

## **Hewlett-Packard Limited Retirement Benefits Plan**

### **Annual Engagement Policy Implementation Statement**

#### **Introduction**

This statement sets out how, and the extent to which, the Engagement Policy and policy in relation to the exercise of the rights (including voting rights) in the Statement of Investment Principles (the “SIP”) produced by the Trustee of the Hewlett-Packard Limited Retirement Benefits Plan (the “Plan”) has been followed during the year to 31 October 2024. 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 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

The Plan’s Additional Voluntary Contribution (AVC) arrangements are not considered in this statement as they are not considered to be material in the context of the Fund’s investments.

#### **Investment Objectives of the Plan**

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 Plan outlined in the SIP is to provide, on a defined benefits basis, pension and lump sum benefits for members on their retirement, or benefits on death, before or after retirement, for their dependents.

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

The Plan’s SIP includes the Trustee’s policy on Environmental, Social and Governance (“ESG”) factors, stewardship and Climate Change. This policy sets out the Trustee’s beliefs on ESG and climate change and the processes followed by the Trustee in relation to voting rights and stewardship. The Trustee keeps the policies under regular review with the SIP subject to review every 3 years, but in practice this is expected to be done more frequently.

The SIP was most recently reviewed in June 2024 and a copy can be found here:

[Statement of Investment Principles - Hewlett-Packard Limited Retirement Benefits Plan](#)

#### **Compliance with this Statement**

During the 12 months to 31 October 2024, the Plan made a number of changes to its portfolio:

- The M&G Long Dated Assets Fund III (M&G LDAF) was terminated.
- As part of the termination of the M&G LDAF, the underlying holdings in the M&G Secured Property Income Fund (SPIF) and Secured Lease Income Fund (SLIF) were split out from the LDAF structure and held directly by the Plan.
- Subsequently, the holdings in the SPIF and SLIF were also terminated. Redemption proceeds from these holdings had not been distributed as at year-end.
- A new investment in the J.P. Morgan Infrastructure Investments Fund (IIF) was also made during the period.

Over the 12 months to 31 October 2024 the Plan held ‘synthetic’ exposure to equity markets, which is achieved via Total Return Swaps (TRS) on the MSCI All Country World Index. As the Plan does not directly (via a segregated equity mandate) or indirectly (via a pooled equity

mandate) hold shares in individual companies, it does not have voting rights in relation to this equity market exposure.

## **Engagement**

As set out in the SIP, the Trustee has given the investment managers full discretion in evaluating ESG factors, including climate change considerations. The Trustee considers how ESG, climate change and stewardship is integrated within investment processes when appointing new investment managers and monitoring existing managers.

The Trustee has elected to invest a portion of the Plan's assets through segregated mandates and has specified criteria in the investment management agreements for the manager to invest in-line with. The criteria align with the Trustee's specific investment requirements.

Voting and engagement policies and activities are most relevant for mandates where equities are held directly or indirectly. These policies are less applicable for the Plan's LDI portfolio, credit mandates and private debt holdings, and do not apply for synthetic equity. The Plan's investment managers provided the following responses in relation to voting and engagement:

- **Apollo Global Management ("Apollo")** is not a signatory of the 2020 UK Stewardship Code. Apollo's credit team identifies and addresses ESG risks and opportunities through its engagement with issuers. Once an investment is made, if the context warrants, material risks and opportunities are monitored as appropriate concurrently with periodic reviews of the credit position. To stay abreast of relevant developments, investment teams may also monitor public issuer filings and media reports, attend industry conferences, and/or review actual or estimated ESG data and research provided by internal teams or third-party vendors. The Company leverages its credit risk assessment processes to identify where ESG factors may present a significant risk to an entity's long-term financial performance or reputation. In cases where risks or potential opportunities are identified, investment teams, in collaboration with the dedicated ESG Credit Team, may raise the relevant issue(s) directly and with an issuer's management team or board of directors with the goal of driving value creation or meeting stakeholder needs.

Where Apollo investment teams have engaged with an entity on a particular issue, Apollo evaluates the entity's response concurrently with ongoing monitoring of that entity. In cases where stewardship efforts prove unsuccessful in addressing risk that can have a material impact on investment performance, Apollo may decide to decrease position size or divest to meet its fund and/or strategy requirements.

**Engagement example:** Apollo engaged with Adapa GmbH in November 2023, a company that focuses on packaging solutions, primarily serving the food, tobacco, hygiene, and pharmaceutical sectors. Apollo contacted the company to discuss the circular economy and plastics. Adapa reported a significant shift from plastics to paper-based products, driven largely by consumer demand and regulatory pressures. Within the plastics sector, the company is observing a growing trend towards designing products for recyclability, particularly polyethylene and polypropylene, in response to regulations mandating that all packaging types be recyclable.

- **M&G Investments ("M&G")** is a signatory of the 2020 UK Stewardship Code. M&G's engagement process aims to achieve specific objectives, which will vary according to the invested asset, depending on the reason for which M&G is engaging. For both the Real Estate Debt Fund ("REDF") and Long Dated Asset Fund ("LDAF"), M&G stresses the importance of assessing ESG and improving ESG outcomes but notes that as a debt holder it does not have the same level of control as an equity holder. SPIF and

SLIF invest in real estate, and M&G regularly interacts with tenants at the asset level, typically meeting with the Head of Property, CFO, or Head of Sustainability. Both funds engage with tenants quarterly to discuss ESG initiatives, including net zero targets and energy efficiency.

**Engagement example (REDF):** M&G financed a portfolio of hotel properties in January 2023. ESG issues were prioritised as part of the loan term negotiation and environmental performance will be closely monitored throughout the loan term. As part of the loan agreement, the borrower is required to obtain new Energy Performance Certificates (“EPC”) by 2025. If any of the properties receive a rating of 'C' or lower, as a result of the negotiations around the financing of the properties, the sponsor will be obligated to develop a strategy to improve the EPC rating to 'B' within the next two years. During the year to 31 October 2024, the sponsor commissioned new EPCs to be undertaken, and M&G have been monitoring this as per the agreement.

**Engagement example (LDAF):** M&G held a call regarding biodiversity with chemicals company Johnson Matthey PLC in February 2024. M&G sought to obtain enhanced disclosure regarding their strategy for meeting water-related targets and to ensure that nature-related risks are adequately considered and addressed throughout their value chain. Johnson Matthey planned to refresh its strategy in the upcoming Annual Report, released in early June 2024. This report outlined principles developed in collaboration with an NGO, as well as their strategy and approach to climate and nature. They confirmed that the report would include disclosures on their water strategy aimed at achieving targets and detail how nature-related risks will be considered and managed throughout the value chain.

**Engagement example (SPIF):** M&G has engaged with tenant, Anglo American and its subsidiary De Beers,, to better align their ESG objectives, particularly focusing on social factors. M&G has identified the potential for a Building Research Establishment Environmental Assessment Methodology (BREEAM) assessment and a Net Zero report, which may be conducted in future on the relevant portfolio assets. M&G is also exploring further environmental initiatives, including the installation of more photovoltaic cells, which will support applications to the local planning authority.

**Engagement example (SLIF):** M&G and tenant, Atlas , are aligned in their ESG goals, focusing on reducing energy usage and waste, as well as a potential rollout of electric vehicle (EV) charging stations. Atlas is reviewing proposals from three EV providers..

- **Goldman Sachs Asset Management (“GSAM”)** is a signatory of the 2020 UK Stewardship Code. GSAM is committed to promoting and exercising effective stewardship among the companies represented in the portfolios it manages on behalf of its clients. GSAM evaluates companies’ corporate strategies, investment and financing activities, management incentives, resource use, regulatory policies, and environmental impact, as well as overall effect on and engagement with consumers, workers, and the communities in which they operate to assess and promote long-term value creation. The GSAM Stewardship Team drives the continued enhancement of GSAM approach to stewardship and serves as a dedicated resource to their investment teams globally.

GSAM have not been able to provide engagement examples as at the time of writing.

- **Insight Investment (“Insight”)** is a signatory of the 2020 UK Stewardship Code. Financial materiality has always been at the core of why Insight has engaged with institutions. ESG factors can drive engagement where the analysts believe them to have financial relevance. Insight also engages on ESG issues where it thinks it can

influence improved behaviour, providing it is not detrimental to the return potential of the investment it makes.

**Engagement example (Asset Backed Securities):** Insight engaged with Rockfort Towers, a company involved particularly in the context of collateralized loan obligations (CLOs). The engagement aims to collaborate with the CLO manager to implement a more rigorous ESG framework within the CLO structure. This engagement started in Q1 2024, relating to the reset transaction of an existing CLO issue. The ESG portfolio limit score had one of the weakest scores amongst its peers according to Insight's ESG framework, highlighting an engagement opportunity.

Insight engaged with the originator to encourage them to amend the terms of the reset deal and Rockfort Towers agreed to amend the deal terms and to introduce appropriate changes to their documentation. The amended deal then scored in the top quartile for ESG framework under Insight's proprietary methodology.

**Engagement example (Buy and Maintain Credit):** In Q3 2024, Insight engaged with Engie SA to investigate its carbon offset plans. Engie is a France-based global energy and services group that provides the generation and marketing of electricity from various energy sources, including gas and coal, while also covering all renewable energy sources. Insight closely monitor Engie's decarbonisation journey, as it is a significant contributor to Insight's financed emissions, ranking within the top 50% of financed emissions. The company has set ambitious targets, including achieving net zero by 2045, and it also envisions incorporating carbon capture and storage (CCS) technology into its decarbonisation strategy. Insight's engagement aimed to gain insights into Engie's CCS plans.

Insight believes the issuer's disclosures regarding its use of carbon capture and storage (CCS) are weak, and it lacks key performance indicators (KPIs) for limiting offsets used to achieve its decarbonization targets. The manager recommended that the issuer enhance its disclosures about planned CCS studies and have provided guidance on best practices.

- **PIMCO** is a signatory of the 2020 UK Stewardship Code. PIMCO prioritises issuers for engagement where financial exposure, influence and thematic exposure are material. PIMCO identifies the top three to five topics for each issuer based on its internal ESG assessment, external ESG data, research by Non-Governmental Organizations (NGOs), and expertise input from collaborative initiatives.

In portfolios that follow sustainability strategies and guidelines, PIMCO can aim to engage intensively with the issuers in the portfolio to help influence ESG policies and drive more sustainable business practices. For portfolios that do not follow sustainability strategies and guidelines, this engagement is focused on material ESG issues that can have significant impacts on the credit profile of the issuer.

**Engagement example:** PIMCO has engaged with Ford, a significant US-based automobile manufacturer, regarding its sustainability strategy and green bond program, particularly focusing on mitigating sustainability risks during the transition to battery electric vehicles (EVs).

In H2 2023, discussions covered key topics such as EPA emissions rulemaking, investments in Internal Combustion Engine (ICE) vehicles, and Just Transition initiatives. The issuer acknowledged the need for better charging signage and standardization to support the transition to EVs. Additionally, they highlighted existing

reskilling and upskilling programs, with a recommendation to improve disclosure on these efforts.

Progress has been made in climate lobbying transparency and Just Transition planning, as the company now provides qualitative disclosures related to Just Transition. However, quantitative disclosures still require enhancement, which will be a focus in future engagements planned for Q4 2025.

- **JP Morgan Asset Management (“JP Morgan”)** is a signatory of the 2020 UK Stewardship Code. JP Morgan considers active engagement as an important tool to maximize shareholder returns through industry participation and proxy voting across asset classes. JP Morgan leverages the power of its access and expertise across global markets and continues to deepen its commitment to fundamental research and expand the resources supporting its overall investment stewardship programs.

JP Morgan seeks to deliver stronger financial outcomes, including by focusing on the most financially material environmental, social, and governance (ESG) issues that it believes impact the long-term performance of companies in which it invests. Additionally, JP Morgan advocates for robust corporate governance and sound business practices. JP Morgan believes that understanding financially material ESG factors plays an important role in delivering long-term value creation for its clients.

**Engagement example (Infrastructure Investments Fund):** JP Morgan engaged with El Paso Electric (“EPE”) in 2023, recognizing that reducing carbon intensity over time, setting carbon reduction goals, and collaborating with stakeholders and regulators are critical to EPE’s business. The global prioritisation of a low/no-carbon energy future to slow the pace of climate change creates transition risks as EPE works to keep pace with regulatory/policy change, technology evolution, and customer demands.

Through the IIF’s 100% ownership and governance structure, the team collaborated with management to establish specific carbon reduction goals, including 80% carbon-free energy by 2035 and full decarbonization of the generation portfolio by 2045. Additionally, EPE worked with regulators to gain approval for energy transition projects.

The Plan’s investment performance is reviewed by the Trustee on a quarterly basis – this includes ratings (both general and specific to ESG) from the investment adviser. The investment performance report includes how each investment manager is delivering against their specific mandates.

### **Voting Activity**

The Trustee did not hold any physical equity holdings during the 12 months to 31 October 2024. As such, the Trustee has not included any voting information in this statement. The Trustee does not have any voting rights with respect to the Insight Synthetic Equity mandate due to the nature of the holding. The Trustee did not use the direct services of a proxy voter over the year.

The DWP released a set of Engagement Policy Implementation Statement requirements on 17 June 2022, “Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance” to be adopted in all Engagement Policy Implementation Statements for schemes

with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a “significant vote”.

The Trustee considers a significant vote to be one that relates to climate change or diversity and inclusion, and where the Plan’s investment in the holding company constitutes more than 0.5% of the HP or Digital Section’s value as at the date of the vote. The Trustee will keep this definition under review based on emerging themes arising from internal discussions and peers in the wider industry. The Trustee did not inform managers of what it considered to be the most significant votes in advance of voting.

The Trustee is comfortable that its policies on engagement and exercising voting rights (where applicable) have been followed during the Plan year.