

Water Associated Employers Pension Scheme - Defined Benefit Sections Implementation Statement for the year ending 31 March 2021

Welcome to the Trustee's Statement of how they implemented the policies and practices in the Scheme's Statement of Investment Principles (SIP) during the year ending 31 March 2021.

Introduction

This is the Trustee's statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustee has complied with the Scheme's Stewardship Policy during the period from 1 April 2020 to 31 March 2021 and other policies and practices within the Statement of Investment Principles.

What is the Statement of Investment Principles ('SIP')?

The SIP sets out the investment principles and practices the Trustee follows when governing the Scheme's investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee's approach to responsible investing (including climate change).

This Implementation Statement is in respect of the Scheme's SIP that was in place as at 20 August 2019. In order to reflect new regulatory requirements, the SIP was reviewed and signed by the Chair during the last Scheme year on 21 September 2020. The main changes to the SIP were as follows:

- How the Trustee ensures that all managers have clearly defined benchmarks, objectives and parameters and that remuneration for each mandate is determined at the inception of each mandate;
- How the Trustee scrutinises the level of turnover within each mandate based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio;
- The Trustee's approach to stewardship activities, including how they engage with investment managers, delegation of voting rights and the monitoring process carried out by the Trustee; and
- How the Trustee considers any conflicts of interest arising in the management of the Scheme and its investments and ensures that each manager has an appropriate conflicts of interest policy in place.

Apart from the inclusion of the topics referenced in the above bullet points, the Scheme's SIP between 1 April 2020 and 21 September 2020 was fundamentally the same as the SIP signed on 21 September 2020 from an investment policy, objective and risk management perspective.

You can review the Scheme Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at <https://waeps-dc.pensions-directory.co.uk/>

What is the Implementation Statement for?

Each year from 2020, the Trustee is required to prepare an Implementation Statement, which sets out how they have complied with the Scheme's SIP relating to DB benefits during the last Scheme year and other related matters. This report covers the SIP that was signed on 21 September.

Overall, the Trustee is satisfied that:

- Throughout the last Scheme year, the Scheme's DB investments have been managed in accordance with the SIP at that time; and
- The provisions in the current SIP remain suitable for the Scheme's DB members.

How the Scheme's investments are governed

The primary objective of the DB Sections of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. The Trustee's overriding funding principles for the Scheme are to set the employer contribution at a level which is sufficient:

- To recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The Trustee monitors how well their investment adviser meets the objectives agreed with them, which are designed to align with the Trustee objectives and investment strategy set out in the SIP. During the last year the investment adviser agreed the objectives of the Scheme's DB investments which are outlined in Appendix 1.

The Trustee is satisfied that the objectives outlined in the SIP have been followed during the last Scheme year.

To facilitate meeting those objectives, the Trustee undertook the following activities during the last year to ensure that their knowledge and understanding of investment matters remains up to date.

Date	Topic	Aim	Trainer
April 2020	WRc strategy development	Training on the evolution of the WRc investment strategy	Hymans Robertson
May 2020	Hedging	Training on impact of market drift on IWA's hedge ratios.	Hymans Robertson
June 2020	Market update	Training on the latest industry developments	Hymans Robertson
June 2020	Strategy and Risk report	Monitoring the key risks for the WRc Section	Hymans Robertson
June 2020	WRc strategy development	Analysing the implications of COVID on the original WRc investment evolution	Hymans Robertson
June 2020	Responsible investment	Training on the implications on the new SIP requirements	Hymans Robertson
November 2020	Hedging	Analysing the impact of using PPF compensation levels for the WRc Section's hedge ratios.	Hymans Robertson
November 2020	NSF strategy development	Training on how to treat members equitably as part of the bulk transfer exercise for NSF Section.	Hymans Robertson
March 2021	WRc strategy	Training on the restructuring of the structured equity contract	Hymans Robertson

The Trustee has liaised with their investment adviser in relation to their objectives and will review their investment adviser against their agreed objectives in 2021.

How the investment strategy is managed

The objectives and rationale for the investment strategy is set out in the Scheme's current SIP.

The Trustee has reviewed certain segments of the IWA Section's investment strategy and structure over the last year. This included the decision to switch their allocation from Henderson High Alpha Credit to LGIM Buy & Maintain to avoid becoming a forced seller of assets.

The Trustee also undertook an investment strategy review for the WRc Section and significant changes were made to the WRc Section's asset allocation during the Scheme year to more closely align the Section's strategy with the PPF funding principles.

How investments are chosen

The Trustee's approach to the selection of new investments is set out in the SIP.

The Trustee reviews the performance of each of its managers and mandates on a regular basis against a series of metrics, including financial performance against the benchmark and objectives of the mandate, the exercise of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

Over the last Scheme year, the Trustee appointed one new credit mandate - Legal and General Buy and Maintain 2030-2034 - in the IWA Section. Early in 2020, Janus Henderson confirmed that the total assets under management for the High Alpha Credit fund, in which the IWA Section was an investor, had considerably reduced due to two large investors redeeming their units in the fund. In order to avoid becoming a forced seller of assets at potentially inopportune times, the decision was taken to disinvest the Section's entire holding in the Janus Henderson High Alpha Credit mandate.

The manager selection process involved analysis by the Scheme's investment advisers on the expected return, risk and liquidity characteristics of the proposed mandates. The Trustee reviewed how investing in this mandate would impact their long-term objectives, risk appetite and return aspirations. These considerations subsequently ensured that the desired interest rate and inflation hedge ratio of 100% was maintained. The Trustee also assessed the remuneration of the managers as part of the decision-making process.

For any future manager appointments, the Trustee will continue to consider the policies set out in the SIP, especially around the remuneration of managers.

Over the last Scheme year, the Trustee monitored fund performance relative to the manager's respective benchmarks and targets on a quarterly basis. The deviations away from long-term targets for some of the funds was caused by the global pandemic. The Trustee subsequently undertook a deep-dive into the impact that COVID-19 had on all of the Scheme's mandates.

The expected risks and returns in the DB Scheme

The investment risks relating to the DB Scheme are described in the SIP on pages 2 to 4, and the expected return is described in the SIP on pages 3 and 4.

The Trustee believes that the main investment risks the Scheme faces as described in the SIP have not changed materially over the last year.

The Trustee is satisfied that through a diversified portfolio, systemic risk can be mitigated, and accepts that it is not possible to make specific provision for all possible eventualities which arise under this heading.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e. what types of assets and areas of the world the Scheme invests in over the longer-term) and the style of management adopted by the Scheme.

Over the last Scheme year, due to employer covenant concerns, the Trustee updated its strategic asset allocation for the WRc Section so that it was more aligned to the PPF funding principles. For the IWA Section, the Trustee restructured its asset allocation to ensure the investment strategy could more efficiently achieve its target hedge ratios.

Ability to invest / disinvest promptly

It is important that member benefits can be received promptly, and that the Scheme's investments can be realised quickly if required. The emergence of the COVID-19 pandemic in March 2020 did bring with it concerns over a lack of liquidity, mainly in credit markets, however with central bank support, these concerns were abated.

No issues of liquidity were reported over the last Scheme year. However, due to this reduction of liquidity (and in order to avoid crystallisation of losses), it was decided to delay disinvestments which were originally planned at the beginning of the year to instead be carried out towards the end of 2020.

Portfolio turnover within funds

Although the Trustee does not currently monitor portfolio turnover, the Trustee will continue to monitor the volume of buying and selling of underlying assets in each fund.

Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

In future DB Implementation Statements, the Trustee will report the level of trading of the Scheme's assets carried out by the fund managers, and whether this has been consistent with the Scheme's objectives.

Additional Voluntary Contributions (AVCs)

The Trustee gives members who are currently making AVCs the opportunity to invest in AVC vehicles at the members' discretion. The AVC providers which the members have access to are as follows: Utmost and Clerical Medical.

The Trustee periodically monitors the investment suitability of the underlying AVC fund range. In 2019, Equitable Life (one of the Scheme's AVC providers) announced that their With Profits Fund would close. In late 2019, High Court approval was received for the Part VII transfer of Equitable Life's business to Utmost Life. During the Scheme year, the Scheme's investment advisers concluded that the default "Lifestyle by Age" investing approach was appropriate for the Scheme's AVC members.

The Trustee has thought about the policies specified in the DB SIP and have consistently applied them to the Scheme's AVCs. Therefore, the reporting summarised elsewhere in the DB implementation statement also holds true for the Scheme's AVC investments.

Conflicts of interest

Over the last Scheme year, the Trustee considered any conflicts of interest arising in the management of the Scheme and its investments and have ensured that the appropriate conflicts of interest policies are in place.

Manager incentives

The Trustee seeks to ensure that the fund managers are suitably incentivised to deliver performance in keeping with the funds' objectives.

The Trustee is satisfied that the managers are suitably incentivised to deliver good outcomes for the Scheme over the year.

Limitations and missing information

The Trustee has been unable to obtain full information on voting data and engagement activity for the Scheme's AVC investments. The Trustee believes that this is a temporary issue while platform providers and fund managers put these new reporting requirements in place. The Trustee and their investment adviser will work with the AVC managers (and voting service agencies) to compile this information in readiness for next year's Implementation Statement.

Responsible Investment

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Investment Advisor explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision-making.

The Trustee's approach to responsible investing has not changed during the last year.

Sustainable Investment

The Trustee believes that investing sustainably is important to control the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour (called "ESG" factors) can have on the value of the Scheme's investments and in turn the size of member's retirement benefits.

The Trustee is satisfied that during the last year the Scheme's investments were invested in accordance with the policies on sustainable investing and consideration of financially material factors set out in the SIP.

Policy implementation

In line with the SIP, no specific actions over the past year have been considered with respect to non-financially material factors in the development and implementation of the Scheme's investment strategy. As outlined on page 6 of the SIP, the Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that their investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on their dialogue with the investment managers which is undertaken in conjunction with the investment adviser. The Trustee considers managers' exercise of their stewardship through reporting provided by the investment adviser.

The Trustee also monitors their compliance with its Stewardship Policy on a regular basis and is satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how:

- The Trustee will review stewardship activity undertaken by their investment managers as part of its broader monitoring activity;

- The Trustee does not engage directly, but believes it is appropriate for its investment managers to engage with key stakeholders;
- The Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity on a periodic basis;
- Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

The Scheme's Stewardship Policy is reviewed on a periodic basis in line with the Scheme's SIP review.

Voting activity

The Trustee seeks to ensure that its managers are exercising voting rights and where appropriate, to monitor manager voting patterns. As the Trustee has exposure to managers and mandates with voting rights contained within both the IWA and WRc Sections, these are summarised in separate tables below (Table 2 & Table 3). Any proxy advisors used by managers with applicable voting rights are outlined in Table 1 below:

Table 1: Proxy Advisors

Manager	Proxy Advisor used
LGIM	LGIM use an in-house custom voting policy in conjunction with ISS 'ProxyExchange' platform.
GMO	GMO has engaged Institutional Shareholder Services Group, Inc. ("ISS") as its proxy voting agent to provide recommendations with respect to proxy voting matters in general.
Baillie Gifford	Baillie Gifford do not use proxy advisor. All voting decisions are made in-house in alignment with their own policies.
Invesco	Invesco generally retains full and independent discretion with respect to proxy voting decisions.

Table 2: IWA Section voting data

	GMO Global Real Return (UCITS) Fund	LGIM UK Equity	LGIM World Equity
Proportion of IWA Section assets as at 31 March 2021	4.00%	2.80%	3.10%
No. of meetings eligible to vote at during the year	1,998	943	3,421
No. of resolutions eligible to vote on during the year	21,044	12,574	40,987
% of resolutions voted	96.78%	100.00%	99.84%
% of resolutions voted with management	90.20%	92.94%	81.38%
% of resolutions voted against management	7.86%	7.05%	18.07%
% of resolutions abstained	1.94%	0.01%	0.55%
% of meetings with at least one vote against management	38.43%	3.27%	6.04%

Table 3: WRc Section voting data

	Invesco Global Targeted Returns Pension Fund	Baillie Gifford Diversified Growth Fund	GMO Global Real Return (UCITS) Fund
Proportion of WRc Section assets as at 31 March 2021	3.80%	8.40%	4.10%
No. of meetings eligible to vote at during the year	365	103	1,998
No. of resolutions eligible to vote on during the year	5,332	935	21,044
% of resolutions voted	98.35%	95.72%	96.78%
% of resolutions voted with management	94.45%	94.30%	90.20%
% of resolutions voted against management	5.55%	5.14%	7.86%
% of resolutions abstained	0.53%	1.23%	1.94%
% of meetings with at least one vote against management	33.06%	16.50%	38.43%

Significant votes

The Trustee has asked the Scheme's investment managers to report on the most significant votes cast within the portfolio they manage on behalf of the Trustee. LGIM, Invesco and Baillie Gifford were asked to explain the reasons why votes 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. The majority of public companies hold their Annual General Meeting (AGM) during the second quarter of each year, with most meetings taking place in April and May. Details of the significant votes are outlined in Tables 4, 5 & 6 below.

Table 4: LGIM significant votes

Date	Company	Subject	Manager's vote and rationale	Outcome
05/05/2020	Lagardère	Director Appointment	For – Amber Capital, a 16% shareholder proposed removing all incumbent director pre-2019 and appointing 8 new directors to the Supervisory Board (SB). LGIM agreed with their opinion that company strategy was not creating value for shareholders and the structure was restricting the SB from holding management accountable.	Vote rejected – The vote did not pass but did receive a significant portion of overall votes at c35%, suggesting other shareholders have similar concerns. LGIM continue to engage with the company on its future strategy, corporate structure and long-term plans.
07/05/2020	Barclays	Environmental	For - LGIM believed that the resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. LGIM were particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.	Vote passed - The vote was supported by 99.9% of shareholders
27/05/2020	Amazon	Social and Corporate Governance	LGIM voted to support 10 of 12 resolutions put forward. These were wide ranging and covered Governance, Separation of CEO and board roles, data transparency, Amazon's climate pledge, workplace culture and employee health and safety. These followed widespread allegations throughout the pandemic from employees of unsafe working conditions and issues with the internal culture.	Most resolutions did not receive shareholder support but the intense focus on these issues within Amazon has remained. LGIM continue to engage within Amazon and have done so on numerous occasions over the last 12 months on a broad range of ESG issues.
07/09/2020	International Consolidated Airlines Group	Remuneration	Against – LGIM believed the size of the bonus payments to the departing CEO and current executives was excessive given recent events in laying off 30% of the workforce, seeking an additional €2.75bn from investors during the pandemic and withdrawing their 2020 dividends.	Vote passed – Around 30% of shareholders voted against the remuneration package and LGIM will continue to closely engage with the new board.
16/09/2020	Plus500 Ltd.	Remuneration	Against - the board recommended the approval of a substantial discretionary bonus offered to the CFO for his successful work with Israeli tax authorities over a number of years, resulting in a significant tax-saving for shareholders. LGIM does not support one-off discretionary bonuses (or transaction bonuses) as these are not within the approved policy to reward the achievement of pre-set targets.	Resolution withdrawn - Given the level of shareholder dissent, the resolution on the special bonus was withdrawn ahead of the AGM, while all the other resolutions were passed.

13/10/2020	The Procter & Gamble Company (P&G)	Environmental	For – P&G to produce a report on their effort to eliminate deforestation. P&G use palm oil and forest pulp as raw materials within their products and have only obtained sustainable certification for around one-third of its supplies despite setting a goal of 100% by 2020. These are significant contributors to illegal deforestation and LGIM believe they have not done enough to combat this nor show significant commitment to doing so in the future.	Vote passed – The resolution received two-thirds of shareholders support including LGIM who continue to engage with P&G on the issue and monitor its sustainability disclosure for improvements.
23/10/2020	Qantas Airways Limited	Remuneration	Against– Long term incentive plan (LTIP) to CEO Alan Joyce given the share price at the time and the inability of the remuneration committee to exercise discretion for such plans which is against best practice.	Votes passed – Both votes received c90% of shareholders support. LGIM say this highlights their tougher stance on executive remuneration and will continue to engage with the company.
22/11/2020	Whitehaven Coal	Environmental	For – Shareholders asked for a report exploring an increase in the amount of capital returned to them following the potential wind-down of the company's coal operations. LGIM have publicly supported this stance.	Vote rejected – only a small percentage of shareholders voted for this resolution. The company has previously broken environmental laws surrounding mining and is on LGIM's Future World protection List of exclusions with their ESG funds not investing in this company. They continue to monitor the company.
26/11/2020	Fast Retailing Co. Limited.	Director Appointment	Against– LGIM believe that Japanese companies lack diversity at board level when compared to Europe and the US regarding the proportion of women in senior roles.	Vote passed – LGIM continue to engage with all Japanese company boards and since the beginning of 2020 have voted against board appointments within the largest Japanese companies who have no female directors on their board.
27/01/2021	Hollywood Bowl Group	Remuneration	Against - Despite the impacts of the COVID-19 pandemic on the company, the remuneration committee decided to exercise its discretion to allow for the performance period of the 2017 Long-Term Incentive Plan (LTIP) award to be reduced from September 2020 to February 2020, to avoid having to factor-in the financial consequences of the pandemic into the incentive plan.	Vote passed - 47.7% of shareholders opposed the remuneration report and 15.8% the re-election of the chair of the remuneration committee. The other members of the remuneration committee were only opposed by 4.2% and 4.0% of shareholders respectively.

			Given the seriousness of LGIM's concerns and the precedent they felt this could set, LGIM decided to escalate their vote sanction by a rare vote against all members of the remuneration committee.	
28/01/2021	Walgreens Boots Alliance, Inc.	Remuneration	Against - The company's compensation committee applied discretion to allow a long-term incentive plan award to vest when the company had not even achieved a threshold level of performance. This is an issue because investors expect pay and performance to be aligned. Exercising discretion in such a way during a year in which the company's earnings per share declined by 88% caused a significant misalignment between pay and performance.	Vote rejected - The resolution failed to get a majority support as 52% of shareholders voted against.
11/02/2021	Tyson Foods	Social and Corporate Governance	For - A shareholder-led resolution requested that the company produce a report on Tyson's human rights due diligence process. The pandemic highlighted potential deficiencies in the application of its human rights policies. Issues included: strict attendance policies, insufficient access to testing, insufficient social distancing, high line speeds and non-comprehensive COVID-19 reporting.	Vote rejected - The resolution failed to get a majority support as only 17% of shareholders supported it.
17/03/2021	Samsung Electronics	Director Appointment	Against - LGIM were concerned that vice-Chairman Lee Jae-yong continues to make strategic company decisions from prison. Additionally, they were not satisfied with the independence of the company board. LGIM voted against resolutions to appoint 3 outside directors whom have collectively failed to remove criminally convicted directors from the board.	The meeting results are not yet available.
18/03/2021	Toshiba Corp.	Social and Corporate Governance	For - LGIM supported the resolution calling for the appointment of investigators to address doubts over the company's 2020 AGM conduct and vote tallying. They believed the enquiry, which is unlikely to be a burden on the company, will be an important step in rebuilding trust between shareholders and the company's executive team and board. They also supported the shareholder resolution mandating the company to present its strategic investment policy to a shareholder vote in order to increase transparency and accountability.	The first resolution passed with 57.9% of participating shareholders in support. The company promptly put investigators in place and set up a confidential hotline for any individuals who are willing to provide information. The second resolution received 39.3% support and did not pass.

Table 5: Invesco significant votes

Date	Company	Subject	Manager's vote and rationale	Outcome
21/04/2020	Citigroup Inc.	Social and Corporate Governance	Against - A vote in favour of a report on lobbying payments and policy as the company is disclosing adequate information for shareholders to be able to assess its engagement in the political process and its management of related risks.	Vote Passed - No further details were provided
22/04/2020	AerCap Holdings NV	Share Issuances	For - A vote to authorise the Board to exclude pre-emptive rights from share issuances is warranted because it is in line with commonly used safeguards regarding volume and duration.	Vote Passed - No further details were provided
08/05/2020	AMP Ltd.	Share Issuances	For - A vote in favour of the ratification of the past issuance of shares is warranted. The issuance was put towards the immediate implementation of the company's new strategy and to provide balance sheet strength to complete the sale of AMP Life.	Vote Passed - No further details were provided
18/05/2020	ASM International NV	Share Issuances	For - A vote to authorise the Board to exclude pre-emptive rights from share issuances is warranted because it is in line with commonly used safeguards regarding volume and duration.	Vote Passed - No further details were provided
22/05/2020	easyJet Plc	Director Appointment	Against - removing Johan Lundgren as Director as the dissident has not provided sufficient evidence that removing four key directors will leave the board and the company better positioned to deal with the current crisis.	Vote Passed - No further details were provided
28/05/2020	China Oilfield Services Limited	Social and Corporate Governance	For - A vote in favour of a provision of guarantees for other parties. At this time Invesco supported this proposal as there is no significant known issues concerning the nominees and the company.	Vote Passed - No further details were provided
04/06/2020	Booking Holdings Inc.	Social and Corporate Governance	For - At this time Invesco supported this proposal as providing shareholders with the right to act by written consent would make it possible for the holders of a majority of shares to take significant corporate actions without giving prior notice to the company or other shareholders.	Vote Passed - No further details were provided
14/07/2020	easyJet Plc	Capital Raising	For - A vote in favour of a capital raising as Invesco believe the capital raise will strengthen the Company's balance sheet as part of the Company's response to the impact of COVID-19, helping the Company in its recovery and long-term growth	Vote Passed - No further details were provided

Table 6: Baillie Gifford significant votes

Date	Company	Subject	Manager's vote and rationale	Outcome
22/04/2020	Covivio REIT	Remuneration	Against - Baillie Gifford opposed five resolutions regarding the in-flight and proposed long term incentive scheme because it could lead to rewarding under-performance.	Vote Passed - Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.
23/04/2020	Gecina	Remuneration	Against - Baillie Gifford opposed three resolutions relating to remuneration as they do not believe there is sufficient alignment between pay and performance.	Vote Passed - Baillie Gifford have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. Baillie Gifford are yet to see improvements in the remuneration plan however continue to engage with the company to advise of areas for improvement.
16/06/2020	Merlin Properties	Remuneration	Against - Baillie Gifford opposed the resolution to approve the Remuneration Report because of concerns with quantum.	Vote Passed - Baillie Gifford have been opposing remuneration at the company since 2017 and engaging with the company on the issue. In 2020, Baillie Gifford saw significant improvements in the company's remuneration policy which is a positive outcome.
23/02/2021	Ediston Property Investment Company	Remuneration	Against - Baillie Gifford opposed the resolution to approve the remuneration policy because they are concerned that an additional fee proposed for the Senior Independent Director could impact his independence.	Vote Passed - Baillie Gifford engaged with the company on the issue and will continue to take voting action in relation to the vote if concerns remain.

Engagement activity

Over the last 12 months, the Trustee discussed the following issues with their investment managers over the course of the year.

Table 7: The Trustee's engagement activity with its investment managers over the year to 31 March 2021

Date	Fund manager	Subject discussed	Outcome
Q2 2020	Henderson (IWA Section)	Communications on potential fund closure and alternative funds available.	Henderson communicated the potential fund closure of their High Alpha Credit mandate due to reduction in AUM. The Trustee explored the fund philosophy of the alternative funds and the comparability with the existing fund offering but took the decision to disinvest from the High Alpha Credit fund to avoid being a forced-seller of assets.
Q2 2020	LGIM	Overview of the fixed income team, fund and philosophy. Suitability of new mandate	LGIM explained the investment philosophy of the LGIM Buy and Maintain mandate and how they take into account ESG issues as part of their fundamental credit analysis and monitoring of investments. The Trustee considered advice from the investment advisor in conjunction with LGIM and determined that the LGIM Buy & Maintain mandate was most suitable for the IWA Section's hedging requirements.
Q2 2020	Henderson (WRc Section)	Overview of fund activity and performance	Due to the impacts of the pandemic, it was decided to postpone the intended disinvestments from these managers, to avoid crystallisation of losses resulting from the market shock experienced in Q1 2020.
Q2 2020	Barings		
			The managers explained their investment philosophy and their planned path out of the pandemic.

Summary of manager engagement activity

The following table summarises the key engagement activity for the 12-month period ending 31 March 2021:

Table 8 – Summary of management activity

Manager: Fund	Scheme Section	Number of engagements	Topic engaged on
Baillie Gifford Diversified Growth	WRc	44 engagements	Corporate Governance, Environmental/Social, AGM or EGM Proposals, Executive Remuneration
Barings Global High Yield Credit Strategies	WRc	26 engagements	Greenhouse gas emissions, climate change, stakeholder management and corporate strategy, labour remuneration, safety and wellbeing.

CBRE UK Osiris Property	WRc / IWA	25 engagements	ESG data management system, climate change, GRESB resilience, committee composition
Coriolis Catpricorn IV	WRc	11 engagements	Environment – climate change, corporate reporting, financial performance and risk management
GMO Real Return	WRC / IWA	121 engagements	Health and Safety, Climate Change, Anti-bribery and corruption, Human rights, Labour practices, diversity and inclusion, shareholder rights, Company leadership issues
Henderson Multi Asset Credit	WRc	106 engagements	ESG Framework and Reporting, Green Bond and Social Bond Issuance, Climate Change and Deforestation, Carbon disclosure, Bank lending practices, Diversity & Inclusion
Invesco Global Targeted Return	WRc	17 engagements*	Climate change, corporate governance, carbon emissions, labour issues, executive compensation
LGIM Buy and Maintain	IWA	136 engagements	Climate impact pledge, remuneration, climate change, COVID-19, gender diversity, board composition
LGIM Gilts	IWA	n/a	The Trustee does not consider stewardship and engagement issues relevant to the mandate as all holdings are in government bonds.
LGIM IL Gilts	IWA		
LGIM UK Equity	IWA	943 eligible meetings to vote at. 12,574 eligible resolutions to vote on (voted 100.0%).	Remuneration, climate change, shareholder appointment, labour issues.
LGIM World Equity	IWA	3421 eligible meetings to vote at. 40,987 eligible resolutions to vote on (voted 99.8%).	Climate change, social and corporate governance, labour issues, remuneration, shareholder appointment.
River & Mercantile LDI	WRc	n/a	The Trustee does not consider stewardship and engagement issues relevant for these mandate as all holdings are in government bonds or derivatives.
River & Mercantile Structured Equity	WRc		

* Invesco provided a selection of activities for the fund. Invesco records do not permit a breakdown per fund. Invesco worldwide had 2250 corporate engagements over 2020. Within this number, multiple engagements with the same entity are counted as separate engagements.

Review of policies

The Trustee has committed to reviewing the managers' RI policies on a periodic basis. The next review is scheduled to be discussed at the Q4 2021 Trustee meeting. The review will consider managers' broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustee will also consider changes to its manager's voting policies.

The Trustee and its advisors remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Appendix 1 – Objectives for the Defined Benefit Sections

During the last year the investment adviser agreed the following DB objectives:

- Provide recommendations, information and modelling to inform Trustee decisions with respect to the long term funding objective of the Scheme
- Provide recommendations, information and modelling to inform Trustee decisions in respect of the reduction in risk within the Scheme in line with the strategic framework
- Provide recommendations, information and modelling to inform Trustee decisions in respect of asset allocation and strategy if funding plan is not on track
- Provide recommendations, information and modelling to inform Trustee decisions on integration of ESG, climate risk and stewardship considerations in their investment strategy decisions and manager appointments
- Provide advice on portfolio construction, manager selection and retention
- Ensure cost effective asset transitions are undertaken that are timely and well executed
- Ensure management of cashflows and rebalancing of asset allocation
- Client communications and reporting are clear and engaging, are aimed at an appropriate level and are delivered on time
- Provide a comprehensive system of monitoring manager performance and suitability which allows for dynamic and strategic asset decisions
- Continually monitor the fee arrangements of managers to identify cost reductions
- Advise Trustee on preparation and revision of Statement of Investment Principles (SIP)
- The basis on which fees are charged should be transparent
- Delivery of the Scheme's investment objectives is supported by an appropriate governance framework
- Provide training / education and technical briefing papers to the Trustee to support them in determining their investment beliefs and engaging with new opportunities and emerging risks
- Client team demonstrates a strong understanding of all relevant aspects of the Scheme
- Work collaboratively with other advisers and provide effective support to the Trustee