

# Hachette UK Pension Trust Ltd (Orion Publishing Group Limited Retirement Benefits Scheme)

## Implementation Statement



cardano

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## Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations. The Statement is required under the Occupational Pension Scheme Investment and Disclosure (Agreement) 2019. Hachette UK Pension Trust Ltd, the ‘Trustee’ of the Orion Publishing Group Limited Retirement Benefits Scheme (the ‘Scheme’) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the “SIP”) during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Scheme’s investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 January 2021 to 31 December 2021.

The Statement is publicly available at <https://www.hachette.co.uk/landing-page/huk-pension/>

## Executive summary

The day to day management of the Scheme’s assets is delegated to Cardano Risk Management Limited (the “Fiduciary Manager”). In advance of the appointment, the Trustee took steps to ensure that the management of the Scheme’s assets and the Fiduciary Manager’s policies were aligned with the Trustee’s own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

We monitor the voting and engagement activity of the Scheme’s investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager’s overall assessments once a quarter.

## 1. Our Stewardship Policy

### 1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is affected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

### 1.2. What is our Stewardship Policy?

The Stewardship policy is outlined within the Statement of Investment Principles (SIP) for the Scheme, relevant extracts from the SIP regarding our Stewardship are shown below. During the reporting year there were no reviews or updates to the SIP, therefore the latest version remains as agreed in September 2020:

**“Undertaking engagement activities in respect of the investments**

*Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.*

*The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Fiduciary Manager's activity in this regard).*

**“The exercise of the rights (including voting rights) attaching to the investments**

*The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Scheme's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.”*

**“Arrangements with all Investment Managers**

*...Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with its responsible investment approach.”*

### 1.3. How have we implemented our Stewardship Policy?

#### Fund structuring

The Trustee holds investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

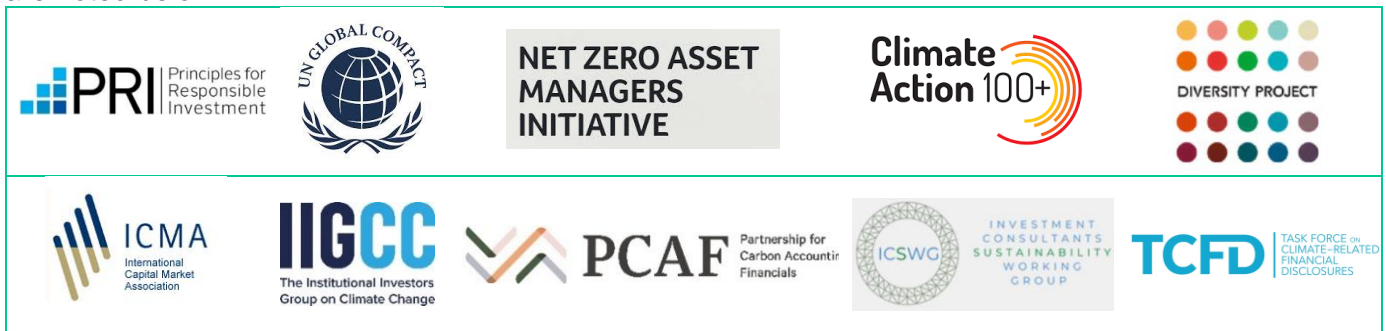
- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme's Stewardship Policy.

## External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK 2021 UK Stewardship Code.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, these are noted below.



## Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

### Quality over quantity

- The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

### Long-term

- The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

### Real world impact

- The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

## Transparency

- Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

## Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

## Innovation

- The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

## Integrated

- The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

## Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate. The Trustee focuses its efforts on any managers where voting and engagement is material.

## Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

## 2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

### 2.1. How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year.

#### Amia

	Manager response
Number of meetings the manager was eligible to vote at over the year	9
Number of resolutions the manager was eligible to vote on over the year	109
% of eligible resolutions the manager voted on	95%
% of votes with management	100%
% of votes against management	0%
% of resolutions the manager abstained from	0%

#### CC Japan

	Manager response
Number of meetings the manager was eligible to vote at over the year	94
Number of resolutions the manager was eligible to vote on over the year	311
% of eligible resolutions the manager voted on	100%
% of votes with management	100%
% of votes against management	0%
% of resolutions the manager abstained from	0%

#### Egerton

	Manager response
Number of meetings the manager was eligible to vote at over the year	39
Number of resolutions the manager was eligible to vote on over the year	512

% of eligible resolutions the manager voted on	94%
% of votes with management	98%
% of votes against management	0%
% of resolutions the manager abstained from	2%

## Polar

	Manager response
Number of meetings the manager was eligible to vote at over the year	53
Number of resolutions the manager was eligible to vote on over the year	524
% of eligible resolutions the manager voted on	99%
% of votes with management	95%
% of votes against management	5%
% of resolutions the manager abstained from	0%

## Sands

	Manager response
Number of meetings the manager was eligible to vote at over the year	64
Number of resolutions the manager was eligible to vote on over the year	484
% of eligible resolutions the manager voted on	100%
% of votes with management	91%
% of votes against management	4%
% of resolutions the manager abstained from	5%

## 2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller,



more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
Amia	Broadridge Proxy Edge Service. We use a ESG template provided by Broadridge, based on responses from ESG focused clients.
CC Japan	N/A
Egerton	We do not use a proxy advisor but do utilise the services of Proxy Edge to cast votes.
Polar	Polar Capital uses ISS as a proxy advisor. This highlights all situations where the proxy advisor recommends voting against management, key issues and produces research as part of recommendations. These are available to each fund management team for consideration. The fund management team then decides how they wish to vote.
Sands	ISS, Glass Lewis, and SES (for India Holdings) standard voting policy.

## 2.3. Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

### Amia

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
PROVINCIA DE BUENOS AIRES	August 2021	Amia Capital was a member of the Ad-Hoc Creditor Committee with regard to the Province of Buenos Aires bond restructuring since December 2019. As such, it participated in a number of attempts to agree a consensual debt restructuring for the Province throughout 2020 and part of 2021. This was finally agreed in late-summer 2021, with Amia Capital voting to approve the proposed restructuring in August 2021.	For	For

### Egerton

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Canadian Pacific	April 2021	Voted with a shareholder proposal for the company's board of directors to produce a greenhouse gas emission levels reduction plan, and to report annually on the progress made towards such plan.	For	For

## Sands

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
CD Projekt SA	May 2021	Amend Remuneration of Supervisory Board Members. No issues because it's backwards looking but plan to engage with management on their future compensation plans.	For	For

## 3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The table below provides an example of engagement activity of the Scheme’s investment managers where engagement should be a material activity in the management of the assets.

### Amia

Key points	Engagement activity
<p><b>Engagement Theme:</b> Governance - Frontier market debt restructuring</p> <p><b>Industry:</b> Sub-Saharan Sovereign</p> <p><b>Outcome:</b></p> <ul style="list-style-type: none"> <li>• <b>The manager led the formation of a committee that implements principles for capital flows to developing countries</b></li> <li>• <b>Improved governance frameworks to encourage sustainable capital flows</b></li> </ul>	<p>We have been invested in debt instruments issued by a Sub-Saharan sovereign since 2018 and in June 2020, we led the formation of the External Bondholder Committee.</p> <p>The Committee formally published a response to the consent solicitation request in September 2020, which re-iterated the focus on achieving a restructuring outcome. This is in line with the G20-endorsed Principles for Stable Capital Flows and Fair Debt Restructuring (“the Principles”) and the most recent October 2020 report on their implementation by the Principles Consultative Group. The Principles include aspects such as: transparency and timely flow of information; open dialogue; good faith actions; and fair treatment among creditor classes.</p>

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