

Engagement Policy Implementation Statement

HPC Pension Plan (“the Scheme”)

Defined Benefit (“DB”) Section October 2020 Introduction Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, the Trustees are required to produce an annual Implementation Statement, setting out how the stewardship, voting and engagement policies described in the Statement of Investment Principles (“SIP”) have been followed.

This statement is produced by the Scheme’s Trustees and it is intended to meet the updated regulations and will be included in the Scheme’s Annual Report & Accounts and made public online. This Statement only relates to the DB Scheme (there are no DC elements to the DB Scheme).

This Implementation Statement covers the Scheme’s accounting year to 5 April 2023 and should be read in conjunction with the SIP valid from 1 October 2019, which is currently under review, these documents can be accessed here:

<https://www.hpccompressors.co.uk/about-hpc/accreditations-policies-terms-statements/hpc-plc-statements/>

Summary of how investment decisions are taken.

The investment strategy is set with the aim of ensuring that the Scheme can meet its obligations to the beneficiaries when they fall due. The Trustees attempt to minimise the risk of not meeting this objective through the agreed contributions schedule and the level of expected return on the assets.

The Trustees will seek guidance and written advice from its investment adviser as appropriate when undertaking these activities. The Trustees manage the Scheme’s investment strategy in accordance with the policies set out in the SIP.

Changes to the SIP over the period

It is intended that the SIP investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, at the time of preparing this statement the SIP is under review. In reviewing strategy, the Trustees will seek written advice as required.

The SIP was last reviewed updated in September 2019 to comply with amendments to investment regulations applying to occupational pension schemes that require inclusion of specific policies on:

- Financially material considerations, including (but not limited to) those arising from Environmental, Social and Governance (“ESG”) considerations, including climate change.
- The extent to which non-financial matters are taken into account when making decisions regarding the selection, retention and realisation of investments.
- The undertaking of engagement activities in respect of investments held. There were also some minor clarifications and updates to existing investment strategy policy.

The SIP states: “The Trustees recognise that environmental, social and governance (ESG) considerations are among the many factors that can have an impact on the performance of its investments. The Trustees recognise the importance of the ethical management of ESG risks, particularly for a portfolio-wide issue like climate change, can add value to its portfolio.”

The Trustee’s investment managers provide quarterly updates on the performance of investments. Taking account of these updates, the Trustees did not make any changes to its investment strategy or managers as a result of those updates. Over the period the Trustees did not factor non-financial decisions (such as ethical or moral beliefs) into their investment decision-making, in line with the SIP.

In terms of stewardship, the SIP confirmed that direct engagement with underlying companies is carried out by the Scheme's investment managers as appropriate, and when required the investment adviser assesses the ability of each investment manager in engaging with underlying companies in order to promote the long-term success of the investments. Engagement is factored into the decision-making process to the appropriate level for the specific asset class in question. No other changes were made to the SIP over the period.

Investment Governance:

There were no changes to the Scheme's governance structure relating to the DB Scheme over the year to 5 April 2023:

The Trustees are satisfied that the investment governance of the Scheme is consistent with the Statement of Investment Principles and is appropriate for the circumstances of the Scheme.

Investment Strategy and Risk Management:

The Trustees keep the investment strategy under review and did not make any material changes during the period to 5 April 2023.

One investment manager withdrew from the pension market, the divested funds were moved from equities to an LDI hedging fund in line with the long-term funding strategy of the scheme. The Trustees monitor several investment risks including those outlined in the SIP, when required, with the help of its investment adviser. The adviser provides reports incorporating information obtained from the investment managers. The Trustees are satisfied that the implementation of the investment strategy and risk management for the Scheme is consistent with the Statement of Investment Principles and is appropriate for the circumstances of the Scheme.

The total Pension Plan investment return in the year was -16.84% (2022: 2.28%). The change in value was driven by changing gilt prices in Autumn 2022 following changes in political leadership and subsequent announcements in a mini-budget causing markets to react negatively. A technicality in liability-driven investment (LDI) strategies adopted by pension funds was a key driving force behind the long-dated gilt selloff. Gilt markets have since stabilised.

Stewardship, engagement and voting behaviour

No voting rights in relation to the Scheme's investments have been exercised by trustees during the year.

The Scheme's equity investments are held through pooled vehicles and the Trustees do not directly exercise voting rights. Voting decisions are exercised by the manager and are strategic decisions made in line with their investment and corporate governance policies. The investment institutions disclose their voting and engagement records on their websites.

Concluding remarks

The Trustees are comfortable that the policies in the SIP have been followed over the year to 5 April 2023.

The Trustee will disclose additional information, as appropriate, in next year's Engagement Policy Implementation Statement, to cover the policy changes reflected in the most recent SIP update.

Date: 2 October 2023