

# *Implementation Statement, covering the Scheme Year from 1 January 2024 to 31 March 2025*

The Trustee of the Halcrow Pension Scheme (No.2) (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

This Statement is based on and uses the same headings as the Scheme’s latest SIP, which was in place during the Scheme Year, dated December 2023. This Statement should be read in conjunction with the December 2023 SIP which, at the time of writing, can be found here:

<http://halcrow.com/wp-content/uploads/2024/02/2023-12-HPS2-SIP-FINAL.pdf>.

## **1. Introduction**

No changes were made to the SIP during the Scheme Year. The last time the SIP was updated was December 2023.

The Trustee has, in its opinion, followed all of the policies in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

Further information about the Scheme’s DC assets is set out in the annual Chair’s statement, available here: <http://halcrow.com/pensions>

## **2. Investment objectives**

Progress against the long-term funding is reviewed as part of the quarterly dashboards and semi-annual performance monitoring reports provided the Scheme’s advisers. As at 31 March 2025 the Scheme was fully funded on its long-term (Gilts + 0.25%) funding objective. In addition, the Trustee remains comfortable that the level of risk and expected returns remains appropriate.

The Scheme has a DC arrangement in respect of former Crouch Hogg Waterman (“CHW”) Scheme members. This section provides a benefit based on the better of the member’s Guaranteed Minimum Pension (GMP) and the accumulated value of the member’s DC account – most members are expected to receive the GMP benefit. Members’ DC accounts are invested in a with-profits type fund.

## **3. Investment strategy**

The Trustee did not make any changes to the high-level DB investment strategy over the Scheme Year.

The Trustee monitored the asset allocation on a quarterly basis and compared this to the strategic asset allocation. The actual asset allocation did not deviate materially from the strategic allocation over the Scheme Year and therefore the Trustee did not carry out any rebalancing action. The Scheme’s cash flow requirements over the Scheme Year were met from regular disinvestments from the BlackRock LDI and credit portfolios, income from the M&G property fund and distributions from Baring’s private credit fund.

In the Scheme Year, the Trustee reviewed the investment arrangements for the DC assets (former CHW members) and AVCs in July 2024. This review included a “value for members” assessment considering the investment performance of the funds, suitability of the range of funds and charges borne by members. No changes were made to the DC and AVC arrangements.

## 4. Considerations in setting the investment arrangements

When reviewing the DB investment strategy, the Trustee considers the investment risks set out in Section 4.1 of this Statement. It also considered a range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the need for diversification and specific circumstances of the Scheme eg the investment objectives, funding position, any sponsor contributions and strength of the sponsor covenant.

The Trustee set its investment beliefs in November 2021 particularly around Environmental, Social and Governance (“ESG”) issues. The Trustee last reviewed these beliefs in December 2023 as part of the last SIP update and concluded that their beliefs remained appropriate and did not make any changes.

The Trustee invests for the long term, to provide for the Scheme’s members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship<sup>1</sup> activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme’s investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Scheme’s investment managers that may affect the managers’ ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Scheme’s investment managers on a quarterly basis, using a shorter monitoring report prepared by the investment adviser. The report shows the performance of each fund over the quarter, one year, three years, five years, and ten years. Performance is considered in the context of the manager’s benchmark and objectives. The Trustee also monitors its managers’ responsible investment capabilities using scores provided by its investment adviser on an annual basis.

### 4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register, and this is reviewed at quarterly meetings.

The Trustee’s policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme’s investment adviser or information provided to the Trustee by the Scheme’s investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks. The Trustee’s implementation of its policy for these risks during the year is summarised below.

With regard to the risk of inadequate returns, the Scheme is considered to be fully funded on its long-term funding objective. The expected return on the Scheme’s assets is expected to be sufficient to maintain the current level of funding.

The Scheme’s interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the Scheme Year the Scheme’s hedging levels were broadly in line with the target levels. With regard to collateral adequacy risk, the Trustee holds 90% of its investments in the asset classes that it deems to be readily realisable and are invested with the LDI manager within a collateral waterfall that the LDI manager has delegated authority to trade. The Trustee believes there are sufficient assets with BlackRock to meet any potential LDI capital calls.

Together, the investment and non-investment risks give rise generally to funding risk. During the Scheme Year, the Trustee formally reviewed the Scheme’s funding position as at 31 December 2023 as part of its annual actuarial report. The Trustee also receives a quarterly dashboard which monitors key metrics regarding funding, investment, and covenant on a quarterly basis at both IRM (Integrated Risk Management) and Trustee meetings.

The following risks are covered later in this Statement: illiquidity/marketability risk in Section 5 and ESG risks in Section 6.

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<sup>1</sup> The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The quarterly reports reviewed during the year showed that all managers have produced performance broadly in line with expectations over the long-term.

## 5. Implementation of the investment arrangements

The Trustee has not made any changes to its manager arrangements over the Scheme Year.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

The Trustee carried out a “value for members” assessment for the Scheme’s DC and AVC arrangements in July 2024, which assessed a range of factors, including the fees payable to managers. The Trustee concluded that it has not identified any concerns about the providers or the specific investments currently used by members. The DC and AVC arrangements offer reasonable value particularly as for the DC benefits, almost all members are expected to receive a benefit based on their GMP, rather than the value of their DC account.

## 6. Realisation of investments

For the DB arrangements, the Trustee reviews the Scheme’s net current and future cashflow requirements on a regular basis. The Trustee’s policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The Trustee makes regular disinvestments from the BlackRock LDI and credit portfolios to the Trustee’s bank account to pay benefit payments and other Scheme expenses. In addition, the Scheme receives distributions from the M&G property fund and Baring’s private credit fund.

For the DC and AVC arrangements, it is the Trustee’s preference to offer funds that offer daily dealing to enable members to readily realise and change their investments.

## 7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations).

In March 2025, the Trustee carried out an annual review of the Responsible Investment aspects of the Scheme’s investments. This included reviewing:

- Stewardship expectations of trustees
- LCP’s Annual RI survey
- Stewardship review of BlackRock’s active credit mandate
- Systemic stewardship and LCP policy asks

## 8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

<https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf>

<https://www.barings.com/globalassets/2-assets/content/global-investment-policies/barings-global-proxy-voting-policy.pdf>

[https://www.mandg.com/~/\\_media/Files/M/MandG-Plc/documents/responsible-investing/responsible-investment/2025/mg-investments-voting-policy-2025.pdf](https://www.mandg.com/~/_media/Files/M/MandG-Plc/documents/responsible-investing/responsible-investment/2025/mg-investments-voting-policy-2025.pdf)

However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee received training on the DWP's guidance on stewardship and setting priorities. The Trustee discussed and agreed their stewardship priorities for the Scheme in March 2023. The Trustee's agreed stewardship priorities are climate change and human rights, and the Scheme's investment managers have been informed of these priorities. The Trustee periodically invites the Scheme's investment managers to present at Trustee meetings.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

## 9. Description of voting behaviour during the Scheme Year

Over the Scheme Year to 31 March 2025, the Scheme did not hold any listed equities either directly or via pooled funds. The Scheme's assets were invested with BlackRock, M&G and Barings in a range of Liability Driven Investments, credit securities and funds, an ABS fund, and a property fund. There was no voting activity in any of these mandates that was considered significant such that it should be reported in this Statement.

The Scheme has a DC arrangement managed by Aviva (formerly Friend's Life) in respect of former CHW members. We have omitted the DC arrangement from the voting behaviour section of the Statement on grounds of materiality – these assets are invested in a fund that is predominately invested in bonds and Aviva has not provided voting information.

### 9.1 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who do not hold listed equities. Whilst the managers do not have any voting rights in respect of the Scheme's assets, the managers provided details on their engagement activities which we have included below:

#### **BlackRock**

BlackRock stewardship analysts engage with the boards and management of companies in which clients are invested to listen to their perspectives on material business risks and opportunities they are facing. Through direct dialogue with company leadership, BlackRock seeks to understand their businesses and how they manage risks and opportunities to deliver durable, risk-adjusted financial returns. Portfolio managers and stewardship specialists may engage jointly on substantive stewardship matters. BlackRock's discussions focus on topics relevant to a company's success over time including governance and leadership, corporate strategy, capital structure and financial performance, operations and sustainability-related risks, as well as macro-economic, geopolitical and sector dynamics. They aim to build and maintain strong relationships with company leadership based on open dialogue and mutual respect in order to make better informed voting decisions.

For clients who have authorised BlackRock to vote on their behalf, BlackRock Active Investment Stewardship (BAIS) works with active portfolio managers to vote their holdings, in manner that, in BAIS' assessment serves the financial interests of clients. For the vast majority of companies, BlackRock anticipate voting in favour of management recommendations, consistent with their active investment decisions and support for management teams that have a strong track record of financial value creation.

BlackRock can convey concerns through voting in two forms: 1) they might not support the election of directors or other management proposals; or 2) they might not support management's voting recommendation on a shareholder proposal. Voting to elect directors to the board is a near-universal right of shareholders globally and an important way they can convey support for, or concern about, the performance of the board in overseeing and advising management.

The BAIS Engagement and Voting Guidelines provide clients and companies factors BlackRock considers when they vote on matters that are common on shareholder meeting agendas. They are not prescriptive and are applied in the context of a company's operating environment and an active equity portfolio manager's investment strategy, anchored in BlackRock's fiduciary duty to clients. These guidelines are available on their [website](#).

## Barings

Barings policy is to act as stewards of clients' capital through four main mechanisms:

1. Robust investment process, where ESG information is integrated into their analysis;
1. Engagement with companies, issuers, policymakers and industry bodies in support of sustainable practices, improved transparency and a durable financial system;
2. Influence and control over certain assets in which they invest; and
3. Voting activities, where this is possible.

Barings understands that exercising their rights and responsibilities is an integral part of their investment management responsibilities to pursue competitive risk-adjusted returns. As an investment manager whose assets are largely fixed income or private markets in nature, exercising those rights and responsibilities often takes place without voting rights. Barings recognise this situation as an opportunity to further integrate ESG considerations and undertake engagement activity across public and private asset classes, in pursuit of risk-adjusted returns for clients.

## M&G

SPIF is a real estate fund, thus M&G own buildings rather than investments within companies. As such, they engage in a different way to shareholders/bondholders (i.e. they do not attend AGMs/Company meetings/have voting rights). M&G do however frequently engage with the Fund's underlying tenants at asset level on a regular basis, typically with the Head of Property/CFO/Head of Sustainability.

For example, SPIF engages with tenants, typically quarterly, on ESG initiatives such as net zero targets and energy efficiency of the underlying assets. One example is on their WPP Southbank office asset, where M&G engineered the build phase to minimise embedded carbon in conjunction with WPP. SPIF has agreed to fund the additional costs to achieve a BREEAM New Construction 'Outstanding' rating.

Below are examples/ways M&G engage with their tenants:

- M&G have regular quarterly / monthly meetings with tenants and record any feedback and keep track of the tenants projects to upgrade the buildings
- M&G benefit from the fact they only have 23 tenants in the fund and therefore have deep landlord / tenant relationships – typically over the very long term given their long hold periods
- M&G receive very high levels of ESG data as can be evidenced by their GRESB score of 1st and c. 90% energy data collection of the portfolio (based on floor area)
- M&G receive trading data on a quarterly basis for majority of assets in the fund, which helps them understand the performance of the assets, identify any areas of concern and ways to mitigate these
- Work with tenants to suggest improvements to assets to make assets more energy efficient – M&G have previously funded BREEAM In Use assessments with accompanying 'Optimisation Reports' tailored to specific assets and shared the outputs with their tenants
- M&G have just received results of their net zero carbon analysis via Evora Global to see the cost of getting to net zero and once the team has finalised with their dedicated ESG team they will be working out the landlord / tenant split to fund the cost on the buildings and will report to investors in due course
- Engage with tenants to ensure they have up to date EPCs and are working to upgrade the ratings to A / B to ensure the fund meets future MEES regulations.