

GCE Section of the Howden Group Pension Plan (the “Plan”)

Engagement Policy Implementation Statement for the period ending 5 April 2023 (the “Statement”)

1. Introduction

This Statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance (“ESG”) factors and climate change set out in the Plan’s Statement of Investment Principles (‘SIP’) have been followed during the accounting period ending 5 April 2023 (the “Plan Year”). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 (as amended) and the guidance published by the Pensions Regulator.

The Statement is based on, and should be read in conjunction with, the relevant version of the SIP that was in place for the period, that is, the SIP dated September 2022. A version of this Statement can be provided upon request or accessed online.

2. SIP

2.1. Investment Objective of the Plan

The Trustees believe it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustees’ primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all of the Plan’s liabilities as and when they fall due. In doing so, the Trustees also aim to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Plan.

The objectives set out above provide a framework for the Trustees when making investment decisions.

2.2. Review of the SIP

The Plan’s SIP referred to above shows the following investment strategy:

Asset Class	Strategic Allocation (%)
Corporate Bonds	20.0
Fixed Interest Gilts	47.5
Index-Linked Gilts	32.5
Cash*	0.0
Total Plan	100.0

**There is no long term allocation to cash, however, from time to time there may be the need to hold a proportion over the short term.*

2.3. Investment Structure

The Plan’s investments are held with Legal and General Investment Management (“L&G”) in pooled investment vehicles. The Trustees have a direct relationship with the investment manager who are responsible for managing the investments.

2.4. Policy on ESG, Stewardship and Climate Change

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Plan's investments over the appropriate time horizon. This includes, but is not limited to, ESG factors.

The Plan's SIP includes the Trustees' policy on ESG factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially.

3. Trustees Engagement

During the Plan Year, the Trustees have not directly engaged with the investment manager on matters pertaining to ESG, stewardship or climate change.

The Trustees monitor the performance of the investment manager against set benchmarks. The Trustees' investment manager assists the Trustees with this by providing quarterly investment reports, which cover off both the valuation and performance of all of the funds held.

The Trustees receive valuation and performance updates from Mercer at Trustee meetings, these include Mercer's ratings (both general and specific ESG) and enables the Trustees to determine whether further action should be taken in respect of the underlying funds. Mercer also flag changes in ESG ratings of the funds in which the Plan invests. The Trustees also review the ESG ratings when conducting investment strategy reviews undertaken by Mercer. The Trustees are satisfied that Mercer's ESG scores for the Plan's current holdings are satisfactory.

The Trustees accept that they have very limited ability to influence the ESG policies and practices of the companies in which L&G invest. The Trustees therefore rely on the policies and judgement of L&G.

L&G are currently a signatory of the latest UK Stewardship Code 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)

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 taken on behalf of the Plan below, as provided by L&G.

L&G Engagement Examples:

Entity	Walmart
Topic	Social: Income inequality – living wage
UN SDG	SDG 8 – Decent work and economic growth
Rationale for engagement	<p>L&G want to ensure that companies are treating employees fairly in terms of pay and diversity and inclusion. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, L&G's work on income inequality and their expectations of companies regarding the living wage have acquired a new level of urgency.</p> <p>L&G's expectations of companies are:</p> <ul style="list-style-type: none">i) As a responsible investor, L&G advocates that all companies should ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains;ii) L&G expects the company's board to challenge decisions to pay employees less than the living wage;iii) L&G ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees;

	<p>iv) In the midst of the pandemic, L&G went a step further by tightening their criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.</p>
L&G actions in respect of engagement	<p>L&G is a member of two collaborative engagement groups; ShareAction's Good Work Coalition and the Platform for Living Wage Financials. The Good Work Coalition aims to encourage UK companies to pay their employees a real living wage and to become accredited living wage employers. L&G have been working with this coalition since 2015. L&G joined the Platform for Living Wage Financials ("PLWF") in 2022, to encourage, support, assess and monitor investee companies on their commitment to enable living wages and incomes for workers in their supply chains. L&G carried out the assessment, scoring and engagement with three companies, one of which was Walmart.</p> <p>Typical levels of individuals engaged with include Head of Sustainability and Investor Relations.</p> <p>L&G have attended calls with Walmart on a number of ESG topics, focusing more recently in 2022 on supply chains and human capital management. L&G continue to engage with the company and to express their views through voting. At Walmart's 2022 AGM, L&G supported a shareholder proposal (Resolution 7) demanding a report on the alignment of racial justice goals and starting wages. L&G voted in favour of this proposal because L&G expects Walmart to pay all of their employees at least a living wage. The additional disclosure should ensure that all employees are being paid fairly and at least a living wage for the region they are working in.</p>
Outcomes of engagement	<p>In 2022, L&G introduced a new expectation in their published guidelines relating to income inequality. The aim is to drive the adoption of a living wage strategy and encourage its public disclosure. Under this policy, L&G will vote against the annual report of those companies that fail to disclose their living wage strategy by 2025. Although L&G asked all companies to adopt a strategy to ensure workers internally and in their supply chain are paid a living wage (or the real living wage in the UK), L&G's voting sanctions will initially be applied to the largest companies in the UK, Europe and the US.</p> <p>In Walmart's 2023 AGM, L&G supported a shareholder resolution requesting that the company consider the pay disparity between the CEO and other employees. L&G expects the remuneration committee to take into account the pay and benefits provided throughout the organisation when setting the CEO's compensation. L&G supported a number of other social-related shareholder proposals.</p> <p>L&G continue to engage with Walmart and with other retailers on this topic.</p>

Entity	United Utilities
Topic	Social: Antimicrobial resistance (AMR)
UN SDG	SDG 3 – Good health and wellbeing
Rationale for engagement	<p>The term 'antimicrobial resistance' sums up the damaging effect of bacteria increasing its resistance to antibiotics. A few examples of what this results from include: the overuse of antibiotics in a number of industries (such as food production); the discharge from pharmaceutical manufacturing; and the uncontrolled release of antibiotic agents into the ecosystem, for example through wastewater. Through its broad sector ramifications, L&G consider AMR to be a financially material risk for clients. As a large investor, L&G meet companies on a regular basis to talk about a range of material E, S and G issues. This enables L&G to raise new topics, based on the strength of their existing relationships. For example, L&G's focus for company meetings has been on the water utilities sector. L&G have written to more than 25 water utility companies globally and so far have been able to speak to some within this group; United Utilities was one of these companies.</p>

What has been done	L&G have participated in a number of calls with United Utilities, which has given them the opportunity to discuss in detail their processes for water treatment, which are closely linked to AMR. L&G were keen to understand the industry position on AMR, what steps (if any) were being taken to combat it, and the treatments and costs involved. The aim of this call was to gather information and improve L&G's understanding of this complex and evolving issue, particularly as it pertains to water companies. Beyond L&G's company engagements on AMR, L&G have been collaborating with policymakers and peers, amplifying their voice. Writing a letter ensures that they receive acknowledgement and a response, and forms the platform for future engagement with policymakers and peers at conventions, research events and policy groups. For example, L&G are members of Investor Action on AMR. The group was founded by the United Nations Principles for Responsible Investment ("UNPRI"), the UK Department of Health & Social Care, the Access to Medicine Foundation, and Farm Animal Investment Risk and Return ("FAIRR"). In collaboration with them, L&G have gained access and signed letters to the G7, and supported the UN General Assembly Call to Action on AMR. These collaborations enable L&G to reach higher and further than they would have alone, and are vital to garnering support among their peers, at national and international levels.
Outcomes of engagement	L&G continued their dialogue with United Utilities in 2022, building the relationship. L&G are continuing to engage with policymakers and relevant companies around AMR. Forming realistic but ambitious expectations of companies and developing recommendations for policymakers are crucial steps in their engagement. On the basis of these, L&G can consult policymakers and engage with companies so that they meet L&G's expectations. By working with policymakers and companies and continuing to increase the prominence of this issue, L&G want to make sure that AMR doesn't become the next pandemic.

Overall, the Trustees are satisfied that the policies set out in the SIP, which have been in place over the period have been followed.

4. Voting Activity

In the past, the Trustees delegated any voting rights to L&G with whom the Plan's assets are invested in. Where applicable, it was expected for L&G to provide voting summary reporting on a regular basis, at least annually. However, the Plan has since disinvested from equities and now is no longer exposed to pooled funds that hold assets with significant voting right. As such, whilst the Trustees closely monitor L&G's engagement, there is no longer any significant voting activity; therefore the Trustees do not assess any form of voting information, as it is not applicable to the Plan's investments.