

# Implementation Statement

## The Hodge Companies New Pension Scheme

For year ended 31 March 2024

### Introduction

This statement has been prepared by Hodge Trustees Limited in respect of the Hodge Companies New Pension Scheme (the “Trustee” and the “Scheme” respectively) with input from its Investment Consultant. The statement demonstrates how the Trustee have acted on certain policies within their Statement of Investment Principles (‘SIP’).

Each year the Trustee must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This Implementation Statement covers the year from 1 April 2023 to 31 March 2024.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (‘DB’) investments held by the Scheme. Note that this excludes any Additional Voluntary Contribution investments held by the Scheme.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

### SIP policies

This Implementation Statement should be read in conjunction with the Scheme’s SIPs covering the year under review which gives details of the Scheme’s investment policies along with details of the Scheme’s governance structure and objectives.

This Implementation Statement reviews the voting and engagement activities as well as the extent to which the Trustee believes the new policies have been followed over the 12-month period to the year end 31 March 2024. The Scheme invests in a range of pooled funds all of which are managed by Legal and General Investment Management (‘LGIM’) (‘Investment Manager’).

As at Scheme year-end, the Scheme has assets invested with LGIM following changes to the investment strategy during the first quarter of 2023.

In the SIP, the Trustee stated the following policies on the exercise of voting rights and engagement activities related to its investments:

- *The Trustee also recognises the importance of regular monitoring of the investment managers' performance, remuneration and compliance against its ESG policy to ensure that the Scheme's assets are being managed appropriately. The Trustee believes that regular monitoring ensures that key risks to longer term performance, including those relating to ESG factors, are quickly identified and concerns communicated with the relevant investment manager.*
- *In addition to performance measures, the Trustee will review the engagement activity of the Investment Managers to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustee also monitors the voting activity of the investment manager to ensure votes are being used and are aligned to its views on ESG.*
- *The Trustee expects the Scheme's Investment Managers to provide regular updates on how it exercises voting rights and actively engages with the companies in which it invests, including how often it votes against company proposals. The Trustee will review this on an annual basis in line with its monitoring policy.*
- *The Trustee expects the Investment Managers to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee's investments. The Trustee believes that such engagement will protect and enhance the long-term value of its investments.*
- *The Trustee recognises the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustee has set an appropriate monitoring framework to ensure the Scheme's Investment Manager is regularly reviewed.*

## Description of voting behaviour

The Scheme is invested in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Scheme sits with the Investment Manager. The Trustee enforces the policies in place by monitoring the engagement and voting activities of the Scheme's Investment Manager to attempt to ensure they are aligned with the Trustee's policies.

The pooled fund investment held by the Scheme which carried voting rights during the year were:

- The LGIM Buy and Maintain Credit Fund – data reported for 1 April 2023 – 31 March 2024.

The Trustee reviews and monitors the engagement activity taken by the Investment Manager on its behalf. Information published by LGIM provides the Trustee with comfort that its engagement policies have been followed during the year.

LGIM manage over £1.2 trillion in assets, and use their resulting influence as investors, focussing their votes and engagement with organisations on climate change, income equality, diversity, and ESG integration.

The table below shows LGIM's voting summary covering the Scheme's investment in the Buy and Maintain Credit Fund over the year to 31 March 2024.

LGIM Buy and Maintain Credit Fund		1 April 2023 – 31 March 2024
Number of meetings LGIM was eligible to vote at over the year		2
Number of resolutions LGIM was eligible to vote on over the year		2
Of the eligible resolutions, percentage that LGIM voted on.		100.0%
Of the resolutions voted, percentage that LGIM voted <b>with</b> management.		100.0%
Of the resolutions voted, percentage that LGIM voted <b>against</b> management.		0.0%
Of the resolutions voted, percentage where LGIM <b>abstained</b> .		0.0%
Percentage of eligible meetings where LGIM voted at least once against management.		0.0%
Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy adviser.		0.0%

Regarding the Scheme's gilt, index-linked gilt, Secure Income Assets Fund, and cash holdings managed by LGIM, these funds did not invest in any investments that carried voting rights.

## Proxy Voting

The Trustee did not employ a proxy-voting service during the Scheme year to 31 March 2024.

LGIM votes by proxy as given the scale of its holdings, the manager cannot be present at all shareholder meetings to cast votes. LGIM votes by proxy through the Institutional Shareholder Services ('ISS') electronic voting platform. It should be noted that all voting decisions are made by LGIM using its individual market specific voting policies, with LGIM's own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service ('IVIS').

## How voting and engagement policies have been followed

The Trustee reviews and monitors the voting and engagement activity taken on their behalf on an annual basis. The information published by the Investment Manager on its voting policies has provided the Trustee with comfort that its voting and engagement policies have been followed during the Scheme year.

There were no significant votes conducted during the Scheme year to highlight.

## Engagement with investee companies

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Scheme's corporate bond holdings can also include engagement activities, but these investments do not always carry voting rights.

The Trustee expects the Investment Manager to engage with investee companies via direct messages and meetings with management and engagements via email on aspects such as performance strategy, capital structure, management of actual or potential conflicts of interest. As well as risks, corporate governance and social and environmental issues concerning the Trustee's investments. This also helps to influence positive ESG practice. It is additionally noted that there is substantial overlap between the companies in which LGIM holds debt and equity.

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 clients. LGIM’s voting policies are reviewed annually and consider client feedback.

Over the 12 months to 31 March 2024, LGIM undertook 2144 engagements with 2006 companies. Some engagements cover multiple topics and LGIM have provided the following summary:

- 1820 on environmental topics.
- 274 on social topics.
- 528 on governance issues; and
- 119 on other topics including finance and strategy.

The top five engagement topics included climate change, remuneration, board composition, energy, and climate impact pledges.

Over the year, LGIM began to release fund specific engagement statistics, with the following table summarising the engagements undertaken on a fund-by-fund basis. The Buy and Maintain Credit Fund statistics below relate to the year to 31 December 2023, as LGIM are yet to publish updated reports.

	Total Engagements	No. Unique Companies Engaged	Environmental Topics	Social Topics	Governance Topics	Other Topics
Buy and Maintain Credit Fund	177	83	54	41	68	14

The Trustee will monitor LGIM’s reporting to see if more detail at a fund level can be provided in the future for monitoring purposes.

The remainder of the Scheme’s assets are invested in leveraged and pooled nominal and index-linked government bonds with the purpose of reducing risk by hedging the exposure to interest rate and inflation inherent in the Scheme’s liabilities, a cash fund for liquidity purposes and the LGIM Secure Income Assets Fund. LGIM have governance practices in place to capture key regulatory developments which might influence the future management and performance of these hedging assets.

Extent to which Trustee’s policies have been followed during the year

Having reviewed the actions taken by the Investment Managers, the Trustee believes that their policies on stewardship and engagement have been implemented appropriately and in line with the Investment Managers’ policies over the year. The Trustee will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from the managers in particular ESG reporting metrics from the Investment Managers at a fund specific level.

If the Investment Managers deviate from the Trustee’s stated policies, the Trustee will initially engage with the managers to influence policies on ESG and stewardship. If it is concluded that the difference between the policies and manager’s actions are material, the Trustee will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustee’s policies and views.

August 2024

For and behalf of the Trustee of the Hodge Companies New Pension Scheme.



