

BIG THINKING FOR SMALL SCHEMES

Implementation Statement

Hotelplan Limited Pension and Assurance Scheme

31 October 2024



1. Introduction

Under regulatory requirements, trustees are required to prepare and review an implementation statement outlining their approach and stewardship dealing with certain specific matters with regards to their Environmental, Social and Governance (ESG) principles outlined in their latest Statement of Investment Principles (SIP).

This Statement sets out the principles governing decisions about the ESG aspect of investment of the assets of the Hotelplan Limited Pension and Assurance Scheme (the Scheme). In preparing it, the Trustees obtained written reporting on these matters from Barker Tatham Investment Consultants Limited as its investment consultants.

2. ESG Principles

Environmental, Social and Corporate Governance Policies

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the environmental, social and governance ("ESG") policies and practices of the companies in which the pooled funds invest. The Trustees also acknowledge that where index tracking pooled vehicles are employed, ESG considerations cannot be taken into account due to the nature of the investment.

In principle, the Trustees believe that ESG factors can have an impact on the performance of its investments and that the management of ESG risks and the exploitation of ESG opportunities, especially in relation to climate change, can add value to the portfolio. To that effect, the Trustees expect their fund managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process.

Appropriate weight will be given to ESG factors in the appointment of fund managers.

The Trustees believe that the stewardship responsibilities attached to the ownership of shares are important but recognise that investment in pooled funds limits their ability to be fully involved. The Trustees expect their investment managers to report in detail on how they have exercised voting rights attached to shares including across passive equity mandates. Managers are expected to be signatories to the FRC UK Stewardship Code.

Further information on the Trustees' policies can be found in the latest SIP dated April 2024.

In the Trustees' opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 October 2024.

The following pages illustrate how the Trustees, through their fund manager, have followed their stewardship and engagement policies.

3. Investments Attitudes to ESG

Fund Manager/Fund	ESG Description
<p>LGIM</p> <p><u>Holdings as at 31 October 2024</u></p> <p>Managed Property Fund</p> <p>Global Equity Fixed Weights (50:50) GBP Hedged Fund</p> <p>World Emerging Market Equity Index Fund</p> <p>Dynamic Diversified Fund</p> <p>LDI Matching Core Fixed (Long) Fund</p> <p>LDI Matching Core Real (Long) Fund</p>	<ul style="list-style-type: none"> <p>Fund Manager Overview</p> <p>LGIM’s ultimate goal is to protect and enhance the investment returns generated by their clients’ assets whilst aiming to have a long-standing commitment to raising corporate governance and sustainability standards to ultimately enhance the value of companies in which they invest.</p> <p>LGIM has publicly committed to the following three goals as part of their five-year strategic plan:</p> <ul style="list-style-type: none"> • Influencing the transition to a low-carbon economy • Making society more resilient with our financial solutions • Creating new investments for the future economy <p>Further information on how they can achieve these goals is publicly available on the parent company Legal & General Group plc’s reporting on corporate responsibility.</p> <p>https://www.legalandgeneralgroup.com/csr/csr-reports/</p> <p>ESG Integration</p> <p>LGIM uses a bottom-up and a top-down approach to monitoring and analysis as well as using ESG information that comes out from engagement meetings with companies. LGIM’s ESG scoring tool assesses companies in 17 different sectors on their disclosure, policies and processes for managing ESG risks. LGIM has set up three long-term thematic working groups (demographics, energy and technology) that undertake top-down research and analysis of macroeconomic issues, related to responsible investment and ESG. Direct engagement with companies is a way LGIM seek to identify ESG risks and opportunities. LGIM have an escalation policy to tackle difficult and inter-connected ESG issues that materially impact the value of assets.</p> <p>LGIM have an Active ESG View tool that forms an essential component of the overall active research process. The tool brings together granular quantitative and qualitative inputs in order to reflect a full picture of the ESG risks and opportunities embedded within each company. ESG risks vary across sectors and therefore the proprietary tool LGIM has developed, evaluates sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporate a qualitative</p>

approach on top of this as data alone may not tell the full story.

- **Active Ownership (1 year to 30 September 2024)**

LGIM report annually on their active ownership to 31 December each year and have provided quarterly reporting on their proxy voting 12 months to 30 September 2024, which has been used as no annual reporting to 31 October is available. LGIM's Corporate Governance team casts proxy votes in a manner consistent with the interests of all clients. They direct the vote of a significant proportion of a company's shares by exercising the shareholder rights of almost all clients. LGIM acknowledges that the Scheme as one of their clients, in giving LGIM their mandate, require LGIM to vote with the shares on behalf of the Scheme. LGIM therefore aims to minimise abstaining from voting, only doing so if it is technically not possible to cast a vote in any other way.

LGIM's voting decisions are made internally within the corporate governance team, and independently from the investment teams. LGIM have in place supplementary regional policies setting out their voting approaches publicly on their website however various other factors may also help them form a view on voting matters. These consist of; previous engagements, third-party research (e.g. ESG reports, broker research), company performance and LGIM's in-house views with respect to their investment teams.

The following paragraphs relate to the active ownership or approaches to ESG specific to the funds in which the Scheme is currently invested:

Managed Property Fund

LGIM recognise that the built environment has significant impact on UK society and its ecosystem. The fund managers are ultimately responsible for their respective vehicles and with their property managing agents for the integration and application of ESG principles to their portfolios. All Fund and Asset Managers have objectives linked to sustainability objectives, meaning successful delivery is linked to their remuneration.

Global Equity Fixed Weights (50:50) GBP Hedged Fund

Over the 12 months to end September 2024, LGIM were eligible to vote at 3,007 meetings and on 38,270 resolutions. LGIM voted on 99.7% of resolutions.

82.0% of votes were with management, 17.7% were votes against and 0.3% of votes were abstained from.

World Emerging Market Equity Index Fund

Over the 12 months to end of September 2024, LGIM were eligible to vote at 4,374 meetings and on 35,226 resolutions. LGIM voted on 99.9% of resolutions, with 79.6% of votes for management, 19.2% of votes against and 1.2% of votes abstained from.

Dynamic Diversified Fund

Over the 12 months to end September 2024, LGIM were eligible to vote at 10,137 meetings and on 102,934 resolutions over the 12-month period. LGIM voted on 99.8% of resolutions. 76.4% of votes were votes with management, 23.0% were votes against and 0.5% were votes abstained from.

Matching Core LDI Real and Fixed Funds

LGIM aims to embed ESG where appropriate. Following a research meeting with LGIM on their LDI ranges, we could expect to a flexible incorporation of green gilt(s) in LDI mandates. These may be tailored to client specific ESG objectives, such as targeting a minimum proportion in green gilts. ESG is embedded within LGIM's counterparty review process via their Active ESG tool, alongside other business and financial risks, so that when they decide upon appropriate derivative counterparties, ESG considerations have already been captured. This integration has led to the exclusion of some counterparties from the list of eligible counterparties where required.

In December 2023, LGIM engaged with the Microsoft Corporation which put forward a resolution to report on risks related to AI-generated misinformation and disinformation, to increase the company's transparency regarding these risks. LGIM voted against this resolution, in line with the management. Having engaged with the company directly to discuss its approach to these risks, LGIM concluded that Microsoft is already a leader in the disclosures, governance processes and mitigation steps it is taking on risks posed by its operations from generative AI and decided that a vote in favour of this resolution was not warranted at that time.

In March 2024, LGIM engaged with Skandinaviska Enskilda Banken AB (SEB), instructing its Board of Directors to revise SEB's overall strategy to align with the goals of the Paris Agreement. LGIM emphasised that the banking sector plays a critical role in the global

transition to net zero, both in financing activities that could exacerbate climate change and in supporting those aimed at mitigating it. LGIM expects companies to implement credible transition plans consistent with the Paris Agreement's goal of limiting global temperature increases to 1.5°C. LGIM will continue to monitor SEB's progress against its stated targets and ensure alignment with these objectives.

A further case study by LGIM focused on Nippon Steel Corporation, Japan's largest steel producer, which has been noted for insufficient climate policy disclosures. Recognising the carbon-intensive nature of traditional steelmaking and the company's influence on policy, LGIM began engaging with Nippon Steel more directly particularly under its Climate Impact Pledge. In 2023, LGIM, alongside the Australasian Centre for Corporate Responsibility (ACCR), co-filed a shareholder proposal requesting Nippon Steel to disclose its climate-related policy positions and lobbying activities and to review them for alignment with its 2050 carbon neutrality goal. With 27.98% shareholder support, the proposal highlighted strong investor demand for transparency. Given Japan's expected climate policy updates in 2024, LGIM continues to engage with Nippon Steel, aiming for enhanced disclosure and accountability from its board.

In May 2024, LGIM engaged with Chevron Corporation regarding its joint ownership of Chevron Phillips Chemical Co. (CP Chem), a top global producer of plastic resins primarily used in single-use applications. According to a Minderoo Foundation analysis, CP Chem's production contributes to approximately 1.8 million tons of plastic waste annually. Given the unsustainable growth rate of virgin plastic production, brands and coalitions, such as the Business Coalition for a Global Plastics Treaty, are increasingly calling for reductions. Despite Chevron's Climate Risk Report addressing some plastic-related risks, LGIM advocated for more transparency to enable shareholders to evaluate Chevron's management of these financial risks. The shareholder proposal gained 22.2% support, signalling notable investor interest in heightened accountability on this issue.

An additional case study by LGIM, in Q3 2024, involved Darden Restaurants Inc. where the issue of antimicrobial resistance (AMR) was identified as a systemic risk and a key focus within LGIM's Health Policy. In alignment with the World Health Organisation (WHO) guidelines, a resolution was put forward requesting the company to ensure that medically

important antimicrobials are used responsibly throughout its supply chain for food-producing animals. LGIM's Health Policy emphasises that companies within the restaurant and out-of-home sectors should require their meat suppliers to comply with WHO guidelines. Given the significant role of antibiotic overuse in exacerbating AMR, LGIM also expects companies to be transparent about their AMR strategy, actions taken to implement it and steps to monitor progress. LGIM supported this resolution with 10% of shareholders voting in favour. This vote is significant as it highlights a crucial element of LGIM's 'Health' theme, demonstrating the financial materiality of addressing AMR and the broader expectations outlined in their Health Policy.

An additional case study by LGIM involved AeroVironment, Inc. where the issue of governance related to the combined roles of Chair and CEO was identified. LGIM holds the firm belief that the roles of Chair and CEO should be separate, as they require distinctly different skills and responsibilities. This separation ensures balanced authority and responsibility at the board level, preventing a single individual from wielding unfettered decision-making power. At the AGM on 27 September 2024, LGIM voted against Resolution 1a to elect Director Wahid Nawabi, who holds both roles. Despite this, 97.1% of shareholders voted in favour of the resolution. This vote is significant as it pertains to a key component of LGIM's Corporate Governance and Responsible Investment Policy, which explicitly states that LGIM will vote against the re-election of any director who holds both the Chair and CEO positions.

• **References**

LGIM aims to implement best practice reporting to stakeholders including:

- Quarterly Engagement Report Q4 2023
- Quarterly Engagement Report Q1 2024
- Quarterly Engagement Report Q2 2024
- Quarterly Engagement Report Q3 2024
- Public monthly voting reports
- Active Ownership Report 2023