's website: [UK Stewardship Code Signatories | Financial Reporting Council \(frc.org.uk\)](https://www.frc.org.uk/uk-stewardship-code-signatories)

Taking the above into consideration, the Trustee is satisfied that responsible investment is embedded appropriately in L&G's approach to investing, including engaging with and monitoring investee companies.

### **Voting Activity**

As noted above, the Plan purchased a buy-in policy with LGAS and is also invested in passive pooled funds, all of which have no voting rights. As such, the Trustee does not assess any form of voting information, as it is not applicable to the Plan's investments.

### **Assessment of how the Engagement and Voting policies in the SIP have been followed for the year to 5 April 2025**

The Trustee is satisfied that the engagement and voting policies, set out in the latest SIP, have been followed.

## Appendix - L&G Engagement Example:

<b>Entity</b>	BHP Group
<b>Topic</b>	Environment: climate change
<b>UN SDG</b>	UN SDG 13: Climate action
<b>Rationale for engagement</b>	<p>The mining and diversified metals sector is an essential part of the energy transition. In order to support its transition plans, L&amp;G want companies within the sector to meet their minimum expectations. BHP Group is the world's largest mining company.</p> <p>L&amp;G's expectations are centred around setting robust decarbonisation strategies, with tangible milestones and appropriate allocation of capital, emissions disclosure and targets, meaningful actions across the company's value chain to support decarbonization levers, as well as disclosure of approach to 'just transition' and lobbying activities. The mining and diversified metals sector produces minerals that are essential to the energy transition. L&amp;G believe that long-term, responsible investors, such as L&amp;G, can support these companies as they decarbonise.</p> <p>For L&amp;G's engagements with BHP Group, their specific objectives are as follows:</p> <ul style="list-style-type: none"> <li>- Engage with BHP on its Climate Action Transition Plan ("CTAP") before publication as part of their 'Say on climate' votes, at mining companies and what they expect company transition plans to demonstrate in order for L&amp;G to support them.</li> </ul>
<b>L&amp;G actions in respect of engagement</b>	<p>In 2021, the company put its first CTAP to the vote. L&amp;G voted against the approval of this plan, as it did not meet their expectations. However, since then, L&amp;G have met with BHP several times (six times in 2024 alone), including with the company CEO, CFO and Chair. The aim of engagements was to provide feedback on BHP's 2024 CTAP and ensure that it met the requirements of their updated assessment framework. Having published their updated expectations of mining company transition plans in Q3 2024, L&amp;G made their expectations clear. In line with their methane strategy objective a letter has been sent to the chairman of BHP group addressing BHP's coal methane emissions. Levels of individuals typically engaged with include the Chair and CEO.</p> <p>L&amp;G have welcomed the robust and constructive engagement they have enjoyed with BHP this year. It was clear that BHP had made significant strides in improving its CTAP since it put the inaugural one to the vote in 2021. Its plan demonstrates substantial alignment with L&amp;G's assessment framework, and they believe that it's important that investors recognise progress when it occurs.</p> <p>L&amp;G were able to vote in favour of the CTAP at the company's 2024 AGM, and pre-declared their support.</p>

<b>Outcomes of engagement and next steps</b>	<p>L&amp;G were able to support BHP Group's CTAP, which demonstrates the progress the company has made, and how far it aligns with L&amp;G's expectations.</p> <p>Going forwards, L&amp;G will assess the disclosure of progress on BHP's plans for development of a more targeted methane measurement, management and mitigation strategy, as well as plans to execute to support the decarbonisation of steelmaking. L&amp;G will also continue to engage with BHP to ensure resilience, whilst navigating the dynamic market for metallurgical coal.</p>
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Source: L&G.