

BIG THINKING FOR SMALL SCHEMES

Implementation Statement

Hotelplan Limited Pension and Assurance Scheme

31 October 2023



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 Hotelplan Limited Pension and Assurance 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 September 2020.

In the Trustees' opinion, their policies, as recorded in the SIP, have been followed over the 12-month period to 31 October 2023.

The following pages illustrate how the Trustees, through their fund managers, 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 2023</u></p> <p>Global Equity Fixed Weights (50:50) Index Fund – GBP Currency Hedged (The Scheme was partially invested in this fund over the 12-month period to 31 October 2023)</p> <p>World Emerging Markets Equity Index Fund</p> <p>Dynamic Diversified Fund (The Scheme was partially invested in this fund over the 12-month period to 31 October 2023)</p> <p>Managed Property Fund</p> <p>Matching Core Fixed Long Fund</p> <p>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 receive 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. The 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 which 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 have developed evaluates</p>

sector specific ESG factors, spanning 64 specific sectors and sub-sectors. LGIM incorporate a qualitative approach on top of this as data alone may not tell the full story.

- **Active Ownership (1 year to 30 September 2023)**

LGIM report annually on their active ownership to 31 March, however, they provide some limited reporting on their proxy voting over the 12 months to 30 September, 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 companies' 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 the behalf of the Scheme. LGIM therefore aim 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 engagement, third party research (e.g., ESG reports, broker research), company performance, client feedback 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 LGIM funds in which the Scheme is currently invested:

Global Equity Fixed Weights (50:50) Index Fund – GBP Currency Hedged

Over the 12 month period to end September 2023 (the last information available), LGIM were eligible to vote at 2,965 meetings and on 39,073 resolutions. LGIM voted on 99.91% of resolutions. 81.55% of votes were votes with management, 18.33% were votes against, and 0.12% were votes abstained from.

World Emerging Markets Equity Index Fund

Over the 12 month period to end September 2023 (the last information available), LGIM were eligible to vote at 4,013 meetings and on 33,613 resolutions. LGIM voted on 99.95% of resolutions. 81.25% of votes were votes

with management, 17.70% were votes against, and 1.05% were votes abstained from.

Dynamic Diversified Fund

Over the 12 month period to end September 2023 (the last information available), LGIM were eligible to vote at 9,540 meetings and on 99,839 resolutions. LGIM voted on 99.78% of resolutions. 76.89% of votes were votes with management, 22.76% were votes against, and 0.35% were votes abstained from.

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 vehicle 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.

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. LGIM also considers how ESG is incorporated in their choice of counterparties, which they use by reviewing quantitative and qualitative factors as well as overall governance.

A case study by LGIM looks at the company Microsoft Corporation which, in Q4 2022, put forward a resolution to combine the roles of Chair and CEO. LGIM voted against this resolution and stands by the firm belief that all companies should have a separate Chair and CEO, as each role requires a different skill set.

In February 2023, LGIM supported Fujitec Co. Ltd.'s significant shareholder, Oasis', proposal to replace six directors of the company. LGIM supported this proposal to replace the incumbent directors following successive governance failures and concerns about undue levels of family influence at the company. LGIM was concerned with the firm's flawed governance processes and its conduct at the last AGM, which resulted in an irreparable loss of faith in the firm's leadership, and in the incumbent outside directors' ability to overcome the family's strong influence on the Board. The shareholders successfully voted to replace 3 incumbent

directors with 4 new independent directors. LGIM believes this vote is significant as such successful shareholder activism is rare in Japan, and director independence and Board composition is an important area of good governance.

Another case study by LGIM looks at their engagement with Shell Plc. At the meeting on 25 May 2023, LGIM voted against the resolution to approve the Shell Energy Transition Plan, and against the management recommendation. LGIM recognised the substantial progress made by the company in meeting its 2021 climate commitments and welcomed the company's leadership in pursuing low carbon products. However, LGIM remained concerned by the lack of disclosure surrounding future oil and gas production plans and targets, which are key areas to demonstrate the company's alignment with the 1.5°C trajectory.

A further case study looks at LGIM's engagement with FedEx Corporation and the resolution to adopt a paid sick leave policy. LGIM voted for the resolution during the meeting in September 2023 as they support the adoption of a paid sick leave policy. LGIM believe that the introduction of this policy is likely to improve the wellbeing of all employees and it also supports their broader campaign established in 2022 surrounding paid sick leave at US railway companies.

- **References**

LGIM aims to implement best practice reporting to stakeholders including an:

- Annual Active Ownership report
- Quarterly ESG Impact Report
- Public Voting Statistics