

Hempel Paints Ltd Pension & Life Assurance Scheme – Implementation Statement 2023

1. Purpose

This Implementation Statement reports on how, and the extent to which, the policies set out in the Hempel Paints Ltd Pensions and Life Assurance Scheme's (the "Scheme") Statement of Investment Principles ("SIP") have been complied with during the year ended 31 March 2023. This has been reviewed with respect to voting and stewardship policies, conflicts of interest and engagement. These include the exercise of rights (including voting) and undertaking of engagement activities in respect of the Scheme's investments. In addition, this statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

2. Background

Under the regulations now in force, Trustees of Occupational Pension Schemes are required to state their policy on the exercise of the rights attaching to the investments, and on undertaking engagement activities in respect of the investments. Trustees are also required to report on how and the extent to which they have followed this policy and on significant votes.

This statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended and the guidance published by the Pensions Regulator.

This Statement has been prepared by the Trustees with the assistance of their Investment Adviser (Quantum Advisory).

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees, or the Investment Adviser on the Trustees behalf.

3. Executive summary

Over the Scheme year, the Trustees:

- Undertook a de-risking exercise in which the Scheme's portfolio was restructured to reflect a lower level of risk within the investment strategy.
- Through their Investment Advisers, reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content that the Scheme's investment managers have appropriately carried out their stewardship duties.
- Are of the opinion they have complied with the relevant policies and procedures as identified in the SIP.
- Have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

The stewardship activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees believe there is less scope to influence the practices within such arrangements. However, the general stewardship practices of non-equity managers have been reviewed to ensure that that they engage with companies, especially with those to which they lend.

4. Reviews of the SIP over the Scheme year

The SIP was last reviewed in February 2023.

The Trustees confirm that:

- The SIP was updated during the Scheme year as the Scheme changed its investment strategy.
- The SIP will be reviewed in future, to ensure any amendments to investment policy resulting from a review of investment strategy that is ongoing are reflected. The Trustees will seek advice from the Investment Adviser on the SIP and the suitability of the investments.

5. Investment Manager's voting and stewardship policies and activity

Trustees' voting and stewardship policies

The Trustees, through their investment advisers, consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used a proxy voting services provider over the Year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions.

As part of this exercise, the Trustees, through their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds. This is to ensure that investment managers engage in voting behaviour that is consistent with the Scheme's stewardship priorities as set out in the SIP.

Over the Scheme year, the voting activities of the following funds have been reviewed:

- LGIM Dynamic Diversified Fund ("DDF")
- BNY Mellon Real Return Fund ("RRF")
- Partners Group Generations Fund

Manager's voting and stewardship policies and procedures

Details of the managers voting and stewardship policies can be found in Appendix 1. In this review, the extent to which the investment managers make use of any proxy advisory and voting services was reviewed, in addition to the alignment to the scheme's stewardship priorities. The Trustees, through their investment advisor, are satisfied that the voting and stewardship policies and procedures of the investment managers aligned with the Scheme's stewardship priorities over the Scheme year. The Trustees will consider the Scheme's stewardship priorities over the coming Scheme year to enable them to assess whether the investment managers' stewardship priorities are aligned with these.

Voting statistics

The table below sets out the key statistics on voting eligibility and action over the Scheme year.

Statistic	LGIM DDF	BNY Mellon RRF	Partners Group Generations Fund ¹
Number of equity holdings	6,854	69	63
Meetings eligible to vote at	9,541	78	69
Resolutions eligible to vote on	99,647	1,287	959

Proportion of eligible resolutions voted on (%)	100	100	100
Votes with management (%)	78	89	95
Votes against management (%)	22	11	2
Votes abstained from (%)	<1	0	2
Meetings where at least one vote was against management (%)	73	45	20
Votes contrary to the recommendation of the proxy adviser (%)	13	7	1

Source: LGIM, BNY Mellon (Newton) and Partners Group.

¹Partners Group Generation Fund only produces PLSA data biannually, therefore the data shown is to 31 December 2022.

The Trustees are generally satisfied with the level of voting activity that has been undertaken.

Significant votes over the reporting year

The Trustees, through their investment advisers, reviewed the significant votes cast by the investment managers and assessed these votes against the Scheme’s stewardship priorities. Where the managers significant votes do not align with the Scheme’s stewardship priorities the managers voting behaviour will be queried.

The Trustees have interpreted “most significant votes” to mean their choices from an extended list of “most significant votes” provided by each of the investment managers following the PLSA guidance provided.

Where possible, the Trustees, through their investment advisor, have selected significant votes which incorporate financially material ESG factors. Votes have also been selected, where possible, to include different ESG considerations. The Scheme’s classification of a significant vote generally aligned with the reviewed funds over the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

6. Conflicts of interest

This section assesses whether the managers are affected by the following conflicts of interest, and how these are managed:

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm’s stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;

5. Differences between the stewardship policies of managers and their clients.

LGIM

LGIM have not directly commented on which of the above conflicts of interest they are affected by, but have instead referred the Trustee to their conflicts of interest policy.

This is available here:

<https://www.lgim.com/api/epi/documentlibrary/view?id=1116980ea5bf43fa9801c212be73f487&old=literate.html?cid=>

The Trustees have received a copy of the conflicts of interest policy from LGIM and will request sight of this document and details of any relevant conflicts of interest annually from LGIM.

Newton

Newton manage the BNY Mellon Real Return Fund.

Newton have confirmed that over the reporting year, the manager was affected by the first conflict of interest listed above.

Newton seek to ensure conflicts of interests are recognised, recorded and mitigated. They maintain a list of all investments where they identify a potential material conflict of interest. The list includes all funds sub-advised by Newton or managed by affiliates of its parent company, BNY Mellon and also includes companies that are directly linked to their underlying clients, such as corporate pension funds.

If any potential material conflict of interest between Newton, an investee company and/or a client is identified, it is their voting policy that the recommendation of their external voting service provider will be followed.

Partners Group

With regards to Partners Group's listed exposure, they have confirmed that they are not affected by points 1, 3, 4 and 5. With regards to point 2, Senior staff members may hold senior positions within invested companies such as seats on the board within the Fund's private market investments. Potential conflicts that can arise from this are managed based on the company's conflicts of interest directive, which outlines how the company identifies, categorises and manages conflicts of interest.

Appendix 1 – Manager voting policies

Newton’s voting policies and processes

Newton’s head of responsible investment (“RI”) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. They do not maintain a strict proxy voting policy. Instead, Newton prefer to consider a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, they may confer with the company or other interested parties for further clarification, to reach a compromise, or to achieve a commitment from the company.

Newton employ a variety of research providers that aid in the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

For the avoidance of doubt, all voting decisions are made by Newton. It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence. It is also only in these circumstances when they may register an abstention given their stance of either voting in favour or against any proposed resolutions.

LGIM’s voting policies and processes

LGIM’s Investment Stewardship team make all voting decisions, in accordance with LGIM’s 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.

LGIM’s Investment Stewardship team uses ISS’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and strategic decisions are not outsourced. The use of ISS recommendations is purely to augment LGIM’s own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of IVIS to supplement the research reports that are received from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with LGIM’s 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 LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any voting decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM 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.

Partners Group voting policies and process

Where Partners Group’s client accounts contain listed equity securities in dedicated programs/allocation buckets ("Liquid Private Markets investments") and Partners Group has discretion to vote on a proxy stemming from such securities (a “Proxy Request”), Partners Group will decide on such Proxy Requests to protect and promote the economic value of the securities held in such client accounts.

Proxy Requests related to Liquid Private Markets investments may be administered by third party service providers (currently, Glass Lewis). These service providers will follow Partners Group’s Proxy Voting

Directive in all instances. Should a voting recommendation by a service provider be against the recommendation by the respective company's management, Partners Group will vote manually on those proposals.

In certain circumstances, Partners Group receives Proxy Requests for publicly traded securities. When such Proxy Requests arise, the recipient, typically the respective investment team or Partners Group Guernsey serving as administrator, will forward it to be reviewed and evaluated by Transactions Services together with the relevant investment team and/or the relevant Investment Committee. Partners Group have a group form which seeks to ensure that all Proxy Requests, included in the broader term 'corporate actions', are reviewed and processed in a timely manner.

Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment managers has been reviewed by the Trustees.

LGIM Dynamic Diversified Fund

In determining significant votes, LGIM’s Investment Stewardship team consider the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”) consultation. 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 LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship’s 5-year ESG priority engagement themes.

Company Name	Royal Dutch Shell Plc	Prologis, Inc.
Date of Vote	May 2022	May 2022
Summary of the resolution	Approve the Shell Energy Transition Progress Update	Elect Director Hamid R. Moghadam
Stewardship priority	Environmental	Governance
Size of the holding (% of portfolio)	0.32	0.26
How the firm voted	Against	Against
Was the vote against management and was this communicated beforehand?	Voted in line with management	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
On which criteria has the vote been deemed as ‘significant’?	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). LGIM has a longstanding policy advocating for the

		separation of the roles of CEO and board chair.
Outcome of the vote	80% voted for the resolution.	93% voted for the resolution.
Does the trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocating their position on this issue and monitor company and market-level progress.

BNY Mellon Real Return Fund

The most significant votes for Newton are those that have been against management of the companies held. Newton have stated that these have the potential for the greatest impact, as areas for improvement can be highlighted and there is no automatic positive intent of ownership.

Company Name	Greencoat UK Wind Plc	Universal Music Group NV
Date of Vote	April 2022	May 2022
Summary of the resolution	Re-elect Shonaid Jemmett-Page as Director	Advisory Vote to Ratify Named Executive Officers' Compensation
Stewardship priority	Governance	Governance
Size of the holding (% of portfolio)	1.68	0.64
How the firm voted	Against	Against
Was the vote against management and was this communicated beforehand?	No.	No.
On which criteria has the vote been deemed as 'significant'?	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.	This vote provides an example of where a majority of the company's minority shareholders disagreed with a company's pay practices.
Outcome of the vote	15% voted against.	21% voted against.
Does the trustee/asset manager intend to escalate stewardship efforts?	N/A	N/A

Partners Group Generations Fund

Due to the nature of the Fund, Partners Group typically have control of the board of the companies they are invested in. Thus, instead of providing voting information, they have provided information that demonstrates their ESG efforts and the resultant outcomes.

Axia Women's Health

Axia Women's Health has improved its quality of care and clinical outcomes, providing a superior and convenient patient experience, exhibiting a reduction in hospital days per patient to 2.1 days, alongside a 10.9% reduction in c-section rates, and a 67.8 net promoter score.

The company has launched its first sophisticated employee engagement survey with 73% participation and will use the results to craft specific employee engagement initiatives.

Furthermore, Axia Women's Health has established a Risk & Audit committee (including cybersecurity), while ensuring ownership and accountability at executive and board level, and establishing a cyber baseline with regular reporting.

Pharmathen

In May 2022, Pharmathen launched a sustainability assessment with EcoVadis. The results will be incorporated into Pharmathen's ESG Strategy. The company has a strong ESG culture as reflected in its core mission of making a positive impact on the lives of people by ensuring that they enjoy better health.

Source: Partners Group