

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

Financial Year Ending 5 April 2024

## 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 2024 (the “Plan Year”).

This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

This Statement is based on, and should be read in conjunction with, the SIPs that were in place during the Plan Year, i.e., the SIPs dated September 2022 and August 2023 (which can be accessed online):

[Pension information \(esab.com\)](https://www.esab.com)

*NB: Please note that the Plan’s SIP has been updated, the latest version of which is in draft form at the time of writing and will be published online as soon as practical after its finalisation.*

## Trustees’ Investment Objectives

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set, which is to achieve an overall rate of return that is sufficient to ensure the assets are available to meet all of the liabilities as and when they fall due. (In doing so, the Trustees also aim to maximise returns on the uninsured assets at an acceptable level of risk taking into consideration the circumstances of the Plan.)

## Policy on ESG, Stewardship and Climate Change

The Trustees recognise that ESG factors 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 Trustees’ policies on ESG factors, stewardship and climate change. The Trustees keep their policies under regular review, with the SIP subject to review at least triennially. The policies were last reviewed in August 2023 following a change to the Plan’s investment strategy which refined the de-risked portfolio. (Moreover, the policies are reviewed when the Plan’s SIP is updated.)

Part of the Plan’s assets are invested in pooled funds and therefore the Trustees accept that it has very limited ability to influence the ESG policies and practices of the companies in which the manager invests. The Trustees therefore rely on the policies and judgement of the investment manager.

The Trustees expect the investment manager to evaluate ESG factors, including climate change considerations, and exercise voting rights 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.

The Trustees can confirm that they have acted in accordance with the SIP in relation to voting and engagement activities over the Plan Year.

### Plan's Investment Structure

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

Shortly before the Plan's year-end, the Trustees purchased an additional insurance policy with Legal & General Assurance Society ("LGAS").

### Trustees' Engagement

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

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)

The engagement initiatives are driven by the investment manager, mainly through regular engagement meetings with the companies in which they invest. 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:

<b>Entity</b>	Walmart
<b>Topic</b>	Social: Income inequality – living wage
<b>UN SDG</b>	SDG 1 – No Poverty SDG 8 – Decent work and economic growth
<b>Rationale for engagement</b>	<p>Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of L&amp;G's stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, L&amp;G's work on income inequality and L&amp;G's expectations of companies regarding the living wage have acquired a new level of urgency. L&amp;G's expectations of companies are:</p> <ul style="list-style-type: none"> <li>i) As a responsible investor, L&amp;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 Tier 1 and ideally Tier 2 supply chains;</li> <li>ii) L&amp;G expect the company board to challenge decisions to pay employees less than the living wage;</li> <li>iii) L&amp;G ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees;</li> <li>iv) In the midst of the pandemic, L&amp;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.</li> </ul>
<b>L&amp;G actions in respect of engagement</b>	L&G is a member of three collaborative engagement groups; ShareAction's Good Work Coalition; the Platform for Living Wage Financials; and ICCR Living wage for US workers. The Good Work Coalition aims to encourage UK companies to pay their employees a real living

	<p>wage and to become accredited living wage employers. L&amp;G have been working with this coalition since 2015. L&amp;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&amp;G carried out the assessment, scoring and engagement with three companies, one of which was Walmart.</p> <p>Typical levels of individual engaged with include Head of Sustainability and Investor Relations.</p> <p>L&amp;G have held direct engagement calls with Walmart on a number of ESG topics, focusing more recently in 2022 on supply chains and human capital management. L&amp;G continue to engage with the company and to express their views through voting.</p> <p>At Walmart's 2022 AGM, L&amp;G supported a shareholder proposal (Resolution 7) demanding a report on the alignment of racial justice goals and starting wages. L&amp;G voted in favour of this proposal because L&amp;G expects Walmart to pay all 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> <p>In Walmart's 2023 AGM, L&amp;G supported a shareholder resolution requesting that the company consider the pay disparity between the CEO and other employees. L&amp;G expects the remuneration committee to take into account the pay and benefits provided throughout the organisation when setting the CEO's compensation. L&amp;G supported a number of other social-related shareholder proposals.</p>
<p><b>Outcomes of engagement</b></p>	<p>L&amp;G acknowledge that Walmart has made increases to the wages of its employees, the new pay levels fall short of being a living wage.</p> <p>In 2023, L&amp;G launched its own income inequality engagement campaign targeting 15 of the largest global food retailers. Walmart being the largest food retailer in the World is one of the 15 companies in the campaign. In addition to setting objectives regarding the living wage for these companies' own operations, L&amp;G also expect them to take certain actions regarding their supply chains; companies within this campaign that do not meet L&amp;G's expectations may be subject to a vote against the Chair at their 2025 AGM.</p> <p>Calls to date have been with Investor Relations, ESG Strategy and engagement team members and the Corporate Governance and board support team.</p> <p>The milestones set under this campaign relate to expectations that, should they be achieved, they would not only improve wages for significant numbers of low-paid workers around the world but also, given these companies' influence in their respective countries and supply chains, L&amp;G would expect there to be a knock-on impact as competitors and smaller peers would then be compelled to follow suit. L&amp;G would hope that this would improve the livelihood of thousands of workers and their families but also boost GDP.</p> <p>L&amp;G may consider co-filing some shareholder resolutions in 2024 at some of the companies targeted under this campaign.</p>

<p><b>Entity</b></p>	<p>Shell</p>
<p><b>Topic</b></p>	<p>Environment: Climate change</p>
<p><b>UN SDG</b></p>	<p>SDG 13 – Climate Action</p>
<p><b>Rationale for engagement</b></p>	<p>L&amp;G believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under L&amp;G's Climate Impact Pledge, L&amp;G publish their minimum expectations for companies in these 20 climate-critical sectors. Accordingly, L&amp;G expect the company to meet their minimum expectations as set out in L&amp;G's relevant Climate Impact Pledge sector guides; companies failing to do so may be subject to voting sanctions (and/ or divestment sanctions, for companies selected for in-depth engagement).</p> <p>L&amp;G have engaged with Shell Plc for a number of years on climate change; while L&amp;G also do so as part of the CA100+, L&amp;G do not lead this engagement with the CA100+ (in the way that they lead engagements with BP and Fortum) - but L&amp;G are contributing investors as part of the broader group and frequently exchange views with Shell's co-leads. This is reflected by the</p>

	<p>most recent letter sent in 2023 to the new CEO with the group's expectations, and signed by L&amp;G.</p> <p>In terms of current objectives in their engagement with Shell, these include seeking further clarity around future oil and gas production, disclosure on lobbying activities in regions material for their exploration activities, detailed breakdown of upstream and downstream targets, adoption of robust responsible divestment standards and further detail on capital allocation, predominately concerning planned investments in the low carbon business and their respective contribution to Shell's key commitments around the energy transition.</p>
<b>What has been done</b>	<p>L&amp;G voted against Shell's Climate Action Transition Plan in 2021 and were not able to support it in 2022 as although the company had, in L&amp;G's view, made progress regarding climate action, the plan put forward did not meet their expectations for management proposed 'Say on Climate' votes. L&amp;G's concerns centred on the company's future plans for oil and gas production, and L&amp;G would have liked to have seen further disclosure of targets associated with the upstream and downstream businesses. As communicated directly to the company, L&amp;G's concerns have not been appropriately addressed and as a result, L&amp;G didn't support its say-on-climate vote at the 2023 AGM - as directly communicated to their chairman during L&amp;G's most recent in person engagement.</p> <p>The war in Ukraine has brought the question of energy security and affordability to the fore and L&amp;G have seen this year that many oil &amp; gas companies climate transition plans, agreed or formulated in previous years, are being questioned and in some cases (for example, BP), revised.</p> <p>Shell had previously planned to drop its oil production by 1-2% per annum to 2030 in order to meet its interim target. However, having disposed of some assets, the company has effectively already met this target, meaning that rather than steadily decreasing their production, they plan to keep it flat to 2030 whilst still maintaining the commitment to halve operational emissions by the same target date.</p> <p>While L&amp;G set clear expectations from companies to set 1.5C aligned targets across their entire value chain of emissions, L&amp;G do not believe that the sale of assets by high-emitting companies is an effective way to decarbonise the real economy. L&amp;G's views were partially informed by the collaborative work they had undertaken with members of the Environmental Defence Fund (EDF) ahead of the publication of the "transferred emissions" paper, where significant concerns were raised regarding the responsible management of such carbon intensive assets by less credible operators. In parallel, L&amp;G were involved in conversations with key investors and NGOs for companies to adhere to responsible divestment standards when disposing assets – an area L&amp;G have prioritised in their discussions with Shell and peers.</p>
<b>Outcomes of engagement</b>	<p>L&amp;G will continue, through voting and ongoing engagement both as L&amp;G and as part of the CA100+ group, to drive Shell to strengthen key elements of disclosure and targets, to meet the strategic engagement objectives as set out above.</p>

Source: L&G.

Additionally, the Trustees consider 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 Trustees review the ESG ratings of funds when undertaking an investment strategy review.
- Mercer will notify the Trustees of changes in ESG ratings of the funds in which the Plan invests.

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

Taking all the above into consideration, the Trustees are satisfied that responsible investment is embedded appropriately in the investment manager's approach to investing and are satisfied that the policies set out in the SIP, which have been in place over the period have been followed.

### **Voting Activity**

The Plan previously disinvested from pooled funds with exposure to equities and therefore no longer holds assets with voting rights. As such, it does not assess any form of voting information as it is not applicable to the Plan's investments.