

# **Hughes Network Systems Limited Pension & Life Assurance Scheme**

## **Implementation Statement**

**Year Ending 31 March 2021**

### **Glossary**

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
Scheme	Hughes Network Systems Limited Pension & Life Assurance Scheme
Scheme Year	1 April 2020 to 31 March 2021
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

### **Introduction**

The Trustee has reviewed the extent to which its policy from the SIP relating to the exercise of rights (including voting rights) attaching to the investments was followed over the Scheme Year and this statement confirms the outcome of that review.

In addition, the statement summarises the voting record of the Scheme's investment managers and provides information on the significant votes made in respect of the Trustee's equity holdings. Information is also provided on the how the Scheme's investment managers make use of the services of proxy voting advisers.

## **Relevant Investments**

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- Baillie Gifford Multi-Asset Growth Fund
- BNY Mellon Real Return Fund.

## **The Trustee's Policy Relating to the Exercise of Rights**

### Summary of the Policy

The Trustee's policy in relation to the exercise of the rights (including voting rights) attaching to the investments is set out in the SIP. The SIP was updated during the Scheme Year to comply with new legislation which required additional information to be stated about the nature of the arrangements in place with the investment managers. Part of the new wording provided a more detailed explanation of the Trustee's policy relating to the exercise of rights.

A summary of the Trustee's policy is as follows:

- The Trustee believes that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustee wishes to encourage best practice in terms of stewardship.
- The Trustee invests in pooled investment vehicles and therefore accepts that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.
- When selecting a pooled fund, the Trustee considers, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustee (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.

- The Trustee will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies the Trustee may look to replace that fund. However, in the first instance, the Trustee would normally expect their Investment Adviser to raise the Trustee's concerns with the investment manager.

#### Has the Policy Been Followed During the Scheme Year?

The Trustee's opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustee's belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.
- The Trustee did not select any new funds during the period.
- Whilst the Trustee did not consider the voting records of the investment managers during the Scheme Year, that analysis has now been undertaken. The Trustee, in conjunction with their Investment Adviser, has considered the voting record of the investment managers over the year ending 31 March 2021 as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- All investment managers used by the Scheme are UNPRI signatories.

## The Investment Managers' Voting Record

A summary of the investment managers' voting records is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against	Did not vote/ abstained
<b>Baillie Gifford</b>	13,677	95%	4%	2%
<b>Newton</b>	8,087	83%	14%	3%

### Notes

*Split of votes may not sum to 100% due to rounding.*

*The voting statistics for Newton are collated from 1 January 2020 to 31 December 2020 as the manager publishes this data on a calendar year basis only, whereas the Baillie Gifford statistics are based on the 12 months to 31 March 2021.*

*In the case of both managers, the voting statistics quoted above are based upon their full voting record for all funds managed over the 12 month period rather than votes related solely to the funds held by the Scheme.*

## Use of Proxy Voting Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
<b>Baillie Gifford</b>	No Proxy Voting Adviser	All done in-house, Manager aims to participate in all votes
<b>Newton</b>	ISS	Only used in the case of a conflict of interest

## **The Investment Managers' Voting Behaviour**

The Trustee has reviewed the voting behaviour of the investment managers by considering the following:

- broad statistics of their voting records such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes they cast in the year to 31 March 2021 on the most contested proposals in eight categories across the UK, the US and Europe;
- the investment managers' policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustee has also compared the voting behaviour of the investment managers with their peers over the same period.

The Trustee's key observations are set out below.

### **Voting in Significant Votes**

Based on information provided by the Trustee's Investment Adviser, the Trustee has identified significant votes in eight separate categories. The Trustee considers votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the eight categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustee considered each investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

## **Description of Voting Behaviour**

### Baillie Gifford

Baillie Gifford tends to support director proposals, but this is consistent with its active management style – the manager has chosen to invest in companies so it is unsurprising it wishes to support their management.

Although Baillie Gifford tends to support management in director proposals, over the course of the Scheme year the investment manager has demonstrated a willingness to vote in favour of shareholder proposals (which typically means voting against management).

### Newton

Newton has demonstrated a willingness to oppose directors' proposals on a broad range of issues. In many of the votes analysed, Newton was in the minority in opposing a director's proposal.

In addition, the investment manager has shown evidence of voting in favour of shareholders' proposals with an ESG theme.

## **Conclusions**

Based on the analysis undertaken, the Trustee has no concerns regarding the voting records of Baillie Gifford or Newton.

The Trustee will keep the voting actions of the investment managers under review.

Alison Creasy, For and on behalf of Capital Cranfield Pension Trustees Limited

Date: 31/8/21

Signed on behalf of the Trustee of the Hughes Network Systems Limited Pension & Life Assurance Scheme

## Significant Votes

The table below records how the Scheme's investment managers voted in the most significant votes identified by the Trustee.

Company	Meeting Date	Proposal	Votes For (%)	Votes Against (%)	Baillie Gifford	Newton
<b>Audit &amp; Reporting</b>						
VIVENDI SA	20/04/2020	Approval of the Information set out in the Corporate Governance Report	74	23	Not held	Against
SARTORIUS STEDIM BIOTECH SA	24/06/2020	Approve Auditors' Special Report on Related-Party Transactions	15	85	For	Not held
GENERAL ELECTRIC COMPANY	05/05/2020	Appoint the Auditors	89	11	Not held	Against
ADIDAS AG	11/08/2020	Ratify KPMG AG as Auditors for Fiscal 2020	90	10	For	Not held
NOVARTIS AG	02/03/2021	Appoint the Auditors	93	7	Not held	Against
<b>Shareholder Capital &amp; Rights</b>						
JUST EAT TAKEAWAY.COM N.V.	14/05/2020	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment	60	40	For	Not held
VIVENDI SA	20/04/2020	Authorize Specific Buyback Program and Cancellation of Repurchased Share	69	31	Not held	Against
BLUEFIELD SOLAR INCOME FUND LIMITED	17/12/2020	Issue Additional Shares for Cash	72	27	Not held	For
JLEN ENVIRONMENTAL ASSETS GROUP LIMITED	03/09/2020	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment	72	27	Not held	For
TENARIS SA	02/06/2020	Approve Renewal of the Share Capital Authorisation of the Company	77	23	Against	Not held
<b>Pay &amp; Remuneration</b>						
FIDELITY NATIONAL INFORMATION SERVICES INC.	28/05/2020	Advisory Vote on Executive Compensation	44	53	Not held	Against
NIKE INC.	17/09/2020	Advisory Vote on Executive Compensation	52	45	Not held	Against
ACTIVISION BLIZZARD INC	11/06/2020	Advisory Vote on Executive Compensation	57	43	For	Not held
SANOFI	28/04/2020	Approve Compensation of Olivier Brandicourt, CEO Until Aug. 31, 2019	42	58	Not held	Against
INTERTEK GROUP PLC	21/05/2020	Approve Remuneration Policy	56	42	For	Not held
<b>Constitution of Company, Board &amp; Advisers</b>						
LINDE PLC	27/07/2020	Elect Martin H. Richenhagen	60	40	Not held	Against
AMAZON.COM INC.	27/05/2020	Right to Call Special Meeting	37	63	For	For
LENNAR CORPORATION	07/04/2020	Elect Scott Stowell	64	36	Not held	Against
<b>Merger, Acquisition, Sales &amp; Finance</b>						
DELIVERY HERO SE	18/06/2020	Approve Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds without Preemptive Rights up to	78	22	For	Not held
UNILEVER PLC	12/10/2020	Approve Unification through a Cross-Border Merger and Amend Company's Articles of Association in connection	99	1	Not held	For
UNILEVER PLC	12/10/2020	Approve the Cross-Border Merger	99	1	Not held	For
THE WEIR GROUP PLC	23/11/2020	Approve Matters Relating to the Disposal by the Company of the Oil & Gas Division	100	0	For	Not held
AVEVA GROUP PLC	24/11/2020	Approve Matters Relating to the Acquisition of OSsoft, LLC	100	0	For	Not held
<b>Other Company Resolutions</b>						
VIVENDI SA	20/04/2020	Approve Additional Pension Scheme Agreement with Herve Philippe, Management Board Member	70	27	Not held	Against
UBISOFT ENTERTAINMENT SA	02/07/2020	Delegate Powers to the Board to Amend Bylaws to Comply with Legal Changes	80	20	For	Not held
JOHN WOOD GROUP PLC	29/06/2020	Meeting Notification-related Proposal	90	10	For	Not held
<b>Governance &amp; Other Shareholder Resolutions</b>						
PEPSICO INC.	06/05/2020	Shareholder Resolution: Reduce Ownership Threshold for Shareholders to Call Special Meeting	45	55	Not held	For
NETFLIX INC	04/06/2020	Shareholder Resolution: Report on Political Contributions	42	58	For	Not held
AMAZON.COM INC.	27/05/2020	Shareholder Resolution: Right to Call Special Meetings	37	63	Against	For
CMS ENERGY CORPORATION	01/05/2020	Disclose political spending: company policy disclosed, scores low on CPA index	35	65	Not held	Against
APPLE INC	23/02/2021	Shareholder Resolution: Proxy Access	34	65	Not held	For
<b>Environmental &amp; Socially Focussed Shareholder Resolutions</b>						
AMAZON.COM INC.	27/05/2020	Shareholder Resolution: Report on Potential Customer Misuse of Certain Technologies	32	67	Against	For
FACEBOOK, INC.	27/05/2020	Shareholder Resolution: Report on Median Gender/Racial Pay Gap	27	73	Against	Not held
BHP GROUP PLC	15/10/2020	Shareholder Resolution: Approve Suspension of Memberships of Industry Associations where	21	74	Against	Not held
ALPHABET INC	03/06/2020	Shareholder Resolution: Report on Cyber-Related Risks	11	88	Not held	For
PEPSICO INC.	06/05/2020	Shareholder Resolution: Report on Sugar and Public Health	11	87	Not held	Against

### Note

Where the voting record has not been provided at the fund level, the analysis is based on the shares held within the Scheme's pooled funds as at 31 March 2021. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote.