

# Implementation Statement for the Hills Group Limited Retirement Benefits Plan (1973)

Covering 1 July 2022 to 30 June 2023

## 1. Background

The Trustees of the Hills Group Limited Retirement Benefits Plan (1973) (“the Plan”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the Plan’s Statement of Investment Principles (“SIP”) during the previous Plan year, in relation to engagement and voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIP can be found at:

<https://www.hills-group.co.uk/wp-content/uploads/2022/12/HillsPensionSchemeSOIPsignedAug2022.pdf>

## 2. Voting and Engagement

The Trustees are keen that its managers are a signatory of the UK Stewardship Code, which is the case.

All of the Trustees’ holdings are within pooled funds and the Trustees have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees have not directly used proxy voting services over the year.

The Plan’s funds are:

- LGIM Global Equity Fixed Weights (50:50) Index Fund
- LGIM World Emerging Markets Equity Index Fund
- BNY Mellon Real Return Fund
- LGIM Over 5 Year Index-Linked Gilts Index Fund
- LGIM LDI Matching Core Real Long Fund
- Aberdeen Standard Investments High Yield Bond Fund
- Aberdeen Standard Investments Investment Grade Corporate Bond Fund

The Trustee was unable to include voting data for the underlined funds as they are predominantly fixed income and do not hold physical equities.

### **3. Description of investment manager's voting processes**

#### **Legal & General Investment Management (LGIM)**

LGIM describe their voting process as follows:

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 all their clients. Their voting policies are reviewed annually and take into account feedback from their clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

They retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any

issues experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of LGIM's formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

### **BNY Mellon (Newton Investment Management)**

BNY Mellon describe their voting process as follows:

Newton has established overarching stewardship principles which guide their ultimate voting decision, based on guidance established by internationally recognized governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting our investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. It is only in the event that they recognise a material conflict of interest that they apply the vote recommendations of our third-party voting administrator.

Newton seeks to make proxy voting decisions that are in the best long-term financial interests of its clients and which seek to support investor value by promoting sound economic, environmental, social and governance policies, procedures and practices through the support of proposals that are consistent with following four key objectives:

- To support the alignment of the interests of a company's management and board of directors with those of the company's investors;
- To promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's investors;
- To uphold the rights of a company's investors to effect change by voting on those matters submitted for approval; and
- To promote adequate disclosure about a company's business operations and financial performance in a timely manner.

In general, voting decisions are taken consistently across all Newton's clients that are invested in the same underlying company. This is in line with Newton's investment process that focuses on the long-

term success of the investee company. Further, it is Newton's intention to exercise voting rights in all circumstances where it retains voting authority.

All voting opportunities are communicated to Newton by way of an electronic voting platform.

The Responsible Investment team reviews all resolutions for matters of concern. Any such contentious issues identified may be referred to the appropriate global fundamental equity analyst or portfolio manager for comment. Where an issue remains contentious, Newton may also decide to confer or engage with the company or other relevant stakeholders.

An electronic voting service is employed to submit voting decisions. Each voting decision is submitted via the electronic voting service by a member of the Responsible Investment team but can only be executed by way of an alternate member of the team approving the vote within the same system.

Members of certain BNY Mellon operations teams responsible for administrative elements surrounding the exercise of voting rights by ensuring the right to exercise clients' votes is available and that these votes are exercised.

Where we plan to vote against management on an issue, we may seek to engage with the company on a best-effort basis and depending on the significance of our holding, to share our concerns and to provide an opportunity for our concerns to be allayed. In such situations, we only communicate our voting intentions ahead of the meeting direct to the company and not to third parties. In some cases, depending on the materiality of our holding and the issue of concern, we alert a company via email regarding an action we have taken at its annual general meeting (AGM) to explain our thought process. We may then hold a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the global equity analyst.

Where Newton acts as a proxy for its clients, a conflict could arise between Newton (including BNY Mellon funds or affiliate funds), the investee company and/or a client when exercising voting rights. Newton has in place procedures for ensuring potential material conflicts of interests are mitigated, while its clients' voting rights are exercised in their best interests. Newton seeks to avoid potential material conflicts of interest through:

- I. the establishment of these proxy voting guidelines;
- II. the Responsible Investment team;
- III. internal oversight groups; and
- IV. the application of the proxy voting guidelines in an objective and consistent manner across client accounts, based on, as applicable, internal and external research and recommendations provided by third party proxy advisory services and without consideration of any Newton or BNY Mellon client relationship factors.

Where a potential material conflict of interest exists between Newton, BNY Mellon, the underlying company and/or a client, the voting recommendations of an independent third-party proxy service provider will be applied.

A potential material conflict of interest could exist in the following situations, among others:

1. Where a shareholder meeting is convened by Newton's parent company, BNY Mellon;
2. Where a shareholder meeting is convened by a company for which the CEO of BNY Mellon serves as a Board Member;
3. Where a shareholder meeting is convened by a company that is a current client of BNY Mellon and contributed more than 5% of BNY Mellon's revenue as of the end of the last fiscal quarter;
4. Where a shareholder meeting involves an issue that is being publicly challenged or promoted (e.g., a proxy contest) by (i) a BNY Mellon Board member or (ii) a company for which a BNY Mellon Board member serves as Chairman of the Board of Directors, CEO, President, CFO or COO (or functional equivalent); and
5. Where a shareholder meeting is convened by a pooled vehicle with agenda items relating to services provided by (or fees paid to) a BNY Mellon affiliate (e.g., Investment Management Agreement, Custody Agreement, etc);
6. Where an employee, office or director of BNYM or one of its affiliated companies has a personal interest in the outcome of a particular proxy proposal); and
7. Where the proxy relates to a security where Newton has invested in two or more companies that are subject to the same merger or acquisition.

All instances where a potential material conflict of interest has been recognised and Newton engages its proxy voting service provider are reported separately in Newton's publicly available Responsible Investment Quarterly Reports\*.

Newton employees are required to identify any potential or actual conflicts of interest and take appropriate action to avoid or manage these and report them to Newton's Conflicts of Interest Committee for review, further information can be found in Newton's Conflicts of Interest Policy\*\* .

\* <https://www.newtonim.com/us-institutional/responsible-investment/>

\*\* <https://www.newtonim.com/global/special-document/conflict-of-interest-policy/#:~:text=This%20Conflicts%20of%20Interest%20Policy,controls%20adopted%20to%20manage%20such>

#### 4. Summary of voting behaviour over the year

A summary of the investment manager's voting behaviour over the period is provided in the tables below:

	Summary Info
Manager name	Legal & General Investment Management
Fund name	Global Equity Fixed Weights (50:50) Index Fund
Approximate value of trustees' assets	c£8.3m

Number of equity holdings at year end	3,435
Number of meetings eligible to vote	2,986
Number of resolutions eligible to vote	38,703
% of resolutions voted	99.90%
% of resolutions voted with management	81.79%
% of resolutions voted against management	18.09%
% of resolutions abstained	0.12%
% of meetings with at least one vote against managements	69.40%
% of resolutions voted contrary to the proxy adviser recommendation	13.11%

	<b>Summary Info</b>
Manager name	Legal & General Investment Management
Fund name	World Emerging Markets Equity Index Fund
Approximate value of trustees' assets	cf1.5m
Number of equity holdings at year end	1,689
Number of meetings eligible to vote	3,984
Number of resolutions eligible to vote	32,588
% of resolutions voted	99.91%
% of resolutions voted with management	80.72%
% of resolutions voted against management	18.11%
% of resolutions abstained	1.17%
% of meetings with at least one vote against managements	52.52%
% of resolutions voted contrary to the proxy adviser recommendation	6.94%

#### **Newton Investment Management Ltd (BNY Mellon)**

	<b>Summary Info</b>
Manager name	Newton Investment Management Ltd
Fund name	BNY Mellon Real Return Fund
Approximate value of trustee's assets	cf1.1m
Number of equity holdings in the fund	65
Number of meetings eligible to vote	69
Number of resolutions eligible to vote	1,112
% of resolutions voted	100.0%
% of resolutions voted with management	92.4%
% of resolutions voted against management	7.6%
% of resolutions abstained	0.0%
% of meetings with at least one vote against managements	45.0%
% of resolutions voted contrary to the proxy adviser recommendation	4.5%

## 5. Most significant votes over the year

### Legal & General Investment Management (LGIM)

LGIM describes its process for determining the ‘most significant’ votes as follows:

“As regulation on vote reporting has recently evolved with the introduction of the concept of ‘significant vote’ by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM’s vote positions to clients for what we deemed were ‘material votes’. We are evolving our approach in line with the new regulation and are committed to provide our clients access to ‘significant vote’ information.

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

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions”.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:

<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

“

### Newton Investment Management Ltd (BNY Mellon)

BNY Mellon describe their process for determining the ‘most significant’ vote as follows:

“Newton’s significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive

a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.”

### Legal & General Investment Management (LGIM)

Below is a sample of the significant votes made by LGIM over the period 1 July 2022 to 30 June 2023 by fund. Full details of all significant votes can be found on LGIM’s website.

#### LGIM Global Equity Fixed Weights (50:50) Index Fund

	Vote 1	Vote 2
<b>Company name</b>	Shell Plc	BP Plc
<b>Date of vote</b>	2023-05-23	2023-04-27
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	3.532819	1.892694
<b>Summary of the resolution</b>	Resolution 25 - Approve the Shell Energy Transition Progress	Resolution 4 - Re-elect Helge Lund as Director
<b>How you voted</b>	Against (against management recommendation)	Against (against management recommendation)
<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
<b>Rationale for the voting decision</b>	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company’s leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.	Governance: A vote against is applied due to governance and board accountability concerns. Given the revision of the company’s oil production targets, shareholders expect to be given the opportunity to vote on the company’s amended climate transition strategy at the 2023 AGM. Additionally, we note concerns around the governance processes leading to the decision to implement such amendments.
<b>Outcome of the vote</b>	80% (Pass)	Not provided



<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>	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with the company and monitor progress.
<b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b>	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	High Profile Meeting and Engagement: We consider this vote to be significant given our long-standing engagement with the company on the issue of climate.

### LGIM World Emerging Markets Index Fund

#### Vote 1

#### Vote 2

	Vote 1	Vote 2
<b>Company name</b>	Tencent Holdings Limited	China Construction Bank Corporation
<b>Date of vote</b>	2023-05-17	2023-06-29
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	4.236128	0.990465
<b>Summary of the resolution</b>	Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director	Resolution 7 - Elect Tian Guoli as Director
<b>How you voted</b>	Against (against management recommendation)	Against (against management recommendation)
<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
<b>Rationale for the voting decision</b>	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
<b>Outcome of the vote</b>	88.4% (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>	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.
<b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b>	Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors. More information on LGIM's Climate Impact Pledge can be found here: <a href="https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/">https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/</a>	Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors. More information on LGIM's Climate Impact Pledge can be found here: <a href="https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/">https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/</a>

## Newton Investment Management Ltd (BNY Mellon)

### BNY Mellon Real Return Fund

	VOTE 2	VOTE 3
<b>Company name</b>	Barrick Gold Corporation	ConocoPhillips
<b>Date of vote</b>	02-May-23	16-May-23
<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.48	0.94
<b>Summary of the resolution</b>	Elect Director J. Brett Harvey	Elect Director Robert A. Niblock
<b>How you voted</b>	Withhold	Against Management
<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	No	No
<b>Rationale for the voting decision</b>	We voted against the lead director who we consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.	We voted against the lead director who we consider to be non-independent owing to excessive tenure, given the roles of chair and chief executive officer are combined.
<b>Outcome of the vote</b>	14.32% AGAINST	18.93% AGAINST

<p><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></p>	<p>From the company's point of view the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognizance that governance structures in particular the board structure can improve. We feel the dissent would only increase if the company doesn't take necessary steps to address these concerns.</p>	<p>From the company's point of view the dissent is not sufficient for them to engage with shareholders to discuss improvements in governance structures. However, a good part of the shareholder base has taken cognizance that governance structures in particular the board structure can improve. We feel the dissent would only increase if the company doesn't take necessary steps to address these concerns.</p>
<p><b>On which criteria have you assessed this vote to be "most significant"?</b></p>	<p>We highlighted this vote as significant as we expect to continue recognising our fundamental governance concerns through our voting and engagement activities.</p>	<p>We highlighted this vote as significant as we expect to continue recognising our fundamental governance concerns through our voting and engagement activities.</p>