

Implementation Statement (“IS”)

CWT UK Pension Scheme (the “Scheme”)

Scheme Year End – 5 April 2024

The purpose of this Statement is for us, the Trustees of the CWT UK Pension Scheme, to explain what we have done during the year ending 5 April 2024 to achieve our objectives and implement the policies set out in the Statement of Investment Principles (“SIP”).

It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

This IS covers the DB section of the Scheme only. A separate IS has been prepared covering the DC section.

Our conclusion

Based on the activity we have undertaken during the year, we believe that the policies set out in the SIP have been implemented effectively.

In our view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and engagement activity, and the activities completed by our managers align with our stewardship expectations.

We delegate the management of the Scheme’s assets to our fiduciary manager, Aon Investments Limited (“Aon”). We believe the activities completed by our fiduciary manager to review the underlying managers’ voting and engagement policies, and activities align with our stewardship expectations. We believe our voting rights have been implemented effectively on our behalf.

We will invite our fiduciary manager to a meeting so that we can get a better understanding of how they are monitoring voting practices and engaging with underlying managers on our behalf, and how these help us fulfil our Responsible Investment policies.

1. Changes to the SIP during the year

We reviewed the SIP during the year and updated it in July 2023. The changes made include:

- Updating the investment strategy (set out in the appendix) to reflect the increase in the hedge ratio to 100% of assets under management and the reduction in the objective to outperform the liability benchmark by 1.0% pa. over rolling three-year periods.
- Various minor changes including updating the name of the Scheme, names of investment managers and updated fee arrangements.
- Updates to the policy on 'Stewardship – voting and engagement';

The Scheme's latest SIP can be found here: [CWT UK Pension Scheme Disclosure \(aon.com\)](#)

2. How the policies in the SIP have been followed

In the table below we set out what we have done during the year to meet the policies in the SIP.

SIP Policy	Comment from the Trustees
Investment Objectives	<i>We continue to monitor the performance of the Schemes investments to identify opportunities to improve funding, stability and security in line with our objectives.</i>
Choosing Investments	<i>We reviewed the investment strategy with the aim of reducing risk that may arise from the Underpin liabilities within the DC section. It was decided to reduce risk due to interest rate movements by 'scaling up' the target level of hedging of the existing DB section cashflow benchmark.</i>
Arrangements with Investment Managers	<i>AIL will only appoint underlying investment managers who are "Buy" rated and achieve a minimum standard or rating for ESG factors from Aon's manager research team. AIL considers the suitability of the Scheme's underlying investment managers on an ongoing basis, on behalf of the Trustees. We meet regularly with AIL and receive quarterly investment reports.</i>
Costs and Performance	<i>AIL provided a report outlining the costs and charges incurred for the DB section for the 2022 calendar year.</i>
Environmental, Social and Governance considerations	<i>AIL provide a quarterly update on the underlying managers' Environmental Social and Governance ("ESG") practices, which we review. All applicable managers are rated "integrated" or "advanced" by the investment consultants, this means that the managers have taken steps to identify, evaluate and mitigate potential financially material ESG risks within their portfolios, and the manager has demonstrated an advanced awareness of potential ESG risks in the investment strategy.</i>
Stewardship – voting and engagement	<i>Further detail is explained in the Voting and Engagement section of this report.</i>
Effective decision making	<i>We received regular training from our advisors on items such as regulatory updates, topical events, AIL funds and asset classes.</i>

Our Engagement Action Plan

Based on the work we have done for the IS, we have decided to take the following steps over the next 12 months:

1. While LGIM did provide a comprehensive list of fund level engagements and detailed examples of firm-level engagements, it did not provide detailed fund-specific engagement examples, as per the Investment Consultants Sustainability Working Group (“ICSWG”) engagement reporting template (which our advisers consider to be best practice for engagement reporting). Our fiduciary manager will continue to engage with LGIM to encourage improvements in its engagement reporting.
2. We will invite our fiduciary manager to a meeting to get a better understanding of how it is monitoring voting practices and engaging with underlying managers on our behalf, and how these help us fulfil our Responsible Investment policies.

3. The exercise of our voting rights and implementation of our wider stewardship policy

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance (“ESG”) issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Our fiduciary manager’s engagement activity

We delegate the management of the Scheme's defined benefit assets to our fiduciary manager, Aon. Aon manages the Scheme's assets in a range of funds which can include multi-asset, multi-manager and liability matching funds. Aon selects the underlying investment managers on our behalf.

We delegate monitoring of ESG integration and stewardship of the underlying managers to Aon. We have reviewed Aon's latest annual Stewardship Report and we believe it shows that Aon is using its resources to effectively influence positive outcomes in the funds in which it invests.

Over the year, Aon held several engagement meetings with many of the underlying managers in its strategies. Aon discussed ESG integration, stewardship, climate, biodiversity and modern slavery with the investment managers. Aon provided feedback to the managers after these meetings with the aim of improving the standard of ESG integration across its portfolios.

Over the year, Aon engaged with the industry through white papers, working groups, webinars and network events, as well as responding to multiple consultations.

In 2021, Aon committed to achieve net zero emissions by 2050, with a 50% reduction by 2030 for its fully delegated clients' portfolios and defined contribution default strategies (relative to baseline year of 2019).

Aon also successfully renewed its signatory status to the 2020 UK Stewardship Code, a set of high stewardship standards for asset owners and asset managers which is maintained and assessed by the Financial Reporting Council.

The remainder of this section sets out information we have gathered on the stewardship activity (including voting and engagement activity) that has been carried out on our behalf by the underlying investment managers selected by Aon.

What is fiduciary management?

Fiduciary management is the delegation of some, or all, of the day-to-day investment decisions and implementation to a fiduciary manager. But the trustees still retain responsibility for setting the high-level investment strategy.

In fiduciary management arrangements, the trustees will often delegate monitoring ESG integration and asset stewardship to its fiduciary manager.

Voting activity carried out by our underlying investment managers

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for each of the Scheme's material underlying funds with voting rights for the year to 31 March 2024.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM Multi-Factor Equity Fund	12,190	99.8%	21.1%	0.2%
UBS Global Emerging Markets Equity Climate Transition Fund	1,653	85.6%	20.7%	0.1%
UBS Global Equity Climate Transition Fund	12,343	95.0%	12.4%	0.1%

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's underlying investment managers use proxy voting advisers.

Managers	Description of use of proxy voting advisers (in the managers' own words)
Legal & General Investment Management ("LGIM")	LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.
UBS Global Asset Management ("UBS")	UBS AM retains the services of Institutional Shareholder Services (ISS) for the physical exercise of voting rights and for supporting voting research. UBS retain full discretion when determining how to vote at shareholder meetings.

Source: Managers

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's underlying investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the Appendix.

Our underlying managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material underlying investment managers. The managers have provided information for the most recent calendar year available.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
Aegon Asset Management European Asset Backed Securities ("ABS") Fund	127	528	Environment - Climate Change Governance - Board Effectiveness - Diversity; Leadership - Chair/CEO; Remuneration Other - General Disclosure
Robeco Short Dated Credit Fund	28	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Board Effectiveness - Other Other - SDG Engagement
Abrdn Climate Transition Bond Fund	101	2,008	Other - Climate; Environment; Corporate Governance; Labour Management; Corporate Behaviour
LGIM Multi-Factor Equity Fund	296	2,500	Environment - Climate Impact Pledge; Climate Change Social - Gender Diversity Governance - Remuneration; Board Composition
Robeco Sustainable Development Goals ("SDG") Credit Income Fund	17	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Board Effectiveness - Other Other - SDG Engagement
UBS Global Emerging Markets Equity Climate Transition Fund	28	471	Environment - Climate Change Social - Human and Labour Rights; Human Capital Management Governance - Remuneration Strategy, Financial & Reporting - Capital Allocation
UBS Global Equity Climate Transition Fund	183	471	Environment - Climate Change Social - Human Capital Management Governance - Remuneration; Board Effectiveness - Independence/Oversight Strategy, Financial & Reporting - Capital Allocation

Source: Managers.

Data limitations

This report does not include commentary on certain asset classes such as liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions (“AVCs”) due to the relatively small proportion of the Scheme’s assets that are held as AVCs.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below:

LGIM Multi-Factor Equity Fund	Company name	The Toronto-Dominion Bank
	Date of vote	20 April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.04
	Summary of the resolution	Resolution 9 - Disclose Transition Plan Towards 2030 Emission Reduction Goals
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.
	Rationale for the voting decision	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
	On which criteria have you assessed this vote to be most significant?	Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
UBS Global Emerging Markets Equity Climate Transition Fund	Company name	Ganfeng Lithium Group Co. Ltd.
	Date of vote	30 November 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Approve Adoption of the 2023 Employee Stock Ownership Plan
	How you voted?	Votes against resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	Full details for the plan and associated proposals have not been disclosed.
	Outcome of the vote	Pass

UBS Global Equity Climate Transition Fund	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We are not planning future steps in regard to the outcome, as the scheme was approved by a majority of shareholders.
	On which criteria have you assessed this vote to be most significant?	36% of shareholders voted against the plan and associated proposals.
	Company name	The Boeing Company
	Date of vote	18 April 2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	<i>Not provided</i>
	Summary of the resolution	Report on Climate Lobbying
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	Company not advised prior to meeting
	Rationale for the voting decision	The proposal would further enable shareholders to determine the strength of company policy, strategy and actions in regards to climate change.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Following the significant support for this proposal we shall be monitoring the next steps from the company.
	On which criteria have you assessed this vote to be most significant?	40% of votes cast were in support of this shareholder proposal.

Source: Managers