

## THE HANOVER ACCEPTANCES GROUP PENSION SCHEME

### IMPLEMENTATION STATEMENT

#### For the year ended 31 March 2023

This is the Implementation Statement prepared by the Trustees of the Hanover Acceptances Group Pension Scheme (“the Scheme”) and sets out:

- How the Trustees’ policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, including information regarding the most significant votes over the year to 31 March 2023.

#### How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds, and as such delegate’s responsibility for carrying out voting and engagement activities to the Scheme’s fund manager.

The Trustees undertook a review of the stewardship and engagement activities of the investment manager in mid-2019 and were satisfied that their policies were reasonable and no remedial actions was required at the time. The Trustees reviewed the Equity portfolio over the year to 31 March 2022. Although no changes were made, the Trustee was able to review the current portfolio against wider market alternatives including funds with a more explicit ESG focus. The Trustees remain satisfied with the current investment manager's engagement.

Annually the Trustees receive and review voting information and engagement policies from the asset manager, which we review to ensure alignment with our own policies. Additional information on the voting and engagement activities carried out for the Scheme’s investments are provided on the following pages. The Trustees and their investment consultant are working with the fund manager to improve the availability and quality of information included in future Implementation Statements.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund manager are in alignment with the Scheme’s stewardship policies.

#### Stewardship policy

The Trustees’ Statement of Investment Principles (“SIP”) in force at 31 March 2022 describes the Trustee’s stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2020 and has been made available online here:

<https://schemedocs.com/hanover-acceptances-statement-investment-principles.html>

At this time, the Trustee has not set stewardship priorities or themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

The Trustees reviewed the voting policies of funds in which they are invested with State Street Global Advisors (“SSGA”). The Trustees were satisfied with SSGA’s use of screening methodology and type of asset to exclude Controversies and controversial weapons from the funds.

#### VOTING DATA

Voting only applies to equities held in the portfolio. The Scheme’s equity investments are held through a pooled fund, and as such the investment manager of this fund votes on behalf of the Trustees. The use of a pooled fund means that there is limited scope for the Trustees to influence voting.

The table below provides a summary of the voting activity undertaken by the Scheme’s investment manager during the year to 31 March 2023.

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### IMPLEMENTATION STATEMENT (continued) For the year ended 31 March 2023

Fund name	State Street Global (50/50) ESG Screened Index Equity Sub-Fund
<b>Structure</b>	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
<b>Number of company meetings the manager was eligible to vote at over the year</b>	3,452
<b>Number of resolutions the manager was eligible to vote on over the year</b>	43,623
<b>Percentage of resolutions the manager voted on</b>	99.2%
<b>Percentage of resolutions the manager abstained from</b>	1.1%
<b>Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on</b>	90.4%
<b>Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on</b>	9.6%
<b>Percentage of meetings, for which the manager did vote, they voted at least once against management</b>	59.1%
<b>Proxy voting advisor employed</b>	Institutions shareholder Services ("ISS")
<b>Percentage of resolutions voted contrary to the recommendation of the proxy advisor as a percentage of the total number of resolutions voted on</b>	7.7%

*SSGA count votes of Abstain as a vote of abstain but also as a Vote Against Management and hence Vote with management, vote against management and abstain from voting add up to more than 100%.*

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### IMPLEMENTATION STATEMENT (continued)

For the year ended 31 March 2023

#### SIGNIFICANT VOTES

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities. At this time, the Trustee has not set stewardship priorities for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities.

The manager has provided a long list of data on votes that they deem significant. The Trustees have selected ten votes from this longer list based on the largest holdings within this.

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5
<b>Company name</b>	Royal Dutch Shell Plc	BP Plc	Microsoft Corporation	Amazon.com, Inc.	Tesla Inc.
<b>Meeting date</b>	24 May 2022	12 May 2022	13 Dec 2022	25 May 2022	4 August 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	3.8%	1.7%	0.9%	0.5%	0.4%
<b>Summary of the resolution</b>	Green House Gas (“GHG”) Emissions	GHG Emissions	Report on Climate Change	Facility Safety	Community - Environment Impact
<b>How the manager voted</b>	Against	Against	Against	Against (by Abstain)	For
<b>Rationale for the voting decision</b>	This proposal does not merit support as the company's disclosure and/or practices pertaining to GHG emissions are reasonable.	This proposal does not merit support as the company's disclosure and/or practices pertaining to GHG emissions are reasonable.	This proposal does not merit support as the company's disclosure and/or practices pertaining to GHG emissions are reasonable.	SSGA is abstaining on the proposal as the company's disclosure and/or practices related to facility safety are broadly in line with market standard but could be enhanced.	This proposal merits support as the company's environmental disclosure and/or practices can be improved.
<b>Outcome of the vote</b>	80% Against	85% Against	89% Against	87% Against	64% Against
<b>Implications of the outcome</b>	Where appropriate SSGA contact the company to explain their voting rationale and conduct further engagement.				
<b>Criteria on which the vote is considered “significant”</b>	Environmental Proposal	Environmental Proposal	Environmental Proposal	Environmental & Social Proposal	Environmental Proposal

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### IMPLEMENTATION STATEMENT (continued)

For the year ended 31 March 2023

	Vote 6	Vote 7	Vote 8	Vote 9	Vote 10
<b>Company name</b>	Standard Chartered Plc	Alphabet Inc.	Flutter Entertainment Plc	Halma Plc	Meta Platforms, Inc.
<b>Meeting date</b>	4 May 2022	1 June 2022	28 April 2022	21 July 2022	25 May 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.4%	0.3%	0.3%	0.2%	0.2%
<b>Summary of the resolution</b>	Approve Remuneration Policy	Establish Environmental/Social Issue Board Committee	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation	Miscellaneous Proposal - Environmental & Social
<b>How the manager voted</b>	Against (by Abstain)	Against	Against	Against	Against
<b>Rationale for the voting decision</b>	This proposal merits qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.	This item does not merit support due to concerns with the terms of the proposal.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This item did not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This proposal does not merit support as the company's disclosure and/or practices pertaining to the item are reasonable.
<b>Outcome of the vote</b>	69% For	95% Against	68% For	67% For	90% Against
<b>Implications of the outcome</b>	Where appropriate SSGA contact the company to explain our voting rationale and conduct further engagement.				
<b>Criteria on which the vote is considered "significant"</b>	Compensation	Environmental & Social Proposal	Compensation	Compensation	Environmental & Social Proposal

As can be seen above, SSGA do not provide substantial detail on their criteria for significant votes. This is because SSGA delegate significant voting and engagement guidelines to the proxy voting provider. They update these annually and the updated guidelines as at March 2023 are available here <https://www.ssga.com/library-content/pdfs/asr-library/summary-material-changes-ssga-proxy-voting-and-engagement.pdf>

SSGA publish their voting record online for reference on the following website: <https://vds.issgovernance.com/vds/#/MTA1/>

## THE HANOVER ACCEPTANCES GROUP PENSION SCHEME

### IMPLEMENTATION STATEMENT (continued)

For the year ended 31 March 2023

#### Fund manager engagement

State Street have provided the following information at a firm level and only for the year to 31 December 2022 (Q1 2023 data not available at the time of writing). We are working with State Street to obtain consistent, up to date fund level engagement data in the future.

Manager	State Street Global Advisors
Fund name	(50/50) ESG Screened Index Equity Sub-Fund MPF UK Index Linked Gilts Over 15 Years Index Sub-Fund Sterling Non-Gilts Bond All Stocks ESG Screened Index Sub-Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	The investment manager did not provide this information.
Number of engagements undertaken at a firm level in the year	956

The investment manager publishes a quarterly stewardship activity report which includes summaries of engagement and voting activities as well as an annual stewardship report for the calendar year. The 2022 Asset Stewardship report which showcases the engagement and voting activity for the year can be found at the following link: <https://www.ssga.com/library-content/pdfs/asset-stewardship/asset-stewardship-report-2022.pdf>  
Highlights of some of their engagements have been given below.

#### **BHP Group Plc & BHP Group Ltd**

##### **Background**

On 17 August 2021, BHP Group announced its intention to collapse its 20 year-old dual listed company structure (“DLC”). The proposed unification plan will see the two parent companies BHP Group Plc, listed on the London Stock Exchange (LSE) and BHP Group Limited, listed on the Australian Stock Exchange (ASX), combined into a single company incorporated in Australia with a primary listing on the ASX. The unification will involve an exchange of Plc shares for Limited shares on a one-for-one basis resulting in Limited becoming the sole parent company of the BHP Group. The company will have a standard listing on the LSE and will drop out of the FTSE100 index.

##### **Activity**

In January 2022, SSGA Asset Stewardship team met with the Chief Executive Officer to further understand the company’s rationale for unification and advocate for a corporate structure that provided the most long term value to investors.

##### **Outcome**

On 20 January 2022, both BHP Group Plc & BHP Group Ltd held shareholder meetings to approve the unification. State Street along with around 96% of both UK and Australian shareholders voted in support of the unification.

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### IMPLEMENTATION STATEMENT (continued)

For the year ended 31 March 2023

#### **Bloomin' Brands, Inc.**

##### **Background**

SSGA hold the view that board members should be re-elected annually as best practice. The annual election structure maximises director accountability to investors and provides shareholders with regular opportunities to evaluate the board's performance. Philosophically, many investors are aligned as reflected by the first principle of the Investor Stewardship Group's "Corporate Governance Principles for US Listed Companies" which emphasises that effective board accountability necessitates annual director elections.

##### **Activity**

At the company's 2020 annual meeting, the board and management of Bloomin' Brands, Inc. recommended that investors vote against a shareholder resolution asking the company to declassify the board. SSGA supported the resolution and prior to the following annual meeting in 2021, engaged with both independent board members and senior management of Bloomin' Brands. During the conversation, SSGA shared their views on governance best practices highlighting the importance of investors' ability to vote for members of the board on an annual basis.

##### **Outcome**

At the May 2021 annual meeting, Bloomin' Brands filed a management resolution to declassify the board of directors and the board directed investors to vote in favour of the proposal. The management resolution calling for annual elections for the board of directors received 77% support from investors and allowed the board to amend the corporate bylaws to eliminate the classified board structure. In the company's 2022 proxy statement, Bloomin' Brands disclosed the phasing out of the staggered board structure and that the class of directors elected at the current year's annual meeting will have a one-year term.

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