

HBG GA Pension Scheme Annual Engagement Policy Implementation Statement to 31 December 2020

1. Introduction

This Engagement Policy Implementation Statement ('the Statement') sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ('SIP') produced by the Trustees have been followed during the year to 31 December 2020. This statement 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, which transposes the EU Shareholder Rights Directive (SRD II) into UK law.

The Trustees conducted a buy-in insurance policy with Aviva Life & Pensions UK Limited (Aviva) in June 2019. The intention is that, in due course, the buy-in asset will be moved to a buy-out contract and the Scheme will be wound up. Over the buy-in period before wind-up, where an exact match between Scheme benefits and insured benefits is not possible, a "True-up" fund has been established to approximately reserve for these additional costs shortly after the main buy-in premium is paid to Aviva. The True-up fund will also be used to reserve for other estimated costs such as Scheme expenses and the all risks cover insurance premium. The asset a mix of the True-up fund at inception was around 2/3rds in a cash fund and 1/3rd in a long-dated UK index-linked government bond fund.

Mercer Limited (Mercer) in the UK has been appointed as discretionary investment manager for the True-up fund by the Trustees. Pursuant to that appointment, scheme monies are invested in Mercer Funds, which are collective investment vehicles, managed by Mercer Global Investments Europe Limited (MGIE).

Given the nature of the Scheme's assets, the Trustees recognise that there is very limited scope for influence on voting activity.

2. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

As noted in the SIP, the Trustees have reviewed Mercer's Sustainable Investment Policy and note that Mercer believes that (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole.

The Mercer [Sustainable Investment Policy](#) is reviewed regularly. In August 2020, the Stewardship section was updated to reflect an enhanced approach to monitoring both voting and engagement as well as the Exclusions section to include the implementation of certain exclusions across passive funds from 1 October 2020. In March 2021 there was a further update in relation to sustainability-related disclosures in the financial services sector ("SFDR) implementation.

ESG ratings assigned by Mercer (and its affiliates') global manager research team, are included in the investment performance reports produced by Mercer on a quarterly basis and reviewed by the Trustees. ESG ratings are reviewed by MGIE during quarterly monitoring processes, with a more comprehensive review performed annually - which seeks evidence of positive momentum on ESG integration.

The Trustees recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees also note that, aside from the buy-in policy with Aviva, as the Scheme is entirely invested in gilts and cash, there is limited scope to apply these principles.

3. Voting Activity

Asset managers appointed to Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process. However, the nature of the Scheme's investments (cash and government bonds ('gilts')) means that there are no voting rights to exercise.

The Trustees recognise that they have no direct voting power in respect of the buy-in policy with Aviva. That said, it is noted that Aviva has an extensive range of ESG, Responsible Investment and Stewardship [policies](#) (including an ESG Base Exclusion Policy, Responsible Investment Philosophy, Stewardship statement, Voting policy and ESG Asset Class Policies).