

# THE HENRY BUTCHER PENSION FUND AND LIFE ASSURANCE SCHEME

## Annual Engagement Policy Implementation Statement

### Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles (“SIP”) produced by the Trustees has been followed during the year to 31 December 2024. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the SIP dated March 2023 (covering the period between 1 January 2024 and 31 December 2024).

A copy of the SIP containing the Engagement Policy is available at <https://liquidityservices.com/benefits/uk-pension-documents>.

This statement includes information on the engagement and key voting activities of the underlying investment managers of the Scheme, and also sets out how the Scheme’s engagement and voting policy has been followed during the Scheme Year in respect of the Scheme’s DB assets.

**The Trustees can confirm that all policies in the SIP on engagement in relation to the Scheme’s DB assets have been followed during the Scheme Year.**

### Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The primary objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to maximise the returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

### Investment Strategy

There were no changes to the Scheme’s investment strategy during the year to 31 December 2024.

### Review of the SIP

During the year, the Trustees did not review the Scheme’s SIP.

## **Policy on ESG, Stewardship and Climate Change**

The Trustees understand that they must consider all factors that have the potential to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and corporate governance ("ESG") factors.

The Scheme's SIP includes the Trustees' policy on ESG factors, Stewardship and Climate Change. The policies were last reviewed in March 2023. The Trustees keep their policies under regular review with the SIP subject to review at least triennially.

The Trustees have delegated responsibility for the selection, retention, and realisation of investments to their investment managers and accordingly, the Trustees seek to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the Principles for Responsible Investment ("UNPRI") (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.

The Trustees do not require the Scheme's investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

## **Voting and Engagement**

In the relevant year, the Trustees have not engaged with the underlying pooled fund manager on matters pertaining to ESG, stewardship or climate change. However, the Scheme's investment consultant, on behalf of the Trustees, reviews the stewardship and ESG policies of the fund manager periodically and reports on this to the Trustees.

## **Voting Activity**

The Trustees have delegated their voting rights to Legal & General Investment Management ("LGIM") as sole investment manager for the Scheme's assets. As a result, the Trustees do not use the direct services of a proxy voter, although the investment manager may employ the services of proxy voters in exercising their voting rights on behalf of the Trustees.

As per point 4.4 of the SIP, The Trustees believe that ESG factors have a financially 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 Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration.

The investment manager is expected to evaluate a number of factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments in line with its own corporate governance policies and current best practice.

The investment manager is also expected to provide voting summary reporting on a regular basis (at least annually), and this statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

Given the nature of the underlying assets, the voting activity was only undertaken for the following fund, the only with voting rights attached due to underlying equity investments:

- LGIM - Diversified Fund.

## **Legal & General Investment Management ('LGIM') voting policies**

### **Proxy Voting**

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ('ISS') 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

### **Significant Vote (description)**

A "Significant Vote" is defined, by the Trustees as one that relates to the Trustees' following key stewardship priorities:

- Climate Change: including low-carbon transition and physical damages resilience;
- Human Rights: including modern slavery, pay & safety in the workforce and supply chains and abuses in conflict zones;
- Diversity, Equity and Inclusion: including inclusive & diverse decision-making;

Trustees are required to report on all votes they believe are the 'most significant'. The most significant votes, detailed below, are determined by the Trustees as those that relate to material holdings (a company that represented top 10 holdings of each mandate in which the Scheme was invested during the majority of the year).

For the 12 months to 31 December 2024, the key voting activity on behalf of the Trustees was as follows:

### **LGIM - Diversified Fund**

Key votes undertaken over the period are summarised below:

- There have been 10,851 votable meetings over the year. In these meetings, there were a total of 108,048 votable proposals;
- LGIM has participated in the vote for 99.8% of the 108,048 votable proposals. In 76.7% of these votes for proposals, LGIM has indicated their support to the companies' management, while voting against 22.4% of the proposals.

## Significant Votes

Holding details	Relevance for the Trustees	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
<p><b>Company Name:</b> Apple Inc.</p> <p><b>Approximate size of holding as at the date of the vote:</b> 0.39%</p> <p><b>Date of vote:</b> 28 February 2024</p>	<p>Vote related to Diversity, Equity and Inclusion on a Top10-holding.</p>	<p><b>Voted Against</b> Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy</p>	<p>Environmental and Social: A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.</p>	<p>Resolution passed.</p> <p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
<p><b>Company Name:</b> Shell Plc.</p> <p><b>Approximate size of holding as at the date of the vote:</b> 0.33%</p> <p><b>Date of vote:</b> 21 May 2024</p>	<p>Vote related to Climate change on a Top10-holding.</p>	<p><b>Voted Against</b> Approve the Shell Energy Transition Strategy.</p>	<p>Climate change: A vote against is applied. LGIM acknowledges the substantive progress the company has made in respect of climate related disclosure over recent years, and views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, LGIM would benefit from further transparency regarding lobbying activities in</p>	<p>Resolution Passed.</p> <p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>

Holding details	Relevance for the Trustees	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
			regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonisation strategy.	
<p><b>Company Name:</b> Tencent Holdings Limited</p> <p><b>Approximate size of holding as at the date of the vote:</b> 0.25%</p> <p><b>Date of vote:</b> 14 May 2024</p>	Vote related Climate change on a Top10-holding.	<b>Voted Against</b> Elect Charles St Leger Searle as Director	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.	Resolution Passed.  LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
<p><b>Company Name:</b> BHP Group Limited</p> <p><b>Approximate size of holding as at the date of the vote:</b> 0.23%</p> <p><b>Date of vote:</b> 30 October 2024</p>	Vote related to Climate change on a Top10-holding.	<b>Voted For</b> Approve Climate Transition Action Plan	Climate Change: The critical minerals that mining companies provide are essential to the energy transition. It is clear that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner, and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with LGIM's framework for assessing mining company transition plans. Therefore, LGIM will be supporting BHPs CTAP. Going forwards, LGIM will assess the disclosure of progress on BHPs plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. LGIM will also continue to engage with BHP to ensure resilience whilst navigating	Resolution Outcome unknown.  LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Holding details	Relevance for the Trustees	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
			the dynamic market for metallurgical coal.	
<p><b>Company Name:</b> National Grid Plc</p> <p><b>Approximate size of holding as at the date of the vote:</b> 0.23%</p> <p><b>Date of vote:</b> 10 July 2024</p>	Vote related to Climate change on a Top10-holding.	<b>Voted For</b> Approve Climate Transition Plan	Climate Change: LGIM is voting in favour of the National Grid Climate Transition plan. LGIM commends the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5°C-aligned near term science-based targets. LGIM also appreciates the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating.	<p>Resolution Passed.</p> <p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>
<p><b>Company Name:</b> Apollo Global Management, Inc.</p> <p><b>Approximate size of holding as at the date of the vote:</b> 0.21%</p> <p><b>Date of vote:</b> 24 June 2024</p>	Vote related to Diversity, Equity and Inclusion on a Top10-holding.	<b>Voted Against</b> Elect Director A.B. Krongard.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.	<p>Resolution Passed.</p> <p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>