

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

Covering 1 July 2023 to 30 June 2024

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.

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.£9.4m
Number of equity holdings at year end	3,007
Number of meetings eligible to vote	3,008
Number of resolutions eligible to vote	38,340
% of resolutions voted	99.68%
% of resolutions voted with management	82.17%
% of resolutions voted against management	17.58%
% of resolutions abstained	0.25%
% of meetings with at least one vote against managements	68.65%
% of resolutions voted contrary to the proxy adviser recommendation	13.09%

	Summary Info
Manager name	Legal & General Investment Management
Fund name	World Emerging Markets Equity Index Fund
Approximate value of trustees' assets	c£1.7m

Number of equity holdings at year end	1,804
Number of meetings eligible to vote	4,407
Number of resolutions eligible to vote	35,796
% of resolutions voted	99.90%
% of resolutions voted with management	79.29%
% of resolutions voted against management	19.42%
% of resolutions abstained	1.29%
% of meetings with at least one vote against managements	56.37%
% of resolutions voted contrary to the proxy adviser recommendation	6.85%

Newton Investment Management Ltd (BNY Mellon)

	Summary Info
Manager name	Newton Investment Management Ltd
Fund name	BNY Mellon Real Return Fund
Approximate value of trustee's assets	c£1.2m
Number of equity holdings in the fund	66
Number of meetings eligible to vote	71
Number of resolutions eligible to vote	1,059
% of resolutions voted	99.2%
% of resolutions voted with management	94.3%
% of resolutions voted against management	5.7%
% of resolutions abstained	0.0%
% of meetings with at least one vote against managements	37%
% of resolutions voted contrary to the proxy adviser recommendation	5.2%

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==/>

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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 2023 to 30 June 2024 by fund. Full details of all significant votes can be found on LGIM's website.

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

Company name	Shell Plc	Unilever Plc
Date of vote	2024-05-21	2024-05-01
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.908075	2.156918

Summary of the resolution	Resolution 22: Approve the Shell Energy Transition Strategy	Resolution 4: Approve Climate Transition Action Plan
How you voted	Against	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the 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 with the 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.
Rationale for the voting decision	<p>Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, we would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonization strategy.</p>	<p>Climate change: A vote FOR the CTAP is applied as we understand it to meet LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, we note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. We therefore remain supportive of the net zero trajectory of the company at this stage.</p>
Outcome of the vote	Pass	Pass

Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	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 nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	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 nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

LGIM World Emerging Markets Index Fund

Company name	Tencent Holdings Limited	Reliance Industries Ltd.
Date of vote	2024-05-14	2023-08-28
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.882428	1.552388
Summary of the resolution	Resolution 3a: Elect Charles St Leger Searle as Director	Resolution 5: Approve Reappointment and Remuneration of Mukesh D. Ambani as Managing Director
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the 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.
Rationale for the voting decision	Audit Committee: A vote against is applied as LGIM expects the Committee to be comprised of 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.	Joint Chair/CEO: A vote against is applied as LGIM expects the roles of Board Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
Outcome of the vote	Pass	Not stated

Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	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: https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

Newton Investment Management Ltd (BNY Mellon)

BNY Mellon Real Return Fund

Company name	AstraZeneca PLC	Shell Plc
Date of vote	11-Apr-24	21-May-24
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.01%	1.76%
Summary of the resolution	Amend Performance Share Plan 2020	Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement
How you voted	FOR	AGAINST
Where you voted against management, did you communicate your intent to the company ahead of the vote?	NA	NA
Rationale for the voting decision	We decided to support the CEO pay package based on the CEO's proven track record of creating significant value for shareholders and turning around a company once considered beyond recovery. For many years, he has been compensated below global peers in the industry, despite his accomplishments, and has also hinted at possibly leaving previously. At this juncture, where execution is critical, we want to avoid any potential disruptions that a change	We did not support a shareholder proposal for a report on GHG (greenhouse gas) emission-reduction targets aligned with the Paris Agreement as we believed the company has disclosed enough information for shareholders to assess the related risks. Moreover, the company has disclosed a partial Scope 3 target which is considered an appropriate response to the proponent's asks.

	in leadership might bring. Our decision to support CEO pay aligns with our broader investment case for AZ, as we believe under Pascal's leadership, the company is well-positioned to continue executing on its strategic initiatives and delivering value to shareholders.	
Outcome of the vote	95.3% For	81.4% Against
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	The level of support behind this vote signifies shareholder confidence in executive leadership at this juncture. It also brings the company closer to global peers regarding executive pay. We will continue to monitor performance to ensure it aligns with our interests as shareholders.	As a significant GHG emitter, it is critical for Shell to have a credible transition plan
On which criteria have you assessed this vote to be "most significant"?	We deem this vote as significant due to its strategic importance, impact on shareholder value, risk of leadership disruption, industry benchmarking, and strong shareholder support. It aligns with our investment case, emphasizing the need to retain and compensate effective leadership.	While we do find some merits to the proponent's asks and legitimate concerns, aligning Scope 3 targets at Shell to a 1.5 degree scenario would mean a significant loss of customers to competitors. Such a decision is best in the hands of management, and the disclosure of a partial Scope 3 target shows some responsiveness from the company to our concerns, tackling mainly the emissions it directly has control of. Shareholders have signalled a significant buy-in to management's strategy