

The TIE (UK) Limited Retirement Fund
**Annual Implementation
Statement – Fund year
ending 30 June 2023**

Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the TIE (UK) Limited Retirement Fund (“the Fund”) covering the Fund year (“the year”) to 30 June 2023.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Fund’s policy on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) has been followed during the year; and
- 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 Fund 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 Trustees delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Fund’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees’ SIP.

A copy of this implementation statement has been made available on the following website:
<https://toyota-forklifts.co.uk/pension-scheme-governance/>

Review of and changes to the SIP

The SIP was reviewed during the previous Fund year in October where it was agreed by the Trustees that no changes were required. The version in place as at the start of the Fund year was dated September 2020. For the purpose of assessing how the Fund’s SIP has been followed, the remainder of this statement specifically focusses on the SIP agreed in September 2020. Post year end, a review of the SIP occurred, and an updated SIP dated October 2023 was agreed by the Trustees.

Adherence to the SIP – voting and engagement

As set out above, the Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees’ agreed investment strategy, including making certain decisions about investments (such as 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 Trustees’ view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustees incorporate 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 appointing and monitoring 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.

SI-related training and reporting is produced by the Fiduciary Manager on an annual basis. At the June 2023 meeting, the Fiduciary Manager provided the Trustees with training in relation to SI which included carbon journey planning and climate performance measurement.

The policies and processes described above have impacted the Fund's investments in numerous ways. Through its investment in the Partners Fund, the Fund also manages risk and considered ESG integration in its investment processes and strategies through:

- UK forestry –The strategy will acquire unused agricultural land in the north of England and Scotland to plant trees and grow forests, capturing carbon in the process. The intention is to hold the forests that have been created for three to five years until the trees have established themselves after which there are various possible exit routes.
- Japanese Solar Panels - Invests (through a third party manager) in Japanese renewable energy with some exposure to other solar energy. Invests in late stage construction and development of solar, biomass and battery storage in Japan.

Both the Global Equity Focus Fund and Partners Fund have Article 8 Sustainable Finance Disclosure Regulation designation. This covers a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements.

The Investment Manager intends for these Sub-Funds to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio and continue beyond that time to further reduce greenhouse gases from the portfolio with an aim of net zero emissions by 2050. Progress is measured using multiple climate metrics.

Industry wide / public policy engagement

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 Trustees). 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 the year include:

- Engagements with over 1,138 companies on a total of 4,250 issues and objectives
- 33 responses to consultations or proactive equivalents and 75 discussions with relevant regulators and stakeholders
- Voting recommendations in relation to over 134,188 resolutions at 13,814 meetings, including 24,461 being against management
- Active participation in a number of stewardship initiatives 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 retained that status
- 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
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

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

The Trustees have 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 Trustees expect 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. Responses received are provided in the table below. Where managers provided multiple examples of "significant votes", three of those deemed most significant by the Trustees have been shown below. The Trustees have endeavoured to select "significant" votes which align with the Trustees' identified priorities for voting and engagement – Climate change, Biodiversity, Diversity, equity and inclusion, and Human and labour rights – where the data has allowed.

At the year end, the Fund was invested in an in-house multi-asset growth fund and an active global equity fund, both managed by the Fiduciary Manager and have an allocation to equity holdings in underlying pooled funds:

- Towers Watson Investment Management (TWIM) Partners Fund
- Towers Watson Investment Management (TWIM) Global Equity Focus Fund

The table below sets out a summary of the voting within each Towers Watson Investment Management ("TWIM") fund. This data represents activity over the period 1 July 2022 to 30 June 2023.

Manager and strategy	Portfolio structure	Voting activity
Towers Watson Global Equity Focus Fund	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 172</p> <p>Number of resolutions on which manager was eligible to vote: 3,227</p> <p>Percentage of eligible votes cast: 98%</p> <p>Percentage of votes with management: 87%</p> <p>Percentage of votes against management: 12%</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: 59%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10%</p>
Towers Watson Partners Fund	Fund of funds	<p>Number of meetings at which the manager was eligible to vote: 1,859</p> <p>Number of resolutions on which manager was eligible to vote: 25,672</p> <p>Percentage of eligible votes cast: 93%</p> <p>Percentage of votes with management: 87%</p> <p>Percentage of votes against management: 13%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 62%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 4%</p>

In addition, each TWIM fund has reported on the most significant votes cast within the underlying funds managed on behalf of the Fund, 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:

Most significant votes cast	Coverage in portfolio
<p>Company: Alphabet</p> <p>Resolution: Proposal for greater transparency related to business conducted in places with significant human rights concerns</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns. The siting of cloud data centres and strategy for mitigating related country risk seems like appropriate and material topics for disclosure.</p> <p>Rationale for being considered a significant vote: The manager believes transparency on country risk is a non-controversial proposal and serves both Social and Governance interests.</p> <p>Outcome of the vote: Failed</p>	<p>Towers Watson Global Equity Focus Fund (3.4%)</p>
<p>Company: Amazon</p> <p>Resolution: Commission a Third Party Audit on Working Conditions</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager believes that this proposal promotes transparency on warehouse working conditions.</p> <p>Rationale for being considered a significant vote: The manager considers worker safety to be an important element of company performance as well as reputation.</p> <p>Outcome of the vote: Rejected</p>	<p>Towers Watson Global Equity Focus Fund (2.9%)</p>
<p>Company: Berkshire Hathaway</p> <p>Resolution: Climate risk disclosure</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue overrode the minor cost and inconvenience of compliance. Given the company already has disclosure representing 90% of emissions, and given the company's long-earned reputation for ethical stewardship, awaiting SEC guidance seems an inadequate delayed response. The manager voted against management but in line with ISS recommendations.</p> <p>Rationale for being considered a significant vote: Given Warren Buffett's stature, his reluctance to be more assertive on this topic is a significant challenge to climate risk transparency and more broadly to Environmental stewardship.</p> <p>Outcome of the vote: Failed</p>	<p>Towers Watson Global Equity Focus Fund (1.0%)</p>
<p>Company: TotalEnergies SE</p> <p>Resolution: Approve the Company's Sustainable Development and Energy Transition Plan</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: Upon consideration of TotalEnergies' stated targets and the proposed shareholder resolution the manager assessed the current targets as reasonable in the context of a global energy transition.</p>	<p>Towers Watson Partners Fund (0.2%)</p>

<p>Rationale for being considered a significant vote: Thematic priority, as Climate Change, which includes engaging with companies on the quality of their disclosures; the credibility of their emission reduction plans; and the progress thereof, is one of the manager's key identified engagement priorities.'</p> <p>Outcome of Vote: Pass</p>	
<p>Company: <u>Apple Inc.</u></p> <p>Resolution: Report on Median Gender/Racial Pay Gap</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager believes that the shareholder proposal promotes better management of ESG opportunities and risks.</p> <p>Rationale for being considered a significant vote: Vote against management, large holding in portfolio.</p> <p>Outcome of the vote: Failed</p>	<p>Towers Watson Partners Fund (0.1%)</p>
<p>Company: <u>Berkshire Hathaway</u></p> <p>Resolution: Report If and How Company Will Measure, Disclose and Reduce GHG Emissions</p> <p>How the manager voted: For</p> <p>Rationale for the voting decision: The manager believes that the shareholder proposal promotes better management of ESG opportunities and risks.</p> <p>Rationale for being considered a significant vote: Vote against management, large holding in portfolio.</p> <p>Outcome of the vote: Failed</p>	<p>Towers Watson Partners Fund (0.03%)</p>

Conclusion

The Trustees consider that all SIP policies and principles were adhered to during the year.

Appendix 1: Manager voting policies

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

- Our 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 must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS's 'ProxyExchange' electronic voting platform to facilitate voting.
- Our China equity manager uses Glass Lewis service where they have created a bespoke policy.
- Our emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting.
- Our long-short equity managers use ISS to provide corporate research and to facilitate the voting process.

For the TW Global Equity Focus Fund, 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 use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.