Hempel Paints Ltd Pension & Life Assurance Scheme – Implementation Statement 2024

1. Purpose

This Implementation Statement ("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 2024. In preparing this Statement, voting and stewardship policies, conflicts of interest and engagement have been reviewed. This review has been conducted by the Scheme's investment adviser and the Trustees have reviewed and approved the conclusions within this Statement. This includes the exercise of rights (including voting) and other engagement activities undertaken in respect of the Scheme's investments. This Statement also provides a summary of the voting behaviour and most significant votes cast during the reporting year.

2. Background

This Statement has been prepared by the Trustees, with the assistance of its Investment Adviser (Quantum Advisory), in line with the current regulatory guidance that was in place at the Scheme year end.

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:

- Through their Investment Adviser, reviewed the voting and engagement activity of the funds that invest in equities. As at 31 March 2024, equity investments which had voting rights attached represented approximately 9% of the Scheme's assets. The Trustees Investment Adviser's have concluded that the Scheme's investment managers have appropriately carried out their stewardship duties, and the Trustees are satisfied with this conclusion.

- The Trustees are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP. The SIP was updated during the year to reflect changes that were made to the Scheme's investment strategy.

- The Trustees 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.

Funds that do not hold equities do not have voting rights. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they actively engage with their investments.

4. 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, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

Should the voting activities and stewardship policies of an invested fund not appropriately align with the Scheme's stewardship priorities, the Trustees will escalate these concerns with the relevant investment manager and if necessary review the Scheme's position within the fund. The Trustees do not have any stewardship priorities in place.

Over the Scheme year, the voting activities of the following funds have been reviewed by Quantum Advisory on behalf of the Trustees:

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

The Trustees have reported on the funds that were held at the year-end date.

Furthermore, the general stewardship policies of the above funds and the funds listed below have also been reviewed by Quantum Advisory on behalf of the Trustees:

- LGIM AAA-AA-A Corporate Bond – Over 15 Year Index
- LGIM Over 15 Year Gilts
- LGIM Over 5 Year Index-Linked Gilts

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. The Trustees, through their Investment Adviser, are satisfied that the voting and stewardship policies and procedures of the investment managers has been aligned with the Scheme's policy.

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	7,258	65	>50
Meetings eligible to vote at	9,651	69	67
Resolutions eligible to vote on	98,900	1,101	999
Proportion of eligible resolutions voted on (%)	99.8	99.3	100.0
Votes with management (%)	76.7	92.0	93.0
Votes against management (%)	23.1	7.8	6.0
Votes abstained from (%)	0.2	0	1.0

Meetings where at least one vote was against management (%)	73.2	46.4	36.0
Votes contrary to the recommendation of the proxy adviser (%)	14.1	4.9	4.0

Source: LGIM, BNY Mellon (Newton) and Partners Group.
[1]Partners Group Generations Fund only produces PLSA data biannually, therefore the data shown is to 31 December 2023.

Quantum Advisory has noted that, as a whole, the voting activity meets expectations and Trustees are satisfied with the voting activity that has been undertaken within the invested funds during the Scheme year.

Significant votes over the reporting year

The Trustees, through their investment advisers, reviewed the significant votes cast by the investment managers.

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.

5. 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=literature.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, there were no conflicts of interest.

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, to the best of their knowledge, they are not affected by points 1, 3, 4 and 5. With regards to point 2, Partners Group notes that for direct investments in private equity and private infrastructure they typically look to acquire companies where they have a majority equity position, and control of that business (70-90%+ equity). With this, Partners Group appoint their senior employees (such as senior investment professionals) to take positions on the boards of the companies. In addition, Partners Group would also appoint operating Directors. The Trustees are of the view this is appropriate for this asset class.

Appendix 1 – Manager voting policies

Newton's voting policies and processes

Newton prefer to retain discretion in relation to exercising voting rights and have established policies and procedures to ensure the exercise of global voting rights.

Newton intend to exercise voting rights in all markets where they retain voting authority. All voting decisions are made by Newton; the recommendations of the appointed voting service provider - Institutional Shareholder Services ("ISS") is only given precedence in the event of a material potential conflict of interest.

All voting notifications are communicated to Newton's responsible investment team through an electronic voting platform. The responsible investment team reviews all resolutions for contentious issues, aided by advice from proxy research service providers. Voting decisions take into account local market best practice, rules and regulations while also supporting their investment rationale.

Contentious issues may be referred to the appropriate analyst for comment. Where an issue remains contentious, Newton may also decide to confer with the company or other interested parties for further clarification. Each voting decision taken by a member of the responsible investment team has to be authorised by an alternate member of the team. Newton's corporate actions team is responsible for the administrative elements surrounding the exercise of voting rights by ensuring Newton have the risk to exercise individual clients' votes and that these are exercised.

Where Newton plan to vote against management on an issue, they often engage with the company in order to provide an opportunity for their concerns to be allayed. In such situations, it would not be a surprise should they vote against management. Newton only communicate their voting intentions ahead of the meeting direct to the company and not to third parties. Newton do alert a company regarding an action they have taken at their annual general meeting ("AGM") through an email, to explain their thought process. They then often 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 sponsoring global industry analyst.

Newton employ the services of voting service providers to help inform their voting intentions. Voting decisions are taken on a case-by-case basis, and Newton do not have a rigid policy with their voting service provider. Only in the event of a conflict of interest do Newton follow the recommendations of a service provider. As part of their outsourcing service policy, Newton conduct due diligence of their voting service provider at least twice a year.

Newton's voting policy and procedures have been formulated and approved by their Responsible and Ethical Investment Oversight Group. Implementation of the voting policy and procedures involves the head of responsible investment and responsible investment analysts in collaboration with the global section analysts and portfolio managers.

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. This process is designed to ensure LGIM's engagement is fully integrated into the voting process, thus sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") '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 Institutional Voting Information Services ("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 that 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 make a decision on such Proxy Requests to protect and promote the economic value of the securities held in such client accounts. The following high-level proxy voting principles (the "Principles") are intended to outline Partners Group's general approach to proxy voting considerations that frequently arise for its Liquid Private Markets investments:

- Boards and directors
- Compensation
- Accounts, audit and internal control
- Capital structure and shareholder rights
- Environmental and social matters

Each area has its own set of voting principles. The principles are not intended to provide a strict guide to how Partners Group will vote in every instance, but rather how Partners Group typically approaches core aspects of corporate governance in Liquid Private Markets investments. The principles are applied with discretion, taking into account the range of considerations, local corporate governance practices, and applicable regulations specific to a particular company and the individual ballot item.

Proxy Requests related to Liquid Private Markets investments may be administered by third party service providers. These service providers will follow the principles listed above in all instances. Should a voting recommendation by a service provider be against the recommendation by the respective company's management, Partners Group's Liquid Private Markets team will review and decide on the ultimate vote.

Appendix 2 – Most significant votes

The tables on the following pages set out how each manager determines "significant votes" and sets out some examples 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 Quantum Advisory on behalf of the Trustees.

LGIM DDF

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	Microsoft Corporation	Shell Plc
Date of Vote	7 December 2023	23 May 2023
Summary of the resolution	Resolution 1.06 - Elect Director Satya Nadella	Resolution 25 - Approve the Shell Energy Transition Progress
Size of the holding (% of portfolio)	0.6	0.3
How the firm voted	Against	Against
Was the vote against management and was this communicated beforehand?	The vote was against management and the vote intention was not communicated beforehand.	The vote was against management and the vote intention was not communicated beforehand.
On which criteria has the vote been deemed as 'significant'?	LGIM considers this vote to be significant as it is an application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	Given the high profile of the vote, and that LGIM voted against the proposed transition plan (due to lack of credibility/ misalignment with a 1.5C scenario), the vote has been deemed significant.
Outcome of the vote	The vote passed.	The vote passed.
Does the trustee/ asset manager intend to escalate stewardship efforts?	LGIM will continue to engage with the investee company, publicly advocating their position on this issue and monitor company and market-level progress.	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.

Source: LGIM.

BNY Mellon/ Newton

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. Newton draws significant votes from this universe and defines significant votes as those 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.

BNY Mellon Real Return Fund

Company Name	ConocoPhillips	Lockheed Martin Corporation
Date of Vote	16 May 2023	27 April 2023
Summary of the resolution	Elect Director Robert A. Niblock	Report on Efforts to Reduce Full Value Chain GHG Emissions in Alignment with Paris Agreement Goal
Size of the holding (% of portfolio)	0.9	1.0
How the firm voted	Against	For shareholder proposal, against management recommendation
Was the vote against management and was it communicated beforehand?	The vote was against management, but the vote intention was not communicated beforehand.	The vote was against management and the vote intention was not communicated beforehand.
On which criteria has the vote been deemed as 'significant'?	Concerns over board leadership can prevent the board from functioning smoothly.	The rarity of a shareholder proposal receiving significant support.
Outcome of the vote	The vote passed.	The vote did not passed.
Does the trustee/asset manager intend to escalate stewardship efforts?	Newton do not believe that the level of dissent is sufficient for the company to engage with shareholders to discuss improvements in governance structures. Newton feel the dissent would only increase if the company doesn't take necessary steps to address these concerns.	The support received for the shareholder proposal is substantial and must be accounted for. Newton expects the company to provide enhanced disclosures especially around setting timelines to implement a scope 3 emission reduction goal and finding efficiencies in processes.

Partners Group Generations Fund

In determining its most significant votes, Partners Group consider the size of the holdings in relation to the Fund itself.

Partners Group did not provide details of votes undertaken as a result of the equity holdings as these were deemed to not constitute a large enough size of the Fund.