



HBG UK Pension Plan (‘Plan’)

31 December 2024 Implementation
Statement

June 2025

1. Introduction

The Trustees are required to make publicly available online a statement (“the Implementation Statement”) covering the HBG UK Pension Plan (the ‘Plan’) in relation to the Plan’s Statement of Investment Principles (the “SIP”).

The current SIP came into force from September 2022. The SIP was reviewed but not formally amended during the year ending 31 December 2024. The SIP was last reviewed in 2023 and the Trustees concluded no changes were required at that time. An update to the SIP is currently under Trustee and Sponsor review following the decision to appoint Schroders as the Plan’s Partial Fiduciary Manager, and is expected to be formally adopted in early 2025.

A copy of the current SIP can be found here https://www.bam.co.uk/docs/default-source/policies/hbguk-pension-plan---investment-implementation-statement.pdf?sfvrsn=2b9729c2_13.

This Implementation Statement covers the period from 1 January 2024 to 31 December 2024 (the “Plan Year”). It sets out:

- How the Trustee’s policies on stewardship have been followed over the Plan Year; and
- The voting by or on behalf of the Trustee during the Plan Year, including the most significant votes cast and any use of a proxy voter during the Plan Year.

The latest guidance (“the **Guidance**”) from the Department for Work and Pensions (“**DWP**”) aims to encourage the Trustee of the Plan to properly exercise their stewardship policy including both voting and engagement which is documented in the Plan’s SIP. With the help of the Plan’s Investment Advisor, this Implementation Statement has been prepared to provide the details on how the Trustee has complied with the DWP’s statutory guidance.

The Trustee uses Schroders IS Limited as its Investment Adviser (referred to as the “**Investment Adviser**” in the Implementation Statement). The Trustee appoints and delegates professional investment managers (referred to as “**Underlying Investment Managers**”) for the day-to-day management of the Plan’s assets, and investments with these managers are generally made via pooled funds (with the exception of the Plan’s liability hedging assets), where the Plan’s investments are pooled with those of other investors.

In 2024, the Trustee appointed Schroder Investment Management Limited as its Fiduciary Manager (referred to as the “**Fiduciary Manager**”) as part of the move towards streamlined governance approach for the management of the Plan’s assets. As part of the process, Schroder Investment Management Limited was appointed to manage the Plan’s liability hedging assets, implemented in October 2024.

A copy of this Implementation Statement is available on the following website: <https://www.bam.co.uk/media-centre/resources>

2. How the Trustee's policies on stewardship have been followed over the Plan Year

As described in the SIP, the Trustee's approach to stewardship is to delegate the voting and engagement activities to the Underlying Investment Managers. The Trustee with the help of its Investment Adviser takes responsibility for regularly reviewing the approach and stewardship policies of the Underlying Investment Managers to ensure they are aligned with the Trustee's priorities and objectives. A copy of the Plan's SIP has been provided to the Investment Adviser and Underlying Investment Managers, who is expected to follow the Trustee's investment (including stewardship) policies when providing their services.

The Investment Adviser aligns its own stewardship activities with Schroders' Engagement Blueprint, which identifies six broad themes for their active ownership: Climate Change, Natural Capital & Biodiversity, Human Rights, Corporate Governance, Human Capital Management, and Diversity & Inclusion. From these, the Trustee has chosen **Climate Change**, **Corporate Governance**, and **Human Capital Management** as its focus for the stewardship actions for the Plan. The Trustee expects that these stewardship activities will result in better management of ESG and climate related risks and opportunities, which is expected to improve the long-term financial outcomes of the Plan.

The Investment Adviser and Fiduciary Manager is a signatory to the *UK Stewardship Code* which sets high standards for those investing money on behalf of UK pensioners and savers. The UK Stewardship Code describes stewardship as "*the responsible allocation, management and oversight of capital to create long-term value ... leading to sustainable benefits for the economy, the environment and society.*" Thus, the Investment Adviser and Fiduciary Manager's stewardship activities on behalf of the Trustee encompass a variety of tools, including portfolio ESG integration, manager research and selection, portfolio ESG metric monitoring and voting and engagement.

As part of ongoing monitoring of how the Underlying Investment Managers have exercised the Trustee's stewardship policy, the Trustee reviewed annual Portfolio ESG Review during the Plan year. The Portfolio ESG Review allows the Trustee to keep abreast of wider industry and regulatory developments relating to the topics of ESG, assess the ESG characteristics of the Plan's invested assets and review the engagement activities carried out by the Underlying Investment Managers on behalf of the Trustee related to the stewardship priority themes chosen by the Trustee.

The Trustee is satisfied that the expectations outlined in the SIP have been met. During the Plan year the Trustee has carried out the following activity in relation to the stewardship policy:

- The Trustee reviewed the ESG action plan and characteristics of the Plan's holdings in the Investment Fund and Buy and Maintain Credit portfolios at the December 2024 Trustee Meeting. The Trustee was satisfied with the outcomes of this review.
- At the same meeting, the Trustee discussed and reviewed the Schroder Investment Management Limited's ESG integration within investment process and its approach to engagement with the underlying investment as the Plan's Fiduciary Manager and Investment Manager for the Plan's liability hedging mandate.
- On behalf of the Trustee, monitoring of the Underlying Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustee's Investment Adviser with any important updates communicated to the Trustee over the Plan Year.

- The Trustee with the help of their Investment Adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustee meetings during the Plan Year.
- The Trustee reviewed the regulatory developments with regards to ESG and climate change disclosures and received relevant trainings.
- The Trustee has reviewed the voting and engagement activity carried out by its Investment Managers during the Plan Year; a summary is provided in the next section.

Considering the voting statistics and behaviour set out in this Implementation Statement, along with the engagement activity that took place on the Trustee's behalf during the Plan Year within the growth asset portfolio and the liability hedging portfolio, the Trustee is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting and engagement in line with their stewardship policy.

Specifically, the Trustee noted that:

- Each manager demonstrated high levels of voting rights being acted on, where voting is relevant.
- Where the holdings did not have voting rights attached, the Underlying Investment Managers showed they carried out a good level of engagement activity with the underlying companies over the Plan Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- The Fiduciary Manager has also carried out a high level of engagement with different governing bodies for the Liability Hedging mandate to ensure that the Plan's liability hedging programme not only remained robust during the Gilt Crisis of Autumn 2022 and beyond, but the Fiduciary Manager also provided inputs to those governing bodies to ensure they continue to deliver even better outcomes for their clients, including the Plan.

Given the activities carried out during the Plan Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the DWP Guidance over the Plan Year.

3. Voting During the Plan Year

The Trustee has delegated responsibility for voting on their behalf to the Underlying Investment Managers. Most voting rights associated with the Plan's investments pertain to the underlying securities within the pooled funds managed by the Underlying Investment Managers. In a general meeting of a company issuing these securities, the Underlying Investment Managers exercise their voting rights according to their own policies, which the Fiduciary Manager may have influenced.

The pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Underlying Investment Managers on behalf of the Trustee, in line with the Trustee's stewardship policy.

Voting by the Underlying Investment Manager

Over the year to 31 December 2024, the Plan's investment in BlackRock Dynamic Diversified Growth Fund is the only asset the holds voting rights (e.g. equities). The summary of the Manager's voting activities can be seen below.

BlackRock – Dynamic Diversified Growth Fund	
Asset allocation	£30.4m (12.7% of Assets)
Voting Statistics	
Total meetings eligible to vote	523
Total resolutions eligible to vote	6,705
% of resolutions did you vote on for which you were eligible?	94%
% did vote with management?	94%
% vote against management?	5%
% abstained	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%

Source: All data in this section has been provided by BlackRock. Note: asset allocation as at 31 December 2024
Note:

- BlackRock use Institutional Shareholder Services, "ISS", for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Plan holds.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

Most Significant Votes

The Trustee has selected one vote relating to each of the priority themes that it deems most material to the long-term value of the investments. These votes are hereby defined as "most significant votes", and as per DWP guidance, the Trustee has communicated this definition of "most significant votes" to the Investment Adviser. All of the most significant votes over this Plan Year have been reported below.

Climate Change (Shell plc) (BlackRock)

Background info

- Shell plc (Shell) is an energy company headquartered in the United Kingdom, with operations in more than 70 countries around the world.
- Shell first presented its Energy Transition Strategy at the May 2021 AGM, receiving 89% shareholder support, including from BlackRock. In 2022 and 2023, advisory votes on progress against the Energy Transition Strategy received 79.9% and 80% shareholder support, respectively, with BlackRock also in favour.
- At May 2024 AGM, **management proposal was tabled to approve Shell's energy transition update and its Energy Transition Strategy 2024.**

Engagement

- In BlackRock's view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities, while also demonstrating progress against its stated Energy Transition Strategy.
- BlackRock noted that, Shell aims to deliver "more value with less emissions" by focusing on competitive markets, is on track to reduce scope 1 and 2 emissions by 50% by 2030 (having achieved over 60% of this target by the end of 2023) and is progressing towards eliminating routine flaring and achieving near-zero methane emissions by 2030.
- However, it was noted that, Shell has adjusted its climate-related targets due to energy market developments and strategic changes in its power business, including retiring its 2035 net carbon intensity (NCI) target of 45% and lowering its 2030 NCI reduction target from 20% to 15-20%. Nevertheless, BlackRock view these changes as reasonable and transparent efforts by Shell to manage climate-related risks and opportunities in its business model.

Outcome

- ***The proposal was approved.***
- ***BlackRock will continue to engage with Shell on their approach to climate risk management.***

Human Capital Management (Tesla, Inc.) (BlackRock)

Background info

- Tesla, Inc. (Tesla) is a U.S.-based company that designs, develops, manufactures, sells, and leases electric vehicles and energy generation and storage systems, and offers services related to its products.
- Tesla continues to face significant material legal and reputational risks due to high-profile controversies, including ongoing harassment and discrimination allegations.
- ***A shareholder proposal requested that the board "oversee the preparation of an annual public report describing and quantifying the effectiveness and outcomes of Tesla's efforts to prevent harassment and discrimination against its protected classes of employees."***

Engagement

- In BlackRock's view, enhanced disclosures on this issue, which it deemed material, would help investors better assess risks at the company. As a result, BlackRock determined that support for the proposal was warranted as the request is aligned with the long-term financial interests of the clients.
- The shareholder proposal was also on the ballot at Tesla's August 2022 AGM, and it received approximately 46% shareholder support, including from BlackRock.

Outcome

- ***The proposal was not approved.*** Tesla subsequently made some enhancements to its disclosures, such as reporting on types of complaints received and employee training initiatives. Even so, these disclosures do not provide investors with a clear sense of how many of these complaints are specifically related to harassment and discrimination, or whether any remediation efforts have been sufficient to minimize the risk of additional adverse verdicts.
- ***BlackRock will continue to engage with Tesla on their approach to human capital management.***

Corporate Governance (Tesla, Inc.) (BlackRock)

Background info

- Over the past few years, BlackRock has engaged with Tesla's board and management regarding governance structure, board independence, compensation practices, executive share pledging, climate-related risk disclosures, and human capital management. Despite prior concerns about Tesla's responsiveness to shareholders, the company has made efforts to improve its policies and disclosures in these areas.
- In January 2024, **a Delaware court ruled against CEO Elon Musk's \$55.8 billion compensation package**, stating that the 2018 shareholder vote was not fully informed due to omitted details regarding the approval process and relationships between Musk and key directors. This package received approximately 73% approval from shareholders, including BlackRock. **Following this ruling, Musk announced plans to seek shareholder approval to move Tesla's incorporation from Delaware to Texas.**
- In response, a Tesla Special Committee was formed in February 2024 to (1) evaluate the reincorporation to Texas and to (2) consider a new ratification vote on the 2018 CEO Performance Award. Ultimately, the Committee did not renegotiate the award or address the court's opinion, maintaining that the original compensation was fair and planning to appeal the ruling.

Engagement

- **BlackRock engaged with Tesla multiple times over the year to understand the Special Committee's processes and how shareholders' interests were considered in relation to the issues above. Discussions also focused on the board's perspectives regarding director independence.**
- Although a Special Committee was formed in line with the Delaware Court's guidance, it ultimately consisted of only one director. This limited composition raised concerns about potential conflicts of interest among Tesla's other independent directors and underscored previous worries about the board's oversight function.

Engagement & Outcomes

- James Murdoch was re-elected as a Director
 - **BlackRock decided not to support the election of Director James Murdoch due to concerns about the board's decision-making, independence, and effectiveness in overseeing management.** James Murdoch, who serves on the Nominating and Corporate Governance Committee, is the only director nominated for election with direct responsibilities for evaluating board composition and independence, as Tesla's board members stand for election on a three-year rolling cycle.
- The proposal to move Tesla's incorporation from Delaware to Texas was approved
 - BlackRock evaluates proposals for companies to reincorporate based on economic and strategic factors, considering the implications for shareholder protections under new governing documents. Tesla's board believes that relocating its incorporation to Texas, where its headquarters and primary manufacturing facilities are located, is beneficial for the company and its shareholders. **After thorough assessment, BlackRock is satisfied that this re-domestication would not harm shareholders' rights, as the governance provisions in Texas and Delaware business codes are largely comparable.**
- The proposal to ratify the CEO Performance Award was approved
 - **BlackRock supported the 2018 CEO Performance Award after assessing that its market cap and operational metrics were sufficiently challenging, promoting stretch performance.** Despite concerns about the award's structure and scale, it is acknowledged that Mr. Musk and Tesla met all performance milestones, increasing the company's market cap from approximately \$59 billion in 2018 to \$789 billion by the end of 2023.
 - Given this significant growth, BlackRock found it financially prudent to support the ratification of Mr. Musk's award at the June 2024 AGM. However, BlackRock plans to offer feedback on future executive compensation practices. **BlackRock noted that its support on this occasion does not signify a broad endorsement of such award structures; BlackRock would likely oppose similar compensation programs at mature companies in sectors where these practices are not customary.**

The Trustee is satisfied that the voting and engagement activities undertaken by the Underlying Investment Manager align with the stewardship priorities determined during the Plan Year, hence the Trustee believes that it has satisfactorily implemented the Stewardship Policy stated in the Plan's SIP.

Appendix 1 – ESG, Voting and Engagement Policies

Links to the voting and responsible investment policies for both the Fiduciary Manager and Underlying Investment Managers of the Plan's actively managed holdings can be found here:

Investment Manager	Underlying Investment Manager	Voting Engagement Policy
		https://mybrand.schroders.com/m/6197143c263420f5/original/Schroders-Group-Sustainable-Investment-Policy.pdf
	Schroders Solutions	https://www.schroders.com/en/global/intermediary/what-we-do/sustainable-investing/active-ownership/our-engagement-blueprint/
		BIS Engagement Priorities
	BlackRock	blk-responsible-investment-engprinciples-global.pdf BlackRock Investment Stewardship (BIS) BlackRock
		Responsible Investing AB
	AllianceBernstein	ab-global-stewardship-statement-and-report.pdf
		Responsible Investing AB
	Insight	https://www.insightinvestment.com/investing-responsibly/