

Aliaxis UK DB Pension Scheme

Annual Implementation Statement – Plan year ending 31 March 2023

Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Aliaxis UK DB Pension Scheme (“the Scheme”) covering the scheme year to 31 March 2023.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustees, the engagement policy under the Scheme’s Statement of Investment Principles (“SIP”) has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustees over the year

A copy of this implementation statement has been made available on the following website (<https://www.aliaxis.co.uk/en/metanavigation/Pension%20statement>) and included in the Trustees’ annual report and accounts for the year to 31 March 2023.

Review of and changes to the SIP

The SIP was reviewed and updated during the year to reflect changes to investment strategy in line with the Department for Work and Pensions (DWP) regulations coming into force from 1 October 2020 which required trustees to set out their policy in relation to their arrangements with asset managers including:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments;
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments;
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

The SIP in force over the year to 31 March 2023 was dated May 2022 and formally adopted by the Trustees after consultation with the Principal Employer. An investment strategy review was undertaken in Q4 2022 following a significant improvement to the Scheme’s funding position, in consultation with the Principal Employer, with the instruction to disinvest from the TWIM’s Partners Fund during December 2022 but due to notification period for redemption the investment strategy remained in place to 31 March 2023 with proceeds from the Partners Fund only received in May 2023.

Adherence to the SIP

Scheme Objectives

The Trustees’ primary responsibility is to manage the Scheme so that members receive their benefits as and when they fall due, by maintaining an adequate level of funding for members’ benefits. The assets of the Scheme are held by the Trustees for this purpose.

The Trustees’ fundamental investment objective is to adopt an appropriate level of risk relative to the Scheme’s liabilities. The Trustees recognise the need to take some risk in order to generate a sufficient investment return over the long term to make the Scheme affordable, as measured by the contributions payable. However, the Trustees do not wish to take so much risk that the volatility of the investment returns relative to the liabilities becomes unacceptable.

This objective remained unchanged over the Scheme year and, if required, will be reviewed as part of the next triennial valuation.

| | |
|---|---|
| Investment Strategy | <p>The most recent review of the investment strategy was undertaken in Q4 2022. Following an improvement to the Scheme's funding position post significant changes to market conditions, notice was given in December 2022 to fully disinvest the Scheme's assets held in Partners Fund. However, due to the notice period for receiving redemptions from the Partners Fund the Scheme continued to hold the Partners Fund at 31 March 2023.</p> <p>The proceeds from the Partners Fund were realised in May 2023 and the Trustee agreed to invest the proceeds into the Scheme's LDI portfolio with LGIM.</p> |
| Assessment of performance of investment managers | <p>The Trustees monitor the Scheme's investment arrangements on a quarterly basis, which includes monitoring the performance of investment managers.</p> <p>Assets have broadly performed in line with benchmarks/return targets, noting that the fund in which the return-seeking assets are held does not have an explicit return target.</p> |
| Engagement with investment managers | <p>During the Scheme year, the Trustees did not meet with the investment managers however given the proposed changes to investment strategy a meeting was not deemed necessary and the Trustees were comfortable with the investment managers' performance based on the quarterly reviews.</p> |
| Exercising of voting rights | <p>The Trustees' policy is to delegate responsibility of the exercising of ownership rights (including voting rights) attached to investments to the investment managers. A summary of votes cast is set out below. In addition, Federated Hermes' EOS service is used by TWIM to improve stewardship and engagement in companies in which the Partners Fund invest.</p> |
| Sustainable Investments | <p>The Trustees' policy is that day-to-day decisions relating to the investment of Scheme assets is left to the discretion of its investment managers. This includes consideration of all financially material factors, including ESG-related issues where relevant. The Trustees explore these issues with their managers to understand how they exercise these duties in practice and receive reports on how these issues are addressed.</p> <p>When considering the appointment of new managers, and reviewing existing managers, the Trustees, together with their investment consultant, look to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement where relevant.</p> |
| Portfolio turnover | <p>During the year, the Trustees' investment consultant reviewed and reported to the Trustees on the total fees and costs incurred by the Scheme through its investments.</p> <p>Turnover for the Partners Fund over the year to 31 March 2022 was 1%, compared to a long-term average of 10%, and typical upper and lower levels of 5-20%.</p> |
| Managing risk | <p>The Trustees manage risk at an aggregate level through a risk register.</p> <p>In relation to the investment related risks of the DB section, the Statement of Investment Principles sets out more information on how each risk is monitored and mitigated.</p> |

Summary of voting over the year to 31 March 2023

A summary of the votes made by TWIM on behalf of the Trustees over the year to 31 March 2023 is provided in the table below:

| Fund | Number of meetings at which the manager was eligible to vote | Number of resolutions on which manager was eligible to vote | % of resolutions voted | % of votes with mgmt. | % of votes against mgmt. | % abstained |
|---------------|--|---|------------------------|-----------------------|--------------------------|-------------|
| Partners Fund | 1,890 | 25,560 | 92.8% | 86.0% | 13.5% | 0.5% |

Voting information on the Scheme's LDI portfolio is not provided since the vast majority of loan and debt securities do not come with voting rights.

Significant votes

The table below demonstrates some of the most significant votes cast on behalf of the Trustees over the year to 31 March 2023. As the Partners Fund is a fund of funds, the commentary below reflects the comments of the underlying investment manager, rather than TWIM.

| | |
|--|---|
| Company name | Anglo American Plc |
| Date of vote | 19/04/22 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 0.06% |
| Summary of the resolution | Approve Climate Change Report |
| How you voted | Supported Management |
| Where you voted against management, did you communicate your intent to the company ahead of the vote? | No |
| Rationale for the voting decision | The climate change report sets out clear pathways to carbon neutral operations by 2040 and the company's ambition to reduce Scope 3 emissions by 50%, also by 2040. |
| Outcome of the vote | Pass |
| Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? | Depending on the materiality of the issue, as a general principle, we find that a strategy of constructive, behind-the-scenes engagement is far more productive than debating issues at a public AGM or through the press. However, when we are not able to achieve the desired results on important issues, we will use other means available to us, such as exercising our voting powers at AGMs, calling special meetings, collaborating with other stakeholders, and, if need be, escalating issues into the public arena via the media. If our best efforts are unsuccessful, we will reassess our investment case and take the appropriate investment action in our portfolios. |
| On which criteria (as explained in the cover email) have you assessed this vote to be "significant"? | In line with our Proxy Voting Policy, we generally support initiatives to mitigate environmental risks which will, in turn, enhance long-term company performance. |

| | |
|--|--|
| Company name | Alphabet Inc. |
| Date of vote | 01/06/22 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 0.75% |
| Summary of the resolution | Report on Risks of Doing Business in Countries with Significant Human Rights Concerns |
| How you voted | For |
| Where you voted against management, did you communicate your intent to the company ahead of the vote? | No |
| Rationale for the voting decision | For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks |
| Outcome of the vote | Fail |
| Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? | None to report |
| On which criteria (as explained in the cover email) have you assessed this vote to be "significant"? | Votes against management |

| | |
|--|--|
| Company name | Amazon |
| Date of vote | 21/05/22 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 0.38% |
| Summary of the resolution | Report on Efforts to Reduce Plastic Use |
| How you voted | For |
| Where you voted against management, did you communicate your intent to the company ahead of the vote? | No |
| Rationale for the voting decision | Promotes transparency around environmental issues. |
| Outcome of the vote | Rejected |
| Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? | Continue to consider proposals whether from management or shareholders which enhance transparency around environmental issues. |
| On which criteria (as explained in the cover email) have you assessed this vote to be "significant"? | We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth. |

| | |
|--|--|
| Company name | Microsoft Corporation |
| Date of vote | 06/12/22 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 0.92% |
| Summary of the resolution | Report on Tax Transparency |
| How you voted | Against |
| Where you voted against management, did you communicate your intent to the company ahead of the vote? | No |
| Rationale for the voting decision | For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency |
| Outcome of the vote | Not approved |
| Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? | Continue to consider proposals on tax transparency |
| On which criteria (as explained in the cover email) have you assessed this vote to be "significant"? | Votes against management |

| | |
|--|--|
| Company name | Meta Platforms, Inc. |
| Date of vote | 25/05/22 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 0.33% |
| Summary of the resolution | Report on Child Sexual Exploitation Online |
| How you voted | For |
| Where you voted against management, did you communicate your intent to the company ahead of the vote? | No |
| Rationale for the voting decision | For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks |
| Outcome of the vote | Fail |
| Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome? | None to report |
| On which criteria (as explained in the cover email) have you assessed this vote to be "significant"? | Vote against management |

Conclusion

Based on the information set out above, the Trustees consider that all SIP policies and principles were adhered to during the year.

The Trustees of the Aliaxis UK DB Pension Scheme

July 2023