

The TIE (UK) Limited Retirement Fund

**Annual Implementation  
Statement – Fund year  
ending 30 June 2021**

## 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 2021.

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

## Adherence to the SIP – voting and engagement

The Trustees have delegated responsibility to the Fiduciary Manager to implement the Trustees’ agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act.

The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

Consistent with the Trustees’ view that ESG factors can have a significant impact on investment returns, particularly over the long-term, the Fiduciary Manager believes that sustainable investment (SI) forms the cornerstone of successful long-term investment and has fully embedded the consideration of ESG factors in its processes.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to SI (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are considered to be particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The policies and processes described above have impacted the Fund’s investments in numerous ways. Through its investment in the Partners Fund, amongst other things, the Fund gains exposure to

UK forestry. The strategy acquires unused agricultural land in the north of England and Scotland to plant trees and grow forests, capturing carbon in the process and having a positive impact on the environment. 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. The UK government has a target for national carbon neutrality by 2050. The Committee for Climate Change suggests the UK needs to be planting 30,000 hectares (or 90 to 120 million trees) per annum to reach the government's carbon neutral target. This strategy aims to help the UK achieve this goal by planting upwards of two million trees per annum.

### Industry wide / public policy engagement

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake 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 WTW are currently the chair. Engagement activities by EOS on public policy over the year included:

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

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

- Being a Tier 1 signatory of the 2012 UK Stewardship Code and submitting its first annual report to the 2020 UK Stewardship Code;
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;
- Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

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

The 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 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", the top three have been shown below.

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

- Towers Watson Partners Fund
- Towers Watson Core Diversified Fund

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 2020 to 30 June 2021.

Please note that the Fund initially invested into the Towers Watson Partners Fund on 1 June 2021; as such the Fund only had exposure to the Towers Watson Partners Fund for one month prior to year-end. The Fund initially invested into the Towers Watson Core Diversified Fund on 1 May 2020 and so has had exposure to the Towers Watson Core Diversified Fund for the whole accounting year.

Manager and strategy	Portfolio structure	Voting activity
Towers Watson Core Diversified Fund	Fund of funds	Number of meetings at which the manager was eligible to vote: 3,567 Number of resolutions on which manager was eligible to vote: 44,092 Percentage of eligible votes cast: 100% Percentage of votes with management: 87% Percentage of votes against management: 13% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 63% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 3%
Towers Watson Partners Fund	Fund of funds	Number of meetings at which the manager was eligible to vote: 510 Number of resolutions on which manager was eligible to vote: 6,292 Percentage of eligible votes cast: 99% Percentage of votes with management: 86% Percentage of votes against management: 8% Percentage of votes abstained from: 7% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 29%

		Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9%
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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:

Coverage in portfolio	Most significant votes cast
Towers Watson Core Diversified Fund (0.1%)	<p><b><u>Company: Lenovo Group</u></b></p> <p><b>Resolution:</b> Authority to Issue Repurchased Shares.</p> <p><b>Summary:</b> This item was not supported due to the potentially large dilution effect. Rights issue for all shareholders would be preferred if large fund-raising is required.</p> <p><b>How the manager voted:</b> Against.</p> <p><b>Rationale for being considered a significant vote:</b> Voted against management.</p> <p><b>Outcome of the vote:</b> For.</p>
Towers Watson Core Diversified Fund (0.1%)	<p><b><u>Company: Goodman Group</u></b></p> <p><b>Resolution:</b> Advisory vote to ratify named executive officers' compensation.</p> <p><b>How the manager voted:</b> Against.</p> <p><b>Summary:</b> This item does not merit support as the manager has concerns with the proposed remuneration structure for senior executives at the company.</p> <p><b>Rationale for being considered a significant vote:</b> Against management.</p> <p><b>Outcome of the vote:</b> 86% For, 14% Against.</p>
Towers Watson Core Diversified Fund (0.1%)	<p><b><u>Company: SL Green Realty Corp.</u></b></p> <p><b>Resolution:</b> Advisory vote to ratify named executive officers' compensation.</p> <p><b>How the manager voted:</b> Against.</p> <p><b>Summary:</b> This item does not merit support as the manager has concerns with the proposed remuneration structure for senior executives at the company.</p> <p><b>Rationale for being considered a significant vote:</b> Against management.</p> <p><b>Outcome of the vote:</b> 34% For, 66% Against.</p>
Towers Watson Partners Fund (0.4%)	<p><b><u>Company: HCA Healthcare, Inc.</u></b></p> <p><b>Resolution:</b> Assess feasibility of increasing the impact of the company's performance on quality metrics for senior executive compensation.</p> <p><b>How the manager voted:</b> For.</p> <p><b>Summary:</b> ESG best practices of revising board compensation based on performance.</p> <p><b>Rationale for being considered a significant vote:</b> ESG best practices.</p> <p><b>Outcome of the vote:</b> Fail.</p>

<p>Towers Watson Partners Fund (0.7%)</p>	<p><b><u>Company: Amazon</u></b></p> <p><b>Resolution:</b> Report on the impacts of plastic packaging.</p> <p><b>How the manager voted:</b> For.</p> <p><b>Summary:</b> Promotes transparency around environmental issues.</p> <p><b>Rationale for being considered a significant vote:</b> The manager considers ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p> <p><b>Outcome of the vote:</b> Rejected.</p>
<p>Towers Watson Partners Fund (1.0%)</p>	<p><b><u>Company: Facebook</u></b></p> <p><b>Resolution:</b> Report on platform misuse.</p> <p><b>How the manager voted:</b> For.</p> <p><b>Summary:</b> Platform misuse poses perhaps the key risk to the company. Per the saying “what gets measured, gets managed”, additional management attention on this topic is most welcome. To the extent that the Community Standards report is already measuring much of this, then that simply lowers the incremental cost of this report.</p> <p><b>Rationale for being considered a significant vote:</b> The manager considers ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p> <p><b>Outcome of the vote:</b> Rejected.</p>
<p>Towers Watson Partners Fund (0.2%), Towers Watson Core Diversified Fund (0.1%)</p>	<p><b><u>Company: Midea Group Co. Ltd</u></b></p> <p><b>Resolution:</b> 2021 provision of guarantee for controlled subsidiaries.</p> <p><b>How the manager voted:</b> Against.</p> <p><b>Summary:</b> Excessive guarantees.</p> <p><b>Rationale for being considered a significant vote:</b> Against management.</p> <p><b>Outcome of the vote:</b> For.</p>

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

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

For the TW PF, 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.