

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 regulations¹. Hachette UK Pension Trust Ltd of the Orion Publishing Group Limited Retirement Benefits Scheme (the "Trustee" and the "Scheme" respectively) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship policies, including engagement and voting, 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 2024 to 31 December 2024.

The Statement is publicly available at <https://www.hachette.co.uk/landing-page/huk-pensions-v2/>

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.

The Trustee monitors the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenges their decisions. Effort is focused 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. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that the Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers and receives a summary of the Fiduciary Manager's overall assessments once a quarter.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on shares owned and engaging with the management of companies or properties in which we have a stake.

1.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“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, but also holds some assets such as Government Bonds directly. 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 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 act consistently with the Trustee's Stewardship Policy. The Trustee achieves this by ensuring that the Fiduciary Manager's beliefs and policies on engagement, manager selection and manager monitoring are aligned with the Stewardship Policy.

For example, in 2023 our Fiduciary Manager replaced some of our equity market exposures with a global fund that included explicit sustainability (as well as financial) performance targets. This enhanced the level of engagement possible with the companies we invest in and more actively aligned these efforts to our specific priorities.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. For example, the Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

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



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. The day-to-day implementation of the beliefs has been delegated to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with the Trustee's.

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)

Engagement priorities

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals and aim to improve sustainability within the portfolio and have a direct real-world impact to our members' current and future landscape. The Trustee's three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality and health & nutrition)

The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager monitors manager disclosures to ensure alignment against our priorities.

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 the Trustee's Stewardship Policy. The Fiduciary Manager monitors the investment managers on an ongoing basis, ensuring their activities align with the Stewardship Policy and engaging with the investment managers to help them improve their stewardship approach.

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

The Trustee monitors the voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. Managers are categorised according to how material voting and engagement is in their mandate. The Fiduciary Manager 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 the managers vote?

The tables below provide a summary of the voting activity undertaken by the 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 the Scheme has the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Scheme invests with, directly or indirectly, are subject to the Trustee's Stewardship Policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure would be detrimental to the success of the investment strategy of the Scheme.

BlackRock Global Event Partners Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	106
Number of resolutions the manager was eligible to vote on over the year	900
% of eligible resolutions the manager voted on	99%
% of votes with management	90%
% of votes against management	23%
% of resolutions the manager abstained from	0%

Cardano Global Sustainable Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1955
Number of resolutions the manager was eligible to vote on over the year	25878
% of eligible resolutions the manager voted on	100%
% of votes with management	74%
% of votes against management	23%
% of resolutions the manager abstained from	1%

Egerton Capital Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	32
Number of resolutions the manager was eligible to vote on over the year	549
% of eligible resolutions the manager voted on	96%
% of votes with management	95%
% of votes against management	4%
% of resolutions the manager abstained from	1%

ES AllianceBernstein Sustainable Global Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	57
Number of resolutions the manager was eligible to vote on over the year	796
% of eligible resolutions the manager voted on	100%
% of votes with management	95%
% of votes against management	5%
% of resolutions the manager abstained from	0%

Kadensa Capital Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	115
Number of resolutions the manager was eligible to vote on over the year	1036
% of eligible resolutions the manager voted on	100%
% of votes with management	86%
% of votes against management	14%
% of resolutions the manager abstained from	0%

MI Metropolis Value Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	25
Number of resolutions the manager was eligible to vote on over the year	414
% of eligible resolutions the manager voted on	100%
% of votes with management	96%
% of votes against management	4%
% of resolutions the manager abstained from	0%

Polar Capital Biotechnology Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	56
Number of resolutions the manager was eligible to vote on over the year	515
% of eligible resolutions the manager voted on	100%
% of votes with management	86%
% of votes against management	14%
% of resolutions the manager abstained from	0%

Sands Emerging Markets Growth Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	68
Number of resolutions the manager was eligible to vote on over the year	526
% of eligible resolutions the manager voted on	100%
% of votes with management	95%
% of votes against management	4%
% of resolutions the manager abstained from	1%

Sunriver Fund Ltd

	Manager response
Number of meetings the manager was eligible to vote at over the year	19
Number of resolutions the manager was eligible to vote on over the year	174
% of eligible resolutions the manager voted on	90%
% of votes with management	87%
% of votes against management	3%
% of resolutions the manager abstained from	10%

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) if, for example: the investment manager lacks the resource to research each vote and submit votes; or, the investment manager wants to follow a recognised code of practice and the proxy voting service is an effective 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.

The Trustee recognises that by having a suitable Stewardship Policy in place and using the Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly in the case of 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
BlackRock Global Event Partners Fund	Institutional Shareholder Services (ISS) and Glass Lewis
Cardano Global Sustainable Equity Fund	Glass Lewis
Egerton	Utilise Broadridge Proxy Edge and Proxy Vote tools are used to cast votes
ES AllianceBernstein Sustainable Global Equity Fund	Use ISS online voting platform
Kadensa	Have appointed a proxy adviser
MI Metropolis	ISS
Polar	ISS
Sands	ISS, Glass Lewis and SES (for India holdings)
Sunriver	ISS

2.3. Examples of significant votes

When collating voting statistics, we asked managers to provide examples of significant votes cast. The tables provides a sample of responses received.

BlackRock Global Event Partners Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Where the manager voted against management, did the manager communicate their intent ahead of the vote?	Rationale / Outcome
Boeing	17/05/2024	Report on GHG Emissions	For	N/A	<p>Rationale: Key to assessing environmental risk and technological obsolescence risk as light weighting is key to fuel efficiency and customer cost containment initiatives</p> <p>Outcome: Against</p>

Cardano Global Sustainable Equity Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Where the manager voted against management, did the manager communicate their intent ahead of the vote?	Rationale / Outcome
Amazon	22/05/2024	Shareholder Proposal Regarding the Human Rights Impacts of Facial Recognition Technology	For	Yes, a letter was sent to Amazon	<p>Rationale: There are human rights risks linked to the use of facial recognition technology</p> <p>Outcome: 18.92% of shareholders supported the resolution</p>

ES Alliance Bernstein Sustainable Global Equity Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Where the manager voted against management, did the manager communicate their intent ahead of the vote?	Rationale / Outcome
Microsoft Corporation	10/12/2024	Report on AI Data Sourcing Accountability	For	No	<p>Rationale: The proposal appeared to add value to shareholders by increasing transparency and mitigating some reputational and regulatory risks that are associated with AI data sourcing. While the company does publish an AI transparency report, it includes limited information about data sourcing accountability and additional information would be value additive.</p> <p>Outcome: Failed to pass</p>

MI Metropolis

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Where the manager voted against management, did the manager communicate their intent ahead of the vote?	Voting Rationale/Outcome
Alphabet Inc.	07/06/2024	Adopt Targets Evaluating YouTube Child Safety Policies	For	The voting decision was communicated to management either before or after the meeting.	Outcome: Failed to pass with 14.24% 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 divestment 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 tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Barings

Key points	Engagement activity
Engagement Theme: Climate Crisis Industry: Maritime Outcome: <ul style="list-style-type: none"> Company is planning to incorporate an environmental strategy with KPIs on issues raised through engagement in their 2024 sustainability report 	Barings holds an investment in a global tugboats business with a large fleet operating from a network of ports. Due diligence on the issuer by their investment analyst highlighted areas of potential improvement on environmental topics. Environmental standards are expected to become increasingly important for port tender renewals requiring a leading environmental profile to reduce operational and financial risk. Barings undertook an engagement with the CEO and CFO at a conference event regarding emissions reduction. It requested that (i) the company continues to work with port authorities to install electric charging points across the port network to reduce idling emissions (ii) the company explores options for use of lower emissions fuel types on new vessels and its existing fleet. This is viewed as a multi-year engagement request with regular semi-annual interactions with senior management expected.

BlackRock Global Event Partners Fund

Key points	Engagement activity
Engagement Theme: Climate Crisis Industry: Metals Outcome: <ul style="list-style-type: none"> Improved water usage and carbon emissions through higher quality materials 	The company is a leading specialty metals producer servicing primarily the commercial aerospace market. It has pursued multi-year transformation through the exit of low quality, margin dilutive, carbon intensive, commodity steel business to higher quality specialty titanium aerospace business. The manager has successfully worked with management to improve business mix, quality and cost, which in turn has improved water usage, carbon emissions, health and safety standards--translating to an improved MSCI rating of A and material value creation from enhanced margins, top line growth and business durability.

Cardano Global Sustainable Equity Fund

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Chemical Sector</p> <p>Outcome:</p> <ul style="list-style-type: none"> Following the shareholder resolution, a dialogue was held with the company CEO, and the Norwegian government was engaged on the companies scope 3 emissions as the Norwegian government holds a significant share of the company. We continue to actively engage the company in the Shareaction-led coalition and consider further escalation. 	<p>A company in the chemical sector is being engaged on their decarbonisation efforts by Cardano and other investors in a coalition led by Share Action.</p> <p>The company is one of the companies engaged where progress has been lagging, particularly on setting a comprehensive scope 3 target.</p> <p>Cardano alongside other investors, therefore decided to escalate the engagement through a multifold strategy, including filing a shareholder resolution asking the company to set a scope 3 target. As a co-filer, we supported the resolution.</p>

ES AllianceBernstein Sustainable Global Equity Fund

Key points	Engagement activity
<p>Engagement Theme: Human Rights</p> <p>Industry: Healthcare</p> <p>Outcome:</p> <ul style="list-style-type: none"> Company disclosed that it will provide 91.5 million doses of the vaccine, improving accessibility to developing nations 	<p>Engaged with a company to understand its approach to increasing access to a cervical cancer vaccine, where much of the growth is coming from sales outside of developed countries, like China. The company has been building out manufacturing to expand supply, which should allow increased access to the vaccine by low- and middle- income countries. In AllianceBernstein's most recent engagement with management, they confirmed it is likely that the drug is not reaching higher-need/lower-income population. The company recently disclosed that it promises to provide 91.5 million doses between 2021 and 2025 and will be more accessible to low- to middle-income markets. They also disclosed an intent to explore alternative manufacturing strategies to try and fill the gap and reach these developing nations.</p>

Kadensa

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Consumer Discretionary</p> <p>Outcome:</p> <ul style="list-style-type: none"> Company has committed to targets to improve recycling and reduce water usage 	<p>Kadensa has engaged with the company with an aim to improve their ESG practices with a particular focus around (i) packaging material and waste; (ii) water stress; and (iii) health/nutrition (high sugar content drinks).</p> <p>The company has shared targets on plastics recycling (well developed in Japan and Europe, greatly lags in Southeast Asia), and water reduction targets for 2030, and has provided updated metrics on a semi-annual basis. Kadensa will continue to engage and track progress.</p>



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