

Heart of England Co-operative Society Pension Scheme

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustee of the Heart of England Co-operative Society Pension Scheme (“the Scheme”) has followed its policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 5 April 2023 (“the reporting year”). In addition, this Statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Statement of Investment Principles

The Scheme’s Statement of Investment Principles (“SIP”) has been in place since September 2020. This version of the SIP was put in place to outline the Trustee’s policy in relation to environmental, social and governance (“ESG”) and voting practices in compliance with regulations that took effect from 1 October 2020. No changes had been made to the SIP during the reporting period.

During the reporting year, the Trustee was satisfied that it followed its policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

The SIP is to be updated later in 2023 following the completion of the investment strategy review, currently underway at the reporting year end.

Manager selection exercises

One of the main ways in which the latest policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS Investment on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustee commissioned XPS Investment to undertake an investment strategy review with the aim of assessing the Scheme’s ability to meet the Trustee’s long-term objectives (in line with the SIP), as well as ensuring the effectiveness of the current liability hedging portfolio. The review was triggered following significant volatility experienced in gilt markets during September/October (‘Gilt crisis’) and the impact that market movements had on the strategic asset targets set out in the current SIP.

As part of the investment strategy review, XPS Investment also assessed the Scheme’s liability driven investment (LDI) investment manager’s ability to manage the portfolio and advised the Trustee to consider a move to an alternative investment manager, namely Legal and General Investment Management (LGIM). As at Scheme year end, discussions were ongoing between the Trustee and XPS Investment, with changes expected to be implemented later in 2023.

Ongoing governance

The Trustee, with the assistance of XPS Investment, monitors the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee’s requirements as set out in this Statement. Further, the Trustee has set XPS Investment the objective of ensuring that any selected managers reflect the Trustee’s views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustee believe that its approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustee has not to date, introduced specific stewardship priorities, it will monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme did not have a specific allocation to equities as at reporting year end. Investments in public equities will however, form part of the strategy of the LGIM Dynamic Diversified Fund in which the Scheme invested over the period.

There are no voting rights attached to the Scheme's holding in the BlackRock Strategic Alternative Income Fund or for the Scheme's credit-based assets, such as the BlackRock Buy and Maintain ESG Vintage Fund, Sterling Short Duration Credit Fund or the BlackRock Leveraged Gilt and Index Linked Gilt Funds.

A summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below. These summaries have been provided by the investment manager and any reference to our / we relates to Legal and General Investment Management.

Voting Information
LGIM Dynamic Diversified Fund
The manager voted on 99.83% of resolutions of which they were eligible out of 99,647 eligible votes.
Investment Manager Client Consultation Policy on Voting
<p>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.</p> <p>Every year, LGIM 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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.</p>
Investment Manager Process to determine how to Vote
<p>All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</p>
How does this manager determine what constitutes a 'Significant' Vote?
<p>As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.</p> <p>For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.</p> <p>In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:</p> <ul style="list-style-type: none"> • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's

annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;

- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

Does the manager utilise a Proxy Voting System? If so, please detail

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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Royal Dutch Shell Plc	Resolution 20 - Approve the Shell Energy Transition Progress Update	Against	79.9%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Rio Tinto Plc	Resolution 17 - Approve Climate Action Plan	Against	84.3%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Prologis, Inc.	Resolution 1a - Elect Director Hamid R. Moghadam	Against	92.9%

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Consolidated Edison, Inc.	Resolution 1.9 - Elect Director Michael W. Ranger	Against	89.2%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
VINCI SA	Resolution 4 - Reelect Xavier Huillard as Director	Against	90.8%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			

Note: LGIM Dynamic Diversified Fund voting data is as at 31 March 2023.

Adopted on behalf of the Trustee.