Hughes Network Systems Limited Pension & Life Assurance Scheme Implementation Statement Year Ending 31 March 2023

Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
LGIM	Legal & General Investment Management
Scheme	Hughes Network Systems Limited Pension & Life Assurance Scheme
Scheme Year	1 April 2022 to 31 March 2023
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

Introduction

This Implementation Statement reports on the extent to which, over the Scheme Year, the Trustee has followed its policy relating to the exercise of rights (including voting rights) attaching to the Scheme's investments. In addition, the Implementation Statement summarises the voting behaviour of the Scheme's investment managers and includes details of the most significant votes cast and the use of the services of proxy voting advisers.

In preparing this statement, the Trustee has considered guidance from the Department for Work & Pensions which was updated on 17 June 2022.

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:

- LGIM Future World Global Equity Index Fund
- LGIM Future World Global Equity Index Fund – GBP Hedged
- 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 rights (including voting rights) attaching to the investments is set out in the SIP. The SIP was updated during the Scheme year to reflect changes made to the Scheme's investment strategy, but wording relating to the exercise of rights was not revised. A summary of this wording 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 its 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 its 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 its 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.
- During the Scheme Year, the Trustee introduced an allocation to the M&G Total Return Credit Investment Fund and the CT Short-Profile Nominal Dynamic LDI Fund. The Trustee considered the ESG characteristics of the funds before selecting them but, because the funds do not include an allocation to equities consideration of the exercise of voting rights was not relevant.
- In addition, during the Scheme Year, the Trustee introduced an allocation to the LGIM Future World Global Equity Index Fund and the LGIM Future World Global Equity Index Fund - GBP Hedged. The Trustee considered the ESG characteristics of the funds before selecting them and this included consideration of the investment manager's approach towards the exercise of voting rights.
- During the Scheme Year, the Trustee considered the voting records of their investment managers over the period ending 31 March 2022.
- Since the end of the Scheme Year, an updated analysis of the voting records of the investment managers based on the period ending 31 March 2023 has been undertaken 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 Records

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

Investment Manager	Number of votes	Split of votes:		
		For	Against / withheld	Did not vote/ abstained
Baillie Gifford	14,000	92%	4%	4%
Newton	31,000	82%	16%	2%
LGIM	150,000	76%	23%	1%

Notes

These voting statistics are based on each manager's full voting record over the 12 months to 31 March 2023 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?
Baillie Gifford	No Proxy Voting Adviser	All done in-house, Manager aims to participate in all votes
Newton	ISS	Only used in the case of a conflict of interest
LGIM	ISS and IVIS	ISS and IVIS provide research and ISS administer votes. However, all voting is determined by guidelines set by LGIM.

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 2023 on the most contested proposals in nine 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.

Further details of the approach adopted by the Trustee for assessing voting behaviour are provided in the Appendix.

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 nine 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 nine 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).

Analysis of Voting Behaviour

Baillie Gifford

Baillie Gifford has a tendency to support management proposals. To some extent Baillie Gifford's active management style provides justification; it supports the management of companies it has chosen to invest in. Possibly though, the voting record indicates some over-confidence in management boards.

In the wake of poor performance of many of Baillie Gifford's holdings, the manager has been less supportive of high executive pay.

Baillie Gifford has held companies to account on climate change issues and has opposed director proposals in this area which were deemed not to go far enough. There are also signs that Baillie Gifford is adopting a more supportive stance towards shareholder proposals aimed at tackling social issues. However, a failure to support a proposal looking to find out how plastic use by Amazon could be reduced will disappoint some - a message which the Trustee's Investment Adviser has reported back to Baillie Gifford.

The Trustee has no material concerns regarding Baillie Gifford's voting record.

LGIM

The manager's willingness to vote against management is consistent with the broad range of policies covered within its corporate governance documentation; each policy provides a set of criteria which can be used to justify a vote against management.

It should also be noted that LGIM has supported shareholder proposals designed to tackle ESG issues and has held directors to account regarding their energy transition proposals (proposals setting out how greenhouse gas emissions will be reduced).

The Trustee has no concerns regarding LGIM's voting record.

Newton *(Fund manager of the BNY Mellon Real Return Fund)*

From the director proposals which have been analysed, Newton has demonstrated a willingness to vote against management on a broad range of issues. They have taken a particularly strong stance on executive pay.

Newton has also shown a willingness to use its voting rights to support shareholders bringing proposals, including votes related to ESG issues.

The Trustee has no concerns regarding Newton's voting record.

Conclusion

Based on the analysis undertaken, the Trustee has no material concerns regarding the voting records of LGIM, Baillie Gifford and 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: 16 August 2023

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 (%)	LGIM	Baillie Gifford	Newton
Audit & Reporting							
W. R. BERKLEY CORPORATION	15/06/2022	Ratify KPMG LLP as Auditors	50	50	Against	Not held	Not held
MODERNA INC	28/04/2022	Appoint the Auditors	75	24	Against	For	Not held
WORLDLINE SA	09/06/2022	Renew Appointment of Deloitte & Associes as Auditor	77	23	Against	Not held	Not held
VERTEX PHARMACEUTICALS INCORPORATED	18/05/2022	Appoint the Auditors	77	23	For	Not held	Not held
BLUEFIELD SOLAR INCOME FUND LIMITED	29/11/2022	Allow the Board to Determine the Auditor's Remuneration	78	22	Not held	Not held	For
Shareholder Capital & Rights							
TULLOW OIL PLC	25/05/2022	Issue Shares for Cash	56	44	For	Not held	Not held
FERRARI NV	13/04/2022	Grant Board Authority to Issue Special Voting Shares	71	29	Against	Not held	Not held
VIVENDI SA	25/04/2022	Authorize Specific Buyback Program and Cancellation of Repurchased Share	71	29	Against	Not held	Not held
EVONIK INDUSTRIES AG	25/05/2022	Approve Creation of EUR 116.5 Million Pool of Authorized Capital with or without	75	25	Against	Not held	Not held
REACH PLC	05/05/2022	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital	77	23	For	Not held	Not held
Pay & Remuneration							
THE COCA-COLA COMPANY	26/04/2022	Advisory Vote on Executive Compensation	50	49	Against	Abstain	Not held
THE TJX COMPANIES INC.	07/06/2022	Advisory Vote on Executive Compensation	48	49	Against	Not held	Not held
ORANGE S.A	19/05/2022	Approve Remuneration Policy of Chairman and CEO, CEO and Vice-CEOs	50	49	Against	Not held	Not held
TRANSDIGM GROUP INCORPORATED	12/07/2022	Advisory Vote on Executive Compensation	51	48	Against	Not held	Not held
HENRY SCHEIN INC.	18/05/2022	Advisory Vote on Executive Compensation	51	48	Against	Not held	Not held
Constitution of Company, Board & Advisers							
INTEL CORPORATION	12/05/2022	Elect Alyssa Henry - Non-Executive Director	50	49	Against	Not held	Not held
M&T BANK CORPORATION	25/04/2022	Elect John R. Scannell - Non-Executive Director	51	49	Against	Not held	Not held
CARRIER GLOBAL CORP	14/04/2022	Elect David Gitlin - Chair & Chief Executive	52	48	Against	Not held	Not held
CENTENE CORP	26/04/2022	Right to Call Special Meeting	47	53	Against	Not held	Not held
HEIDELBERGCEMENT AG	12/05/2022	Elect Dr. Bernd Scheifele - Chair (Non Executive)	53	47	Against	Not held	Not held
Merger, Acquisition, Sales & Finance							
BALTIC CLASSIFIEDS GROUP PLC	28/09/2022	Approve Waiver of Rule 9 of the Takeover Code	66	34	Not held	For	Not held
BOUYGUES SA	28/04/2022	Authorise Board to Issue Free Warrants with Preemptive Rights During a Public	76	24	Against	Not held	Not held
ALLIANZ SE	04/05/2022	Issue Bonds	91	9	For	Not held	Not held
DEUTSCHE POST AG	06/05/2022	Issue Bonds	92	8	For	Not held	Not held
BRENNTAG SE	09/06/2022	Approve Issuance of Warrants/Bonds with Warrants Attached/Convertible Bonds without Preemptive Rights	93	7	For	Not held	Not held
Climate Related Resolutions							
GLENCORE PLC	28/04/2022	Climate Progress Report	76	24	Against	Not held	Not held
M&G PLC	25/05/2022	Approve Climate Transition Plan and Climate-Related Financial Disclosure	78	20	Against	Not held	Not held
CENTRICA PLC	07/06/2022	Approve Climate Transition Plan	79	20	For	Not held	Not held
Royal Dutch Shell	24/05/2022	Approve the Shell Energy Transition Progress	77	19	Against	Not held	Not held
Barclays Plc	04/05/2022	Approve Barclays' Climate Strategy, Targets and Progress 2022	80	19	Against	Not held	Not held
Other Company Resolutions							
INVESTEC PLC	04/08/2022	Investec plc: Approve Political Donations	70	29	For	Not held	Not held
LIONTRUST ASSET MANAGEMENT	22/09/2022	Meeting Notification-related Proposal	66	24	Against	Not held	Not held
SSP GROUP PLC	16/02/2023	Meeting Notification-related Proposal	83	17	For	Not held	Not held
NCC GROUP PLC	02/11/2022	Approve Political Donations	83	15	For	Not held	Not held
DARKTRACE PLC	03/11/2022	Approve Political Donations	85	14	For	Not held	Not held
Governance & Other Shareholder Resolutions							
NORTHROP GRUMMAN CORPORATION	18/05/2022	Shareholder Resolution: Right to Call Special Meetings	50	49	For	Not held	Not held
APPLIED MATERIALS INC	09/03/2023	Shareholder Resolution: Right to Call Special Meetings	50	50	For	Not held	Not held
GLOBAL PAYMENTS INC	28/04/2022	Shareholder Resolution: Right to Call Special Meetings	50	49	For	Not held	Not held
FISERV INC.	18/05/2022	Shareholder Resolution: Submit Severance Agreement (Change-in-Control) to Shareholder Vote	51	49	For	Not held	Not held
MCKESSON CORPORATION	22/07/2022	Shareholder Resolution: Adopt Policy on 10b5-1 Plans	49	50	For	Not held	Not held
Environmental & Socially Focussed Shareholder Resolutions							
PHILLIPS 66	11/05/2022	Shareholder Resolution: Report on Reducing Plastic Pollution	50	49	For	Not held	Not held
STARBUCKS CORPORATION	23/03/2023	Shareholder Resolution: Assessment of Worker Rights	51	47	For	For	Not held
AMAZON.COM INC.	25/05/2022	Shareholder Resolution: Report on Efforts to Reduce Plastic Use	49	51	For	Against	For
AMERICAN WATER WORKS COMPANY INC.	11/05/2022	Shareholder Resolution: Report on Third-Party Racial Equity Audit	47	50	For	Not held	Not held
WASTE MANAGEMENT INC	10/05/2022	Shareholder Resolution: Report on Civil Rights Audit	54	45	For	Not held	Not held

Note

Where the voting record has not been provided at the fund level, we rely on periodic information provided by investment managers to identify the stocks held. 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. Equally, it is possible that there are votes not included above which relate to companies that were held within the Scheme's pooled funds at the date of the vote.

Methodology for Determining Significant Votes

The methodology used to identify significant votes for this statement uses an objective measure of significance: the extent to which a vote was contested - with the most Significant Votes being those which were most closely contested.

The Trustee believes that this is a good measure of significance because, firstly, a vote is likely to be contentious if it is finely balanced, and secondly, in voting on the Trustee's behalf in a finely balanced vote, an investment manager's action will have more bearing on the outcome.

If the analysis was to rely solely on identifying closely contested votes, there is a chance many votes would be on similar topics which would not help to assess an investment manager's entire voting record. Therefore, the assessment incorporates a thematic approach; splitting votes into nine separate categories and then identifying the most closely contested votes in each of those categories.

A consequence of this approach is that the total number of Significant Votes is large. This is helpful for assessing an investment manager's voting record in detail, but it presents a challenge when summarising the Significant Votes in this statement. Therefore, for practical purposes, the table on the previous page only includes summary information on each of the Significant Votes.

Trustee has not provided the following information which DWP's guidance suggests could be included in an Implementation Statement:

- Approximate size of the Scheme's holding in the company as at the date of the vote.
- If the vote was against management, whether this intention was communicated by the investment manager to the company ahead of the vote.
- An explanation of the rationale for the voting decision, particularly where: there was a vote against the board; there were votes against shareholder resolutions; a vote was withheld; or the vote was not in line with voting policy.
- Next steps, including whether the investment manager intends to escalate stewardship efforts.

The Trustee is satisfied that the approach used ensures that the analysis covers a broad range of themes and that this increases the likelihood of identifying concerns about an investment manager's voting behaviour. The Trustee has concluded that this approach provides a more informative assessment of an investment manager's overall voting approach than would be achieved by analysing a smaller number of votes in greater detail.