

The TIE (UK) Limited Retirement Fund

**Annual Implementation
Statement – scheme year
ended 30 June 2022**

TIE (UK) Limited Retirement Fund

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 2022.

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: [Pension Scheme Governance | Toyota Material Handling UK \(toyota-forklifts.co.uk\)](https://www.toyota-forklifts.co.uk/pension-scheme-governance)

Review of and changes to the SIP

The SIP was reviewed once during the previous Fund year. The version in place as at the start of the Fund year was dated September 2020. No formal update of the SIP was carried out during the Fund year relevant to this document. 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.

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 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.

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

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

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

- Becoming a signatory to the 2020 UK Stewardship Code in the first wave;
- Co-founding the Net Zero Investment Consultants Initiative with eleven other investment consultants in 2021, with a commitment across its global Investment business
- Joining the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets
- Being a signatory of the Principles for Responsible Investment (PRI) and active member of their Stewardship Advisory Committee;
- Being a member of and contributor to the Institutional Investors Group on Climate Change (IIGCC), Asian Investors Group on Climate Change (AIGCC), and Australasian Investors Group on Climate Change (IGCC);
- Founding the Coalition for Climate Resilient Investment (with the World Economic Forum);
- Co-founding the Investment Consultants Sustainability Working Group;

Continuing to lead collaboration through the Thinking Ahead Institute and Willis Research Network.

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.

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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 Investment Management (TWIM) Partners Fund
- Towers Watson Investment Management (TWIM) 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 2021 to 30 June 2022.

The Fund initially invested into the TWIM Partners Fund on 1 June 2021 and into the Towers Watson Core Diversified Fund on 1 May 2020 and so has had exposure to both funds for the whole accounting year.

Manager and strategy	Portfolio structure	Voting activity
Towers Watson Core Diversified Fund	Fund of funds	
Towers Watson Partners Fund	Fund of funds	

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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%)	
Towers Watson Core Diversified Fund (0.1%)	
Towers Watson Core Diversified Fund (0.1%)	
Towers Watson Partners Fund (0.4%)	

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Towers Watson Partners Fund (0.7%)	
Towers Watson Partners Fund (1.0%)	
Towers Watson Partners Fund (0.2%), Towers Watson Core Diversified Fund (0.1%)	

Conclusion

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

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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 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 'Proxy Exchange' 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.