Warner Electric Limited Retirement Benefits Scheme Implementation Statement for the year ended 5th April 2025

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees' policies in relation to the exercising of rights (including voting rights), attached to the Scheme's investments, and engagement activities have been followed during the year ended 5 April 2024 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

During 2020, the Trustees considered how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment manager's own equivalent policies. The Trustees' new policy was documented in the updated Statement of Investment Principles dated August 2020. No changes were made to the Trustees' ESG, voting or engagement policies during the reporting year. The Trustees' policies in relation to ESG and voting issues are documented in the SIP dated February 2023 and are summarised below.

The Trustees' policy on ESG and stewardship

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment manager. The Trustees require the Scheme's investment manager to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees will monitor the processes and operational behaviour of the investment manager from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment manager and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

If the Trustees become aware of the investment manager engaging with the underlying issuers of debt in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with the investment manager.

Further, the Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Manager selection exercises

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises, nor did the Trustees invest in any new funds.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment manager from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of assisting the Trustees in implementing an investment strategy which adds value through the integration of ESG (including climate change), stewardship and wider sustainability considerations into their investment and risk management arrangements. The Trustees receive quarterly monitoring reports, which includes a formal ESG rating on each mandate the Scheme holds, as rated by XPS.

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Over the reporting year the Trustees received assurance from their investment managers that the managers were effectively undertaking stewardship activities on their behalf in respect to the underlying debt holdings within the pooled funds in which the Scheme invests, as well as engaging with counterparties in respect to any derivative contracts the manager may utilise for efficient portfolio management. However, given the lack of voting rights associated with the holdings within the Trustee's investment portfolio, they have taken a proportionate approach in relation to monitoring the investment manager's approach to ESG considerations.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually. Stewardship and ESG matters are therefore regularly discussed at Trustees' meetings.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

Over the reporting year, the Scheme held a liability matching portfolio including corporate bonds and gilts with no accompanying voting rights. The Scheme's investment manager therefore did not engage in any voting activity on behalf of the Scheme over the reporting year.