

HERMES GROUP PENSION SCHEME

IMPLEMENTATION STATEMENT

Implementation Statement, covering the Scheme Year from 1 July 2021 to 30 June 2022

The Trustee of the Hermes Group Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

As well as the SIP, the Trustee maintains a separate document outlining its investment beliefs. This was not reviewed over the Scheme year, but was last reviewed in March 2021 to reflect the Trustee's latest views on responsible investment and climate change.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

In March 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The Trustee was satisfied with the results of the review.

The Trustee invested in new pooled funds, the L&G Low Carbon Transition Global Equity Index Fund and L&G Low Carbon Transition Global Equity Index Fund (GBP Hedged) in November 2021. In selecting and appointing this manager, the Trustee reviewed LCP's RI assessments of the shortlisted managers.

When L&G (to introduce the Low Carbon Transition Global Equity Index Fund) and Abrdn presented to the Trustee during the Scheme Year, the Trustee asked several questions about the managers' voting and engagement practices and were satisfied with the answers they received. The Trustee also reviewed reports from their managers on voting and engagement activities undertaken on their behalf.

Additionally, the Trustee receives quarterly updates on ESG and Stewardship related issues from our investment advisers.

3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- L&G All World Equity Index Fund – full disinvestment on 1 November 2021
- L&G All World Equity Index Fund (GBP Hedged) – full disinvestment on 1 November 2021
- L&G FTSE RAFI AW 3000 Equity Index Fund – full disinvestment on 1 November 2021

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- L&G FTSE RAFI AW 3000 Equity Index Fund (GBP Hedged) – full disinvestment on 1 November 2021
- L&G Low Carbon Transition Global Equity Index Fund – invested on 1 November 2021
- L&G Low Carbon Transition Global Equity Index Fund (GBP Hedged) – invested on 1 November 2021

As L&G are unable to provide part period data, we have included voting information for the full Scheme year where the Scheme has disinvested from or invested in the funds noted above. In selecting the most significant votes we have selected votes that took place during the period that the Scheme was invested where applicable.

In addition to the above, the Trustee contacted the Scheme's other asset managers (Abrdn, Aegon, Barings and M&G) that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. These managers confirmed that they did not have any voting opportunities over the period.

3.1 Description of the voting processes for Legal & General equity funds

Legal & General's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas. Legal & General's voting policies are reviewed annually, taking into account feedback from its clients. Every year, Legal & General holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it develops Legal & General's voting and engagement policies.

All decisions are made by Legal & General's Investment Stewardship team and in accordance with the relevant 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. The Investment Stewardship team uses the Institutional Shareholder Services (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by Legal & General and it does not outsource any part of the strategic decisions. Legal & General uses ISS recommendations but purely to augment its 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 Legal & General receives from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with Legal & General's position on ESG, Legal & General has put in place a custom voting policy with specific voting instructions that apply to all markets globally. Legal & General retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information that allows Legal & General to apply a qualitative overlay to its voting judgement. Legal & General have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider.

3.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below. The total size of the Scheme's invested assets as at 30 June 2022 was £209.6m.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
Manager name	Legal & General	Legal & General	Legal & General	Legal & General	Legal & General	Legal & General
Fund name	All World Equity Index Fund	All World Equity Index Fund (GBP Hedged)	FTSE RAFI AW 3000 Equity Index Fund	FTSE RAFI AW 3000 Equity Index Fund (GBP Hedged)	L&G Low Carbon Transition Global Equity Index Fund	L&G Low Carbon Transition Global Equity Index Fund (GBP Hedged)
Total size of fund at end of reporting period	£5.3bn	£3.3bn	£2.3bn	£0.5bn	£2.0bn	£2.0bn
Value of Scheme assets at end of reporting period	-*	-*	-*	-*	£5.3m	£15.8m

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Number of equity holdings at end of reporting period	3,872	3,872	2,375	2,375	2,875	2,875
Number of meetings eligible to vote	6,641	6,641	3,294	3,294	4602	4602
Number of resolutions eligible to vote	66,610	66,610	39,277	39,277	48,193	48,193
% of resolutions voted	99.9	99.9	99.7	99.7	99.8	99.8
Of the resolutions on which voted, % voted with management	78.9	78.9	79.6	79.6	78.7	78.7
Of the resolutions on which voted, % voted against management	19.9	19.9	19.4	19.4	20.3	20.3
Of the resolutions on which voted, % abstained from voting	1.3	1.3	1.0	1.0	1.1	1.1
Of the meetings in which the manager voted, % with at least one vote against management	62.1	62.1	69.9	69.9	65.9	65.9
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.6	10.6	13.2	13.2	11.6	11.6

Note: Figures may not sum due to rounding

*The Scheme disinvested from these funds during the Scheme Year, in November 2021.

3.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have interpreted "most significant votes" to mean those provided by the investment managers, following the PLSA guidance provided.

Legal & General Equity Portfolio

The below votes were listed as significant by Legal & General and were taken in relation to the All World Equity, Index Fund, All World Equity Index Fund (GBP Hedged), FTSE RAFI AW 3000 Equity Index Fund and FTSE RAFI AW 3000 Equity Index Fund (GBP Hedged).

- **Alibaba Group Holding Limited., China, September 2021. Vote: Against. Outcome of the vote: Passed.**

Summary of resolution: Resolution to elect joint Chairman and CEO.

Rationale: L&G voted against this resolution as it has a longstanding policy advocating for the separation of the roles of CEO and board chair. L&G believe these two roles are substantially different, requiring distinct skills and experiences. Since 2015, L&G has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it has voted against all combined board chair/CEO roles.

Criteria against which this vote has been assessed as "most significant": L&G considered this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO.

- **The Proctor & Gamble Company, USA, October 2021. Vote: For. Outcome of the vote: Passed.**

Summary of resolution: Resolution to elect the Chairman of the Board.

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Rationale: A vote in favour was applied as the company would be splitting the role of Chairman and CEO from the 1st of November 2021.

Criteria against which this vote has been assessed as "most significant": L&G considered this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO.

The below votes were listed as significant by Legal & General and were taken in relation to the Low Carbon Transition Global Equity Index Fund and Low Carbon Transition Global Equity Index Fund (GBP Hedged).

- **Apple Inc., USA, March 2022. Vote: For. Outcome of the vote: Passed.**

Summary of resolution: Resolution to conduct and report on a civil rights audit.

Rationale: L&G voted for this resolution because it supports proposals related to diversity and inclusion policies as it considers these issues to be a material risk to companies.

Criteria against which this vote has been assessed as "most significant": L&G views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

- **Alphabet Inc, USA, June 2022. Vote: For. Outcome of the vote: Did not pass.**

Summary of resolution: Shareholder resolution to report on the physical risks of climate change.

Rationale: L&G voted for the proposal as it expected companies to be taking sufficient action on the issue of climate change.

Criteria against which this vote has been assessed as "most significant": L&G considered the vote to be significant as it was an escalation of its climate-related engagement activity.