



Wilkinson Group Retirement Benefit Scheme

**Annual Implementation
Statement – Scheme year
ending 31 March 2023**

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Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Wilkinson Group Retirement Benefits Scheme (“the Scheme”) covering the scheme year (“the year”) to 31 March 2023

The purpose of this statement is to set out:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement has been made available on the following website linked [here](#).

Review of and changes to the SIP

The SIP is a document which outlines the Trustee’s policies with respect to various aspects related to investing and managing the Scheme’s assets including but not limited to; investment managers, portfolio construction and risks. The SIP in place over the year was dated October 2021.

For the purpose of assessing how the Scheme’s SIP has been followed, the remainder of this statement specifically focuses on the SIP agreed in October 2021.

We consider that all SIP policies and principles relevant to this statement were adhered to.

Since 31 March 2023 a more recent SIP has been adopted, dated June 2023.

The latest version of the SIP can be found online [here](#).

Section 2: How the Trustee has adhered to its engagement and voting policies

Consistent with the Trustee's view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainability forms the cornerstone of successful long-term investment strategies and has fully embedded the consideration of ESG factors into its process.

Industry wide / public policy engagement

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for a number of years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to EOS via the Client Advisory Council, of which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement, to several of its funds. Some highlights from EOS' activities over 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave, and subsequently retaining that status
- Co-founding the Net Zero Investment Consultants Initiative in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee

- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

Section 3: Voting and engagement

As set out in the introduction, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee's agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance ("ESG") factors are allowed for in the portfolio.

The Fiduciary Manager's process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager's approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Scheme has dedicated allocations to funds with positive ESG credentials. For example, through its investment in the Partners Fund, the Scheme's portfolio has exposure to Article 8 Sustainable Finance Disclosure Regulation designation. This covers a fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements. The Investment Manager intends for the sub-funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio and continue beyond that time to further reduce greenhouse gases from the portfolio with an aim of net zero emissions by 2050. Progress is measured using multiple climate metrics.

Company level engagement and rights attached to investments (including voting):

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may recommend the termination of a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights. In line with the Scheme's return target of Gilts +3.0% per annum, as at 31 March 2023, 46% of the portfolio was invested in high quality bonds, cash and cash equivalents which carry no voting rights. The other 54% was invested in multi-asset funds, wherein voting information was only requested from the Scheme's managers who own significant amount of equity as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes, three of those deemed most significant by the Trustee have been shown below. The Trustee has endeavoured to select "significant" votes which align with the Trustee's identified

priorities for voting and engagement – human and labour rights, and climate – where the data has allowed.

The Scheme's equity holdings were invested in the following multi-asset funds over the year to 31 March 2023:

- **TWIM Partners Fund:** A multi-asset growth fund that captures the best ideas across the full investment spectrum, with sustainability at the heart of its approach
- **TWIM Core Diversified Fund:** A multi-asset growth fund that takes a holistic approach to managing ESG risk and opportunity

The Trustee delegates the exercise of voting rights to its investment managers. The Fiduciary Manager has assessed the investment manager's voting policy as part of its overall assessment of the investment manager's capabilities. The Fiduciary Manager considered the policy to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Fiduciary Manager's partnership with EOS at Federated Hermes (see above). The Trustee has identified key ESG risks for the Scheme as climate change action and human and labour rights and therefore selected votes on these topics as the most significant for the Scheme.

Further information on the voting and engagement activities of the managers, including their use of proxy voting is provided in the tables below.

TWIM Partners Fund

<p>Voting activity</p>	<p>Number of votes eligible to cast: 25,560 Percentage of eligible votes cast: 92.8% Percentage of votes with management: 86.0% Percentage of votes against management: 13.5% Percentage of votes abstained from: 0.5%</p>			
<p>Most significant votes cast</p>	<p>Company</p>	<p>Anglo American</p>	<p>Alphabet Inc.</p>	<p>Amazon</p>
<p>Size of holdings</p>	<p>0.06%</p>	<p>0.75%</p>	<p>0.38%</p>	<p></p>
<p>Resolution</p>	<p>Approve climate change report</p>	<p>Report on risks of doing business in countries with significant human rights concerns</p>	<p>Report on efforts to reduce plastics use</p>	<p></p>
<p>Topic</p>	<p>Climate change</p>	<p>Human and labour rights</p>	<p>Climate change</p>	<p></p>
<p>Decision /Vote</p>	<p>For</p>	<p>For</p>	<p>For</p>	<p>For</p>
<p>Rationale for decision</p>	<p>The climate change report sets out clear pathways to carbon neutral operations by 2040 and the company's ambition to reduce scope 3 emissions by 50% within the same timeframe</p>	<p>Shareholder proposal promotes better management of ESG opportunities and risks</p>	<p></p>	<p>Promotes transparency around environmental issues</p>
<p>Rationale for classifying as significant</p>	<p>We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth</p>	<p>Vote against management</p>	<p></p>	<p>We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth</p>
<p>Voting outcome</p>	<p>Passed</p>	<p>Failed</p>	<p>Failed</p>	<p>Failed</p>
<p>Use of proxy voting</p>	<p>Within the Towers Watson Investment Management Partners, the underlying global equity managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. These managers also use EOS at Federated Hermes for voting recommendation services (via the Institutional Shareholder Services (ISS) platform) to enhance engagement and achieve responsible ownership. The China equity manager uses Glass Lewis service where they have created a bespoke policy, whilst the emerging markets managers also use Glass Lewis and ISS alongside Stakeholders Empowerment Services (SES) and Broadridge Proxy Edge for information and to facilitate voting. The underlying managers within the fund are ultimately responsible for the votes.</p>			

TWIM Core Diversified Fund

<p>Voting activity</p>	<p>Number of votes eligible to cast: 42,381 Percentage of eligible votes cast: 93.2% Percentage of votes with management: 85.0% Percentage of votes against management: 15.0% Percentage of votes abstained from: 0.0%</p>			
<p>Most significant votes cast</p>	<p>Company</p>	<p>Meta Platforms</p>	<p>Microsoft Corporation</p>	<p>Apple</p>
	<p>Size of holdings</p>	<p>0.26%</p>	<p>0.76%</p>	<p>0.25%</p>
	<p>Resolution</p>	<p>Report on child exploitation online</p>	<p>Report on Tax Transparency</p>	<p>Report on median gender/racial pay gap</p>
	<p>Topic</p>	<p>Human rights</p>	<p>Strategy, Risk and Communication</p>	<p>Diversity Equality and Inclusion</p>
	<p>Decision /Vote</p>	<p>For</p>	<p>Against</p>	<p>For</p>
	<p>Rationale for decision</p>	<p>Shareholder proposal promotes better management of ESG opportunities and risks</p>	<p>Shareholder proposal promotes transparency</p>	<p>Shareholder proposal promotes better management of ESG opportunities and risks</p>
	<p>Rationale for classifying as significant</p>	<p>Vote against management</p>	<p>Vote against management</p>	<p>Vote against management</p>
	<p>Voting outcome</p>	<p>Failed</p>	<p>Failed</p>	<p>Failed</p>
<p>Use of proxy voting</p>	<p>Within the Towers Watson Investment Management Core Diversified Fund, the equity and listed real asset strategies use EOS to provide corporate engagement and voting recommendation services to enhance the efforts of the underlying managers where possible. The underlying managers must provide an explanation and note their rationale when they chose to vote differently to the recommendation. Most underlying managers also use ISS to facilitate voting and provide research. Our China equity manager uses Glass Lewis service where they have created a bespoke policy.</p>			

Section 4: Conclusion

The Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the scheme year.

Following monitoring of the Scheme's investment managers over the year, and reviewing the voting information outlined in this statement, the Trustee is satisfied that TWIM is acting in the Scheme members' best interest and are effective stewards of the Scheme's assets.

The Fiduciary Manager will continue to monitor the investment managers' stewardship practices on an ongoing basis.