

The Wyko Group Retirement Benefits
Scheme

**Annual Implementation
Statement – Scheme year
ending 30 April 2021**

Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of Wyko Group Retirement Benefit Scheme (“the Scheme”) covering the scheme year (“the Year”) to 30 April 2021.

The purpose of this statement is to:

- Detail how and the extent to which, in the opinion of the Trustees, the Scheme’s policy on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) has been followed during the Year; and
- Provide a description of voting behaviour (including the “most significant” votes made on behalf of the Trustees) and any use of a proxy voter during the Year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing 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 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 and seeks to give effect to the policies and principles set out in the Trustee’s SIP.

The contents of this statement apply to the assets managed by the fiduciary manager. Assets in relation to Additional Voluntary Contributions have been excluded on materiality grounds.

A copy of this implementation statement has been made available on the following website: <https://eriks.co.uk/en/docs/WGRBS-Documents/>

Review of and changes to the SIP

The SIP was reviewed and updated once in the Year. The version in place as at the end of the year was dated September 2020 and was updated to reflect new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020 which required trustees to make additional statements in relation to their arrangements with asset managers. For the purpose of assessing how the Scheme’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020. All elements that were included in the previously agreed SIP (dated September 2019) remained in the September 2020 SIP.

Voting and engagement

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.

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 sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

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 policies and processes described above have impacted the Scheme's investments in numerous ways. Some examples of this are outlined below:

- Through its investment in the Secure Income Fund, amongst other things, the Scheme gains exposure to
 - London waste management infrastructure. This asset provides returns through the provision of energy which is produced from waste material, helping reduce dependency on fossil fuels and repurposing waste material that would have otherwise gone to landfill.
 - An Investment into socially beneficial housing for homeless individuals. This investment provides robust cashflows in the form of rental payments supported by local authorities, providing a strong certainty of payment.
- Through its investment in the Partners Fund, amongst other things, the Scheme gains exposure to
 - Industrial sized greenhouses in the UK. This investment aims to provide a controlled environment to produce crops utilising waste energy from a nearby industrial plant. This generates returns through a government tariff (Renewable Heat Incentive) and rental income from growers wishing to use the space.
 - UK Forest sequestration which invests in the planting of trees/forests in the north of England and Scotland with the intention of locking away carbon in the long-term. In turn, this investment generates return through land value enhancement as well as grants provided by the government.

Industry wide / public policy engagement

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake 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 WTW are currently the chair. Engagement activities by EOS on public policy over the Year included:

- 52 consultation responses or proactive equivalents (such as a letter), and 173 discussions held with relevant regulators and stakeholders during 2020;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, where EOS lead or co-lead 30 engagements and support another 14;
- Working closely with the Principles for Responsible Investment ('PRI'), including leading the engagement with Vale on tailings dam failure, and actively involved in other groups, including cyber risk, water stress, cattle deforestation, palm oil, plastics, cobalt and tax;
- Close collaboration with significant investor initiatives including Investors for Opioid & Pharmaceutical Accountability, Investor Alliance for Human Rights, Plastics Solutions Investor Alliance, 30% Club, and Investor Initiative on Mining & Tailings Safety.

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

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;

- 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);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

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

The Trustee has not set any specific guidelines around manager voting. As part of the review of the Statement of Investment Principles in September 2020, the Trustee considered and reviewed its stewardship and engagement policies.

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 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 Environmental, Social and Governance (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 terminate a manager’s appointment if they fail to demonstrate an acceptable level of practice in these areas. 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, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme’s equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below.

At the Year end, The Scheme was invested in two in-house multi-asset growth funds managed by the Fiduciary Manager, each of which have an allocation to equity holdings in underlying pooled funds:

- Towers Watson Partners Fund
- Towers Watson Core Diversified Fund

Further information on the voting and engagement activities of the managers is provided in the table below. The voting records provided below cover the period 1 April 2020 to 31 March 2021 for each fund, based on information provided by the manager of these funds; given the change in strategy and portfolio during the Year the Trustee considers this to be representative of their investment strategy going forwards:

Manager and fund	Portfolio structure	Voting activity
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Towers Watson Partners Fund	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 463</p> <p>Number of resolutions on which manager was eligible to vote: 6150</p> <p>Percentage of eligible votes cast: 99%</p> <p>Percentage of votes with management: 88%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 6%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 24%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8%</p>
Towers Watson Core Diversified Fund	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 1,519</p> <p>Number of resolutions on which manager was eligible to vote: 16,874</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 75%</p> <p>Percentage of votes against management: 25%</p> <p>Percentage of votes abstained from: 1%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 18%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 1%</p>

The above data is the best available based on the information provided by the managers available within the TWIM: Partners Fund and the TWIM: Core Diversified Fund.

In addition, each TWIM fund has reported on the most significant votes cast within the underlying funds managed on behalf of the Scheme, including reasons from the underlying managers why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

Coverage in portfolio	Size of holdings	Most significant votes cast	
Towers Watson Partners Fund	0.1%	<p>Company: Facebook, Inc.</p> <p>Resolution Require Independent Board Chair</p> <p>Decision/Vote For</p> <p>Rationale for decision We believe the company would benefit from independent oversight to help manage potential conflicts of interest between management and shareholders.</p> <p>Rationale for classifying as significant Shareholder proposals to require an independent chair are common in the US. We selected this vote as representative of this class of proposals with regard to our engagement and vote on such matters. The outcome of the vote was also representative of our experience on similar proposals over the year in question.</p>	
Towers Watson Partners Fund	0.1%	Company:	Amazon

		<p>Resolution</p> <p>Shareholders proposal requesting an additional reduction in threshold for calling a special meeting. Shareholders are requesting 20%. Current threshold is 30%.</p> <p>Decision/Vote</p> <p>For</p> <p>Rationale for decision</p> <p>We support managements recommendation in decreasing the current threshold from 30% to 25% was in the best interests of the Company and its shareholders. Lowering the threshold to 20% as suggested increases the risk of special meetings being called by a few shareholders focused on narrow or short-term interests.</p> <p>Rationale for classifying as significant</p> <p>We selected this vote as “significant” because the company was a large position in the strategy and the proposal was more important to the long term value of the business compared to other proposals for that company.</p>
Towers Watson Partners Fund	0.1%	<p>Company:</p> <p>MasterCard</p> <p>Resolution</p> <p>Advisory vote on executive compensation</p> <p>Decision/Vote</p> <p>For</p> <p>Rationale for decision</p> <p>We support the NEO compensation as described in the proxy statement.</p> <p>Rationale for classifying as significant</p> <p>We selected this vote as “significant” because the company was a large position in the strategy and the proposal was more important to the long term value of the business compared to other proposals for that company.</p>
Towers Watson Partners Fund	0.1%	<p>Company:</p> <p>Great Wall Motor</p>
Towers Watson Core Diversified Fund	0.1%	<p>Resolution</p> <p>Amendments to Articles of Association</p> <p>Decision/Vote</p> <p>Against</p> <p>Rationale for decision</p> <p>Shortened notice period as shareholders should given enough time to consider items before general meetings</p> <p>Rationale for classifying as significant</p> <p>Against management</p>
Towers Watson Partners Fund	0.1%	<p>Company:</p> <p>Wuliangye Yibin Co Ltd</p>

Towers Watson Core Diversified Fund	0.1%	<p>Resolution</p> <p>To consider and approve the resolution regarding the proposed grant of general mandate by the general meeting to the board to issue H shares, that is, the grant of a general mandate to the board to allot, issue and deal with additional H shares not exceeding 20 percent of the total H shares of the Company in issue, representing no more than 8.15 percent of the total number of issued shares of the Company, at a relevant price represents a discount (if any) of no more than 10 percent to the benchmark price (instead of a discount of 20 percent as limited under the rules governing the listing of securities on the stock exchange of Hong Kong Limited) and authorize the board to make corresponding amendments to the Articles of Association of the Company as it thinks fit so as to reflect the new capital structure upon the allotment or issuance of shares.</p> <p>Decision/Vote</p> <p>Against</p> <p>Rationale for decision</p> <p>We routinely vote against the ability to issue shares</p> <p>Rationale for classifying as significant</p> <p>Material issue - Issuance can be dilutive for existing shareholders</p>	
Towers Watson Core Diversified Fund	0.1%	<p>Company:</p> <p>51Job</p> <p>Resolution</p> <p>Elect Cheng Li-Lan</p> <p>Decision/Vote</p> <p>Against</p> <p>Rationale for decision</p> <p>Overboarded</p> <p>Rationale for classifying as significant</p> <p>Vote against provider recommendations</p>	
Towers Watson Core Diversified Fund	0.1%	<p>Company:</p> <p>Goodman Group</p> <p>Resolution</p> <p>Advisory Vote to Ratify Named Executive Officers' Compensation</p> <p>Decision/Vote</p> <p>Against</p> <p>Rationale for decision</p> <p>This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.</p> <p>Rationale for classifying as significant</p> <p>Vote against management</p>	
Towers Watson Core Diversified Fund	0.1%	<p>Company:</p> <p>Barclays</p>	

		<p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Resolution 29 Approve Barclays' Commitment in Tackling Climate Change Resolution 30 Approve ShareAction Requisitioned Resolution</p> <p>LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.</p> <p>The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.</p> <p>Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.</p>
Towers Watson Core Diversified Fund	0.1%	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p>	<p>Olympus Corporation</p> <p>Resolution 3.1: Elect Director Takeuchi, Yasuo at the company's annual shareholder meeting held on 30 July 2020.</p> <p>Against</p> <p>Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation. In the beginning of 2020, we announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100. We opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.</p>

		Rationale for classifying as significant	This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.
Towers Watson Core Diversified Fund	0.1%	Company:	ExxonMobil
		Resolution	Resolution 1.10 Elect Director Darren W. Woods
		Decision/Vote	Against
		Rationale for decision	In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.
		Rationale for classifying as significant	We voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.

Appendix 1: Manager voting policies

TWIM's voting policy is provided below

As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. TWIM expects all of the underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. TWIM have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all TWIM clients. In addition, EOS is expanding the remit of engagement activity they perform on TWIM's behalf beyond public equity markets, which will enhance stewardship practices over time.

For the TWIM Partners Fund, the equity exposure comes from four main areas:

- The global equity portfolio where EOS provides voting recommendation to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers in this portfolio use ISS's 'ProxyExchange' electronic voting platform to facilitate voting.
- The China equity manager uses Glass Lewis service where they have created a bespoke policy
- The emerging markets equity manager uses ISS and Broadridge Proxy Edge platforms for information and to facilitate voting
- The long-short equity managers use ISS to provide corporate research and to facilitate the voting process.

For the TWIM Core Diversified Fund, the equity exposure comes from three main areas:

- Through the global equity and listed real asset strategies, TWIM works with EOS to provide corporate engagement and voting recommendation services to enhance the efforts of the underlying managers where possible. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.
- The China equity manager uses Glass Lewis service where they have created a bespoke policy.