

Hays Pension Scheme ('the Scheme')

Annual Engagement Policy Implementation Statement – Year to 30 June 2022

1. Introduction

This statement sets out how, and the extent to which, the Scheme's Engagement Policy has been followed during the year running from 1 July 2021 to 30 June 2022 (the "Scheme Year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant version of the Statement of Investment Principles ("SIP") that was in place during the Scheme Year, which was the SIP dated December 2021.

Section 2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the Statement of Investment Principles ("SIP") during the Scheme Year, respectively.

A copy of the SIP is available at [Document store - Pension Scheme - Hays \(hayspensionscheme.com\)](https://hayspensionscheme.com)

Section 5 includes information on the key engagement and 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. The Trustee can confirm that all policies in the SIP on investment rights (including voting) and engagement have been followed during the Scheme Year.

2. Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

The primary objective of the Scheme is to provide pension and lump-sum benefits for members on their retirement and/or benefits on death, before or after retirement, and for their dependents.

The Scheme consists of a defined benefit section and in addition the Trustee is responsible for the investment of the assets relating to Additional Voluntary Contributions (AVCs) previously made by members.

Further objectives for the Scheme specified in the SIP centers on a long-term target for the funding of the Scheme such that once met:

- dependency on the covenant of the Principal Employer will be significantly reduced;
- the Trustee's investment strategy is progressively to de-risk and manage towards achievement of a target return implied by a "self-sufficiency" funding basis using an effective liability valuation discount rate of gilts minus 0.1% p.a. as a proxy for the buy out target in 2028; and
- other material risks (e.g. longevity) will be reduced as appropriate.

3. Review of the SIP

The Trustee keeps their policies under regular review, with the SIP subject to review at least triennially, and usually annually.

During the year to 30 June 2022, the Trustee reviewed and formally adopted a new SIP in December 2021. The main change to the SIP was to document the updated long-term funding target basis of gilts minus 0.1% p.a. from gilts minus 0.2% p.a. in the previous SIP dated October 2020.

4. Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's policy on ESG factors, stewardship and climate change. This policy sets out the Trustee's high-level beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship.

The Scheme's investment performance report includes specific ESG ratings from the Scheme's investment consultant, which are monitored on a quarterly basis. When implementing a new manager the Trustee would consider the ESG rating of the manager.

The Trustee acknowledges that managers in areas such as fixed income (particularly in relation to LDI) may not have a high ESG rating assigned by the investment consultant due to the nature of the asset class, where it is harder to engage with the issuer of debt.

Over the year, the Trustee has received presentations from each of the four investment managers on their ESG processes and key voting (where relevant) and engagement activity. The Trustee, via the Investment Sub Committee ("ISC"), has also increased its focus on further understanding the actions being taken and targeted by investment managers with respect to this area within their own organisations.

The ISC have also spent time at their quarterly meetings on various ESG related work streams. This has included the annual manager ESG ratings review, initial exploratory work on carbon metrics and data and further refining the Scheme's policy in relation to Social considerations.

5. Voting and Engagement

As noted, the Trustee looks to meet with each of its managers on a regular basis (annually if possible), at which point the Trustee may ask the investment managers to highlight key voting (where applicable) and engagement activity, and the impact on the portfolio. Given the Scheme no longer invests in actively managed physical equity mandates, voting is only expected to be relevant to a small proportion of assets going forwards (i.e. the Nordea absolute return mandate).

Voting Activity

The Trustee has delegated their voting rights to the investment managers. Where applicable, investment managers are expected to provide voting summary reporting on a regular basis, at least annually.

The Trustee does not use the direct services of a proxy voter.

Over the year to 30 June 2022, the key voting activity on behalf of the Trustee was as follows:

Nordea Diversified Return Fund

Key votes undertaken over the period are summarised below:

- There were 200 votable meetings over the year, of which Nordea voted in 197 of these meetings on behalf of the Trustee.
- Nordea was eligible to vote on 2,522 proposals, for which they cast votes on c.99%. Of these proposals, c.87% were in favour of management, c.11% against management and they abstained or withheld for c.1% of the proposals.

The most significant votes can be summarised as follows:

Company	Date of vote	How the Manager voted	Rationale of Manager vote	Final outcome following the vote
Johnson & Johnson	28/04/22	For	Voted for on a report for government financial support and access to COVID-19 vaccines and therapeutics because reporting on the impact of public funding on the company's pricing and access plans would allow shareholders to better assess the company's management of related risks.	Against
Oracle	10/11/21	Against	Voted against an advisory vote to ratify named executive officers' compensation because the manager thinks that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. Nordea also voted against re-election of the proposed board members in the Compensation Committee.	For
Nike	06/10/2021	For	Nordea supported a number of shareholder proposals, including a report on the Gender pay Gap, a report on Political Contributions Disclosure, a report on Human Rights Impact Assessment and a report on Diversity and Inclusion Efforts.	Against
Microsoft	30/11/2021	For	Nordea supported a number of shareholder proposals, including a report on the Effectiveness of Workplace Sexual Harassment Policies, a report on the Gender/Racial Pay Gap, a report on Implementation of the Fair Chance Business Pledge and a report on Lobbying Activities Alignment with Company Policies.	For

Engagement Activity

The Trustee's investment consultant has requested, on behalf of the Trustee, that the investment managers confirm compliance with the principles of the UK Stewardship Code.

The majority of the Scheme's investment managers (c. 93% of assets under management as at 30 June 2022, excluding the bulk annuity policy) confirmed that they are signatories to the current UK Stewardship Code. Nordea confirmed that they have applied to become a signatory of the UK Stewardship Code on 26 April 2022, with results to be announced on whether the application was successful in September 2022.

The Trustee's investment consultant has requested, on behalf of the Trustee, details of relevant engagement activity for the period from each of the Scheme's investment managers.

The Scheme's investment managers engaged with companies over the period on a wide range of different issues including ESG matters. This included engaging with companies on climate change to ensure that companies were making progress in this area and better aligning themselves with the wider objectives on climate change in the economy (e.g. those linked to the Paris agreement). The Scheme's investment managers provided examples of instances where they had engaged with companies they were invested in or about to invest in which resulted in a positive outcome. These engagement initiatives are driven mainly through regular engagement meetings with the companies that the investment managers invest in or by voting on key climate-related resolutions at companies' Annual General Meetings.