

Molins UK Pension Fund

**Annual Implementation
Statement – Fund year
ending 30 June 2022**

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1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Molins UK Pension Fund (“the Fund”) covering the Fund year (“the year”) to 30 June 2022.

The purpose of this statement is to:

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

The Fund 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, 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 appointed a Fiduciary Manager, Towers Watson Limited (a WTW company), to manage the Fund’s assets on a discretionary basis effective 7th February 2022. 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:
<https://mpac-group.com/uk-db-pension-fund/>

2. Voting and engagement

As set out above, 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 Trustee’s view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager’s performance in this area as part of its overall assessment of the Fiduciary Manager’s performance.

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.

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 Fund's investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Fund'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. However, no managers were terminated on these grounds during the Year.

The Fund 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 Fund's equity managers as here there is a right to vote as an ultimate owner of a stock.

The Fund's equity holdings are invested across two pooled funds as at year-end 2022.

- State Street Global Advisors ("SSgA") Robeco Global Sustainable Multi-Factor Equity Index – a passive global equity fund that focuses on the well-known factors of value, quality, momentum and low volatility in both developed and emerging markets
- STOXX Willis Towers Watson World Climate Transition Index – a passive global equity fund that focuses on equity related to climate transition.

These funds were introduced to the portfolio on 1 June 2022. As a result, some of the votes included are not directly relevant to the period the Fund was invested but they are representative of the way the managers cast their votes. Responses received are provided in the table below.

WTW views SSgA's approach to sustainable investment as acceptable. We have seen a positive tone from the top supporting the value of stewardship. In addition, SSgA has undertaken a successful multi-year campaign on diversity with clear tracking of progress/action with voting and engagement linked to real world impact. This year, SSgA has highlighted an increased focus on climate transition, beginning with a small universe of companies for engagements. We also have a positive view of the firm's recent commitment to placing someone senior at the helm of ESG thought leadership, with a focus on ESG integration.

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment manager. 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 below). EOS have identified on the Trustees behalf the key ESG risks for the Fund such as climate change action and therefore selected votes on these topics as the most significant for the Fund.

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes identified were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. Where managers provided multiple examples of "significant votes", three have been shown below.

SSGA – Robeco Global Sustainable Multi-Factor Equity Index

<p>Voting activity</p>	<p>Number of meetings at which the manager was eligible to vote: 1,422 Number of votes eligible to cast: 17,727 Percentage of eligible votes cast: 94.0 Percentage of votes with management: 85.0 Percentage of votes against management: 14.0 Percentage of votes abstained from: 0.0 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 63.0 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 3.0</p>			
<p>Most significant votes cast</p>	<p>Company</p>	<p>Bank of China Limited</p>	<p>China Tower Corporation Limited</p>	<p>Enel Chile SA</p>
	<p>Size of holdings</p>	<p>0.17%</p>	<p>0.17%</p>	<p>0.01%</p>
	<p>Resolution</p>	<p>Elect a Shareholder-Nominee to the Board (Proxy Access Nominee)</p>	<p>Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights</p>	<p>Amend Articles/ Bylaws/Charter - Non-Routine</p>
	<p>How the manager voted</p>	<p>Vote Against Management</p>	<p>Vote Against Management</p>	<p>Vote Against Management</p>
	<p>Rationale for decision</p>	<p>Concerns related to inappropriate membership of committees and inadequate management of climate-related risks</p>	<p>Issue of equity raises concerns about excessive dilution of existing shareholders</p>	<p>Concerns related to shareholder rights</p>
	<p>Rationale for classifying as significant</p>	<p>The manager has deemed significant votes as those that have quantitative substance and qualitative materiality.</p> <ul style="list-style-type: none"> - Regarding substance, the top significant votes have been defined by the ordering the total number of votes in the portfolio from largest to smallest number of votes actually cast. - Regarding materiality, the manager has reported those top significant votes whereby the votes cast were against management and contain a rationale. 		
	<p>Outcome of vote</p>	<p>Passed</p>	<p>Passed</p>	<p>Passed</p>
<p>Use of proxy voting</p>	<p>The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.</p>			

STOXX Willis Towers Watson World Climate Transition Index

<p>Voting activity</p>	<p>Number of meetings at which the manager was eligible to vote: 1,246 Number of votes eligible to cast: 17,897 Percentage of eligible votes cast: 92.0 Percentage of votes with management: 84.0 Percentage of votes against management: 15.0 Percentage of votes abstained from: 0.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 74.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 4.0</p>			
<p>Most significant votes cast</p>	<p>Company</p>	<p>HSBC Holdings Plc</p>	<p>Banco Santander SA</p>	<p>Xiaomi Corporation</p>
	<p>Size of holdings</p>	<p>0.28%</p>	<p>0.12%</p>	<p>0.05%</p>
	<p>Resolution</p>	<p>Amend Articles Board-Related</p>	<p>Approve Remuneration Policy</p>	<p>Elect Director</p>
	<p>How the manager voted</p>	<p>Vote Against Management</p>	<p>Vote Against Management</p>	<p>Vote Against Management</p>
	<p>Rationale for decision</p>	<p>Concerns about reducing shareholder rights</p>	<p>Apparent failure to link pay and appropriate performance</p>	<p>Concerns related to approach to board gender diversity</p>
	<p>Rationale for classifying as significant</p>	<p>The manager has deemed significant votes as those that have quantitative substance and qualitative materiality.</p> <ul style="list-style-type: none"> - Regarding substance, the top significant votes have been defined by the ordering the total number of votes in the portfolio from largest to smallest number of votes actually cast. - Regarding materiality, the manager has reported those top significant votes whereby the votes cast were against management and contain a rationale. 		
	<p>Outcome of vote</p>	<p>Withdrawn</p>	<p>Passed</p>	<p>Passed</p>
<p>Use of proxy voting</p>	<p>The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.</p>			

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 2021:

- Engagements with over 1,200 companies on a total of 4,154 issues and objectives representing assets under advice of \$1.64tn.
- 64 responses to consultations or proactive equivalents and 71 discussions with relevant regulators and stakeholders.
- Voting recommendations in relation to over 128,000 resolutions, with over 20,000 being against management.
- Active participation in a number of stewardship initiatives including Climate Action 100+, PRI, Investor Alliance for Human Rights and the International Corporate Governance Network.

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;
- Co-founding the Net Zero Investment Consultants Initiative with eleven other investment consultants 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);
- 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.

3. Conclusion

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