

## **The Hogg Group Pension Scheme B Implementation Statement**

The purpose of the Implementation Statement is for us, the Trustees of the Hogg Group Pension Scheme B (the Scheme), to explain what we have done during the year ending 31 March 2023 to implement the policies and achieve the objectives set out in our Statement of Investment Principles (the SIP).

This Statement includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed and how objectives have been met during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

### **Our conclusion**

**Based on the activity we have undertaken over the year, we believe that the policies set out in the SIP have been implemented.**

Although the Scheme's investment managers were able to provide evidence of voting and engagement activity at firm level, they did not provide information at fund-level. Our investment advisers will therefore engage with our providers to encourage improvements in reporting.

Based upon the information that has been provided by the Scheme's investment managers, we consider it reasonable to assume our voting rights have been implemented effectively on our behalf.

## 1. Changes to the SIP during the year

The Scheme had previously been exempt from the requirement to have a SIP as it was classed as a 'fully insured scheme'. This exemption no longer applies therefore the SIP was put in place with an effective date of 30 May 2023.

The Scheme's SIP can be found here: <https://www.myhogg-grouppensionb.co.uk/pdf/hog-hgbps-statement-of-investment-principles-20230430.pdf>

## 2. How the policies in the SIP have been followed

We set out below what we have done during the year to meet the policies in the SIP.

### ***To review direct investments and to obtain written advice about them at regular intervals (normally at least triennially).***

The Trustees did not review their direct investments during this reporting period. The sponsoring employer wrote to the Trustees in October 2021 to propose the Scheme is wound up. Since then, the Trustees' focus has been on working with all parties involved with running the Scheme to agree a process to wind up the Scheme. It is unlikely the Trustees will carry out a formal review of the Scheme's investment strategy before the Scheme is wound up, but the Trustees will obtain written advice about the investment strategy that should be applied when members' funds are secured outside of the Scheme as part of the wind up.

### ***The selection and monitoring of the choice of funds offered to members.***

Although the Trustees are responsible for the investment strategy of the Scheme, the range of investment funds available to members is determined by the funds Aviva and Utmost make available through the Trustees' policy with them.

No changes were made by the providers or the Trustees to the investment options offered to members over this reporting period. All members with Aviva policies invest in the With Profits Guaranteed Fund, which has a guaranteed bonus rate. A small number of members also invested the Aviva With Profits Fund which does not have a guaranteed bonus rate. The With Profits funds invest in a range of assets and aim to provide potential for capital growth in real terms, whilst smoothing investment returns. Capital protection at retirement is provided by the fact that once a bonus has been added, it cannot be taken away if the fund is held to maturity.

The Utmost 'Investing by Age' strategy was set as the default strategy by Equitable Life for funds transferred from the Equitable Life With Profits Fund when it closed on 1 January 2020. This strategy adopts a multi-asset investment approach until members start to switch to the Money Market Fund at age 75. Members also have access to a range of funds that should enable them to tailor their investment strategy to meet their individual needs; although to date, all members have remained in the 'Investing by Age' strategy.

The Trustees monitor the performance of the funds that members invest in annually, as part of the assessment of value for members to support the Chair's Statement. A copy of the latest Chair's Statement for the Scheme can be found online at <https://www.myhogg-grouppensionb.co.uk/pdf/hog-hgbps-chairs-statement-20220331.pdf>

Investment performance is monitored by reviewing the net returns on unit-linked funds and the bonus declared on With Profits funds, with reference to each funds' benchmark or expected return, if applicable. The performance review

carried out during the period covered by this statement was in October 2022 and no concerns were raised as a result.

***The Trustees recognise a number of risks involved in the investment of the Scheme's assets and monitor these on a regular basis.***

The Trustees consider these risks in a qualitative manner as part of each formal strategy review. The Trustees did not carry out an investment strategy review during this reporting period but they have considered these risks in the context of agreeing to wind up the Scheme. The Trustees' primary focus over the reporting period has been on tracing members and improving the quality of member data held which should significantly reduce the operational risks associated with running the Scheme and to allow the wind-up to be progressed.

***Responsible investment, stewardship and voting***

Though they do not monitor or engage directly with issuers or other holders of debt or equity, the Trustees expect their investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, taking into account the long-term financial interests of the beneficiaries.

The voting data from the Scheme's providers shows that the investment managers are actively voting on the Trustees' behalf and engaging with investee companies on behalf of the Trustees. Further detail of this is provided in the Voting and Engagement section of this statement.

***Cost monitoring***

The Trustees obtain information about the level of costs and charges, as part of the work to prepare the Chair's Statement each year. The cost monitoring carried out during the period covered by this statement covered the previous scheme year i.e. 1 April 2021 to 31 March 2022. The Trustees concluded that the costs and charges members paid within the Scheme (though not explicit for the Aviva With Profits Funds) were higher than costs and charges in the comparator schemes used for benchmarking purposes.

Costs and charges have been one of the factors the Trustees considered when agreeing to wind up the Scheme.

### 3. The exercise of our voting rights

The Scheme invests in pooled funds, and the Trustees have delegated responsibility for the selection, retention and realisation of investments to the Scheme's appointed providers. This means that the Trustees have also delegated their stewardship activities, including the exercise of their voting rights, to their investment managers.

The rest of this section sets out the stewardship activities, including the exercise of voting rights, carried out on the Trustees' behalf over the year to 31 March 2023.

Based on the information provided, we are comfortable that our managers are carrying out stewardship activities that are in line with our expectations and policies set out in the SIP.

Where managers have been unable to provide the requested information, we are engaging with these managers to set expectations regarding the provision of this data in the future.

#### Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme until the wind up is complete.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. As equity-owning investment managers, we expect both our providers to responsibly exercise their voting rights.

#### Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's underlying investment managers use proxy voting advisers.

#### What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental, Social and Governance (ESG) issues to focus on, **engaging** with investees/issuers, and **exercising voting rights**.

Differing ownership structures means stewardship practices often differ between asset classes.

*Source: UN PRI*

#### Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

*Source: UN PRI*

#### Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Provider (underlying fund manager)	Underlying investment manager policies (Wording provided directly by investment managers)
<b>Aviva (Aviva Investors)</b>	“To support us in making voting decisions on thousands of meetings a year, we subscribe to research from third-party providers. These include Institutional Shareholder Services (ISS), the Investment Association’s IVIS service and MSCI. We use research for data analysis only and do not automatically follow research provider voting recommendations. We also receive recommendations from ISS based on our own policy, which we can override in consideration of other factors, including internal views, additional context provided in external research, and company explanations.”
<b>Utmost Life and Pensions (JP Morgan Asset Management ‘JPMAM’)</b>	“Although we use the ISS Proxy Exchange platform and see their voting recommendations, this forms only the starting point for our proprietary thinking, and all our voting decisions are made on a case by case basis by in-house specialists in conjunction with the Analyst and/or Fund Manager with reference to the JPMAM Corporate Governance Policy and Voting Guidelines.”

Source: Managers

### Voting statistics

Neither Aviva nor Utmost / JPMAM have provided fund-level voting statistics.

The table below shows the voting statistics provided at firm-level. Statistics for Aviva are for the 2022 calendar year, those for JPMAM are for the period 1 July 2022 to 30 June 2023.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Aviva	74,937	98	27	Not provided
JPMAM	68,626	99	10	1

Source: Managers.

## Significant Voting Examples

To illustrate the voting activity being carried out on our behalf, some significant vote examples provided by Aviva are shown in the table below. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below. JPMAM did not provide examples of significant voting activity.

<b>Aviva</b>	<b>Company name</b>	Amazon
	<b>Date of vote</b>	25 May 2022
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	Not provided
	<b>Summary of the resolution</b>	Executive Pay (one-off long-term incentive award to the new CEO of Amazon)
	<b>How you voted</b>	Against
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	Yes
	<b>Rationale for the voting decision</b>	In 2022, we saw a change in the economic climate, as the average person experienced a significant fall in real disposable income. The cost-of-living crisis has placed additional focus on what companies are doing for employees and customers. This resolution resulted in an increase in the CEO to employee pay ratio from a double-digit figure to 6,474:1
	<b>Outcome of the vote</b>	Pass
	<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Remuneration report received 44% vote against
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Executive remuneration and the cost of living crisis.

<b>Aviva</b>	<b>Company name</b>	Toshiba
	<b>Date of vote</b>	28 June 2022
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	Not provided
	<b>Summary of the resolution</b>	To proceed with the examination of a strategic re-organisation through a two-way split of the company
	<b>How you voted</b>	Against
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	We informed Toshiba of our concerns and our intended vote decisions ahead of the General Meeting. We engaged, hoping it could provide context around the sudden departure of former management members and elaborate on the benefits of the strategic re-organisation.
	<b>Rationale for the voting decision</b>	Concerns in the current management's ability to implement the plan
	<b>Outcome of the vote</b>	Against
	<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	The shareholder resolution to appoint two independent directors to the Board was successful. Given Toshiba's poor track record on corporate governance, the appointment of an independent chair will help the company evaluate the pros and cons of strategic alternatives and should improve transparency of the evaluation process.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Corporate governance

Source: Managers. Wording provided directly by underlying investment managers.

## Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's investment managers. This information is for the 2022 calendar year.

Investment manager / Fund	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Aviva / Aviva With Profits Fund	Not provided	2,361 <sup>1</sup>	Environment - Climate change, De-forestation, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Remuneration, Board effectiveness – Diversity, Board effectiveness – Independence or Oversight Strategy, Financial and Reporting - Strategy/purpose
JPMAM / Utmost investing by Age Strategy	Not provided	1,371	Environment - Climate change, Natural Capital and Eco-Systems Social - Human Capital, Social Stakeholder Management Governance - Business Conduct, Governance and Executive Pay

Source: Managers

## Data limitations

At the time of writing, our providers have not provided all the information we requested:

- Aviva did not provide fund-level voting or engagement information.
- Utmost did not provide any information requested.

<sup>1</sup> 2,361 collaborative letter-based engagements, plus 1,425 substantive company engagements