

Engagement Policy Implementation Statement

Hitachi UK Pension Scheme

This statement sets out the extent to which the Scheme's stewardship policy, which is detailed in the Statement of Investment Principles (SIP), has been followed over the year to 31 March 2024.

The Trustee will update the SIP as is required, for example due to a change in strategy or regulation.

The Trustee holds two buy-in bulk annuity policies with Scottish Widows and Legal and General. Together these insure the overwhelming majority of the Scheme's liabilities. The Scheme's residual assets continue to be managed by BlackRock in a low-risk portfolio consisting of UK Government Bonds and cash (and cash-like/liquidity vehicles).

Trustee's Policy

The Trustee has a robust stewardship policy, and it expects fund managers to exercise their right to vote and undertake appropriate engagement. The Trustee notes that given the low risk nature of the investment strategy, and the types of assets which are held, there are few opportunities for voting and/or engagement.

As a result, this statement does not disclose stewardship information on the Scheme's LDI portfolio or on their investments in cash and cash-like liquidity vehicles due to the limited materiality of voting and engagement to those asset classes.

Nonetheless, the Trustee acknowledges that BlackRock, as a large institutional asset manager, holds an important position of influence as a major investor and the Trustee expects BlackRock to engage with the companies they invest in, in general, to enhance the value of assets in the economy. The Trustee acknowledges that BlackRock has been a signatory to the UN Principles for Responsible Investment ("PRI") since 2008¹. In 2021 BlackRock achieved a 4 or 5 star ranking across all categories of the PRI Reporting Framework. The Trustee acknowledges that such commitments, and improved disclosure of stewardship activities, will promote positive steps in safeguarding capital over the long-term.

Following the purchase of the two buy-in policies, the responsibility for managing arrangements with underlying investment managers lies with Scottish Widows and Legal and General. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the long-term objectives of Scottish Widows and Legal and General and the Scheme; as well as having appropriate performance, costs (including turnover costs) and remuneration monitoring with respect to the appointed asset managers. In addition, the Trustee believes that Scottish Widows and Legal and General should use their influence and purchasing power where possible to ensure that ESG factors, including climate change, are appropriately considered by underlying investment managers and financial counterparties.

As is stated in the Trustee's Stewardship Policy, the Trustee believes it has a limited ability to incentivise Scottish Widows and Legal and General to align its investment strategy and decisions with the Trustee's policies in relation to stewardship, corporate governance and responsible investment. However, given the nature of the buy-in policies, the Trustee believes that Scottish

¹ <https://www.blackrock.com/corporate/sustainability/pri-report>

Widows and Legal and General are appropriately incentivised to make decisions relating to the medium and long term financial and non-financial factors which may influence performance.

The Trustee recognises its responsibilities of a steward of investment capital however, in endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to purchase bulk annuity policies and recognise that they cannot therefore directly influence the ESG integration nor stewardship policies and practices of Scottish Widows and Legal and General.

Should the Trustee be provided with any opportunity which it deems appropriate to incentivise its managers and insurers in relation to these areas, it will consider this and will take steps as it deems appropriate. During the Scheme year in scope, the Trustee was not aware of any such opportunity.