

Implementation Statement

The Hodge Companies New Pension Scheme

For Year Ending 31 March 2021

Introduction

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

Each year the Trustees 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 2020 to 31 March 2021.

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.

The Scheme’s SIP was updated during the Scheme year to include policies on:

- How the investment managers are to undertake appropriate monitoring of current investments with regard to their policies and practices 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 Trustees investments.
- How the Trustees intend to promote greater transparency and understanding of their ESG policy by setting a monitoring framework of the investment managers to ensure the Scheme’s assets are being appropriately managed and engagement is taking place where possible in relation to ESG factors within investee companies.

Whilst the policies were not in place for the full Scheme year, this Implementation Statement reviews the voting and engagement activities as well as the extent to which the Trustees believe the new policies have been followed over the 12-month period to the year end 31 March 2021.

In the SIP revised during the Scheme year, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to its investments:

- “The Trustees recognise the importance of regular monitoring of the investment managers’ performance, remuneration and compliance against ESG policy to ensure that the Scheme’s assets are being managed appropriately. The Trustees have set an appropriate monitoring framework to ensure the Scheme’s Investment Managers are regularly reviewed”
- “The Trustees also recognise 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 Trustees believe 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 Trustees 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 Trustees also monitor the voting activity of the investment managers to ensure votes are being used and are aligned to its views on ESG.”
- “The Trustees expect 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 Trustees’ investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.”
- “The Trustees expect 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 Trustees will review this on an annual basis in line with its monitoring policy.”

Description of voting behaviour

Over the year the Scheme was invested in six mandates where underlying assets included publicly listed equities. These were:

- JP Morgan Total Emerging Markets Income Fund;
- JP Morgan Life Diversified Growth Fund;
- Pictet Dynamic Asset Allocation Fund;
- Invesco Global Targeted Returns Fund;
- Aegon Diversified Growth Fund; and
- LGIM All World Equity Index Fund GBP Currency Hedged.

The Trustees review and monitor the voting and engagement activity taken by the investment managers on their behalf. Information published by LGIM provides the Trustees with comfort that their voting and engagement policies have been followed during the year. The following tables show the asset managers’ voting summary covering the Scheme’s investments in the various funds with underlying assets including publicly listed equities:

Invesco Global Targeted Returns Fund	1 April 2020 – 31 March 2021
No. of meetings eligible to vote at	365
No. of resolutions eligible to vote on	5,332
Eligible resolutions voted on	98.35%
Of resolutions voted on, resolutions voted with management	93.95%
Of resolutions voted on, resolutions voted against management	5.52%
Of resolutions voted on, resolutions abstained from voting	0.53%

Invesco takes the following into account when determining whether a voting item is significant:

- Materiality of the position;
- The content of the resolution; and
- Inclusion on Invesco’s ESG watchlist.

As examples, an analysis of the significant votes made by Invesco for the Global Targeted Returns Fund predominantly included voting against a report on lobbying payments and policies, voting against the removal of directors and voting to authorize boards to exclude preemptive rights from share issuances (all significant votes cast by Invesco were in line with management recommendations).

Pictet Dynamic Asset Allocation Fund	1 April 2020 – 31 March 2021
No. of meetings eligible to vote at	31
No. of resolutions eligible to vote on	263
Eligible resolutions voted on	100.00%
Of resolutions voted on, resolutions voted with management	90.12%
Of resolutions voted on, resolutions voted against management	9.88%
Of resolutions voted on, resolutions abstained from voting	0.00%

Pictet consider a vote to be significant depending upon the subject matter, for example:

- A vote against management;
- If the company is one of the largest holdings in the portfolio; and/or
- Pictet hold an important stake in the company.

Significant votes included the rejection of executive compensation plans and rejecting the re-election of directors (these were votes cast against management recommendations) while also supporting a proposal to report on the health impacts and risks of sugar-related products and adopting a human and indigenous peoples rights policy (these were votes cast in line with management recommendations).

LGIM All World Equity Index Fund GBP Hedged	1 April 2020 – 31 March 2021
No. of meetings eligible to vote at	6,779
No. of resolutions eligible to vote on	70,672
Eligible resolutions voted on	99.85%
Of resolutions voted on, resolutions voted with management	83.25%
Of resolutions voted on, resolutions voted against management	15.96%
Of resolutions voted on, resolutions abstained from voting	0.79%

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. 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.

An analysis of the significant votes made by LGIM predominantly included voting against approving management remuneration reports and long-term incentive plans as well as approving climate change resolutions.

We have requested information on the voting record of the JP Morgan Total Emerging Markets Income Fund, the JP Morgan Life Diversified Fund and the Aegon Diversified Growth Fund for the year to 31 March 2021. These were not available at the time of writing, however, we note that these mandates were terminated during the Scheme year.

How engagement policies have been followed

The Trustees intend to review a summary of the voting and engagement activity taken on their behalf on a regular basis going forwards. The information published by the Investment Managers on their voting policies have provided the Trustees with comfort that their voting and engagement policies have been followed during the Scheme year.

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 carry voting rights.

The Trustees expect the investment managers to engage with investee companies 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 Trustees' investments.

Extent to which Trustees' policies have been followed during the year

Having reviewed the actions taken by the investment managers, the Trustees believe that their policies on engagement and voting rights (where applicable) have been implemented appropriately and in line with the Investment Managers' policies over the year. The Trustees will continue to monitor the actions taken on their behalf each year whilst pressing for improved information from the managers, particularly with respect to ESG factors.

If the investment managers deviate substantially from the Trustees' stated policies, the Trustees will initially engage with the managers in an attempt to influence policies on ESG and stewardship. If it is concluded that the difference between the policies and manager's actions are material, the Trustees will consider terminating the mandate and appointing a replacement manager more closely aligned with the Trustees' policies and views.



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