

Molins UK Pension Fund

**Annual Implementation
Statement – Fund year
ending 30 June 2023**

October 2023

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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 2023.

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 has appointed a Fiduciary Manager, Towers Watson Limited (a WTW company), to manage the Fund’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 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 consideration of all relevant matters, 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 five pooled funds as at year-end 2023.

- 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
- State Street Global Advisors ("SSgA") Global Adaptive Capped ESG Fund - a passive global equity fund that focuses on equity related to ESG
- State Street Global Advisors ("SSgA") MFG Core Infrastructure Fund – an active equity fund that focuses on global listed infrastructure businesses
- State Street Global Advisors ("SSgA") Heitman Global Prime Property Securities Fund - a passive global equity fund that focuses on equity related to real estate

The Global Adaptive Capped ESG Fund was added to the portfolio on the 23 September 2022. The MFG Core Infrastructure Fund and Heitman Global Prime Property Securities Fund were introduced to the portfolio on 7 December 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 tables in this statement.

WTW views SSgA's approach to sustainable investment as acceptable. Management have been clear on their support for 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. Last year, SSgA highlighted an increased focus on the climate transition, beginning with a small universe of companies for engagements. There has also been a 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. 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 for each fund.

SSGA – Robeco Global Sustainable Multi-Factor Equity Index

Voting activity	Number of meetings at which the manager was eligible to vote: 1,240 Number of votes eligible to cast: 15,457 Percentage of eligible votes cast: 95.0 Percentage of the votes cast with management: 85.0 Percentage of the votes cast against management: 14.0 Percentage of the votes cast abstained from: 1.0 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64.0 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2.0			
Most significant votes cast	Company	Bank of China Limited	China Tower Corporation Limited	China Construction Bank Corporation
	Size of holdings	0.15%	0.05%	0.21%
	Resolution	Accept Financial Statements and Statutory Reports	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Elect Director
	How the manager voted	Vote Against Management	Vote Against Management	Vote Against Management
	Rationale for decision	Inadequate management of deforestation risks	Issue of equity raises concerns about excessive dilution of existing shareholders	Concerns related to approach to board gender diversity

	Rationale for classifying as significant	<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. 		
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	<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

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 1,364 Number of votes eligible to cast: 19,152 Percentage of eligible votes cast: 92.0 Percentage of the votes cast with management: 84.0 Percentage of the votes cast against management: 14.0 Percentage of the votes cast abstained from: 0.0 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 72.0 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2.0</p>			
Most significant votes cast	Company	Vodafone Group Plc	Toyota Motor Corp.	Xiaomi Corporation
	Size of holdings	0.11%	0.44%	0.04%
	Resolution	Director Election	Director Election	Capitalization
	How the manager voted	Vote Against Management	Vote Against Management	Vote Against Management
	Rationale for decision	Concerns related to ethnic and/or racial diversity	Lack of independence on board	Concerns related to inappropriate membership of committees

	Rationale for classifying as significant	<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. 		
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	<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>			

SSGA - Global Adaptive Capped ESG

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 2,010 Number of votes eligible to cast: 25,308 Percentage of eligible votes cast: 95.0 Percentage of the votes cast with management: 84.0 Percentage of the votes cast against management: 15.0 Percentage of the votes cast abstained from: 0.0 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 65.0 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2.0</p>			
Most significant votes cast	Company	Banco Santander Chile SA	Bank of China Limited	Agricultural Bank of China Limited
	Size of holdings	0.02%	0.09%	0.05%
	Resolution	Director Election	Routine Business	Director Election
	How the manager voted	Vote Against Management	Vote Against Management	Vote Against Management
	Rationale for decision	Insufficient/poor disclosure	Inadequate management of deforestation risk	Concerns related to inappropriate membership of committees and

				approach to board gender diversity
	Rationale for classifying as significant	<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. 		
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	<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>			

SSGA - MFG Core Infrastructure Fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 90 Number of votes eligible to cast: 1216 Percentage of eligible votes cast: 100.0 Percentage of the votes cast with management: 85.0 Percentage of the votes cast against management: 14.0 Percentage of the votes cast abstained from: 0.0 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 75.0 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 1.0</p>			
Most significant votes cast	Company	Aguas Andinas SA	SNAM SpA	National Grid Plc
	Size of holdings	0.17%	2.58%	3.17%
	Resolution	Routine Business	Routine Business	Director Election
	How the manager voted	Vote Against Management	Vote Against Management	Vote Against Management

	Rationale for decision	Insufficient/poor disclosure	Inadequate management of climate-related risks	Apparent failure to link pay and appropriate performance
	Rationale for classifying as significant	<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. 		
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	<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>			

SSGA - Heitman Global Prime Property Securities Fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 78 Number of votes eligible to cast: 947 Percentage of eligible votes cast: 95.14 Percentage of the votes cast with management: 93.6 Percentage of the votes cast against management: 6.4 Percentage of the votes cast abstained from: 0.11 Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 52.63 Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7.9</p>			
Most significant votes cast	Company	Inmobiliaria Colonial SOCIMI SA	Simon Property Group, Inc.	Prologis, Inc.
	Size of holdings	1.38%	1.48%	1.44%
	Resolution	Advisory Vote on Remuneration Report	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation
	How the manager voted	Vote Against Management	Vote Against Management	Vote Against Management

	Rationale for decision	Pay for performance concerns.	Pay for performance alignment concerns.	Concerns regarding the responsiveness of the compensation committee to shareholder feedback and lacking pay for performance alignment.
	Rationale for classifying as significant	<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. 		
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	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.			

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

3. Conclusion

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