

The Markem Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending December 2023**

# Table of Contents

**Section 1: Introduction .....2**  
**Section 2: Voting and Engagement.....3**  
**Section 3: Conclusion ..... 6**

## 1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Markem Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 31 December 2023.

The purpose of this statement is to set out:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) are intended to be applied in aggregate and proportionately, focusing 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 Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager in 2023, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement and a copy of the most recent SIP have been made available on the following website: <https://schemes.vidett.com/markem-pension-scheme/>

## 2. Voting and engagement

### Investment manager and company-level engagement

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee’s 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.

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 sustainable investments (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 particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Trustee has identified climate change, biodiversity, diversity, and equity & inclusion as key areas of focus and priorities for voting and engagement for the Trustee. The Trustee considers that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focusing on these issues is ultimately consistent with the Trustee’s fiduciary duties and the financial security of its members.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme’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 Scheme’s investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects 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 Scheme 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 Scheme'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 votes", three of those that are deemed most significant and align with the key areas of focus and priorities for voting and engagement chosen by the Trustee are shown below.

Further information on the voting and engagement activities of the managers is provided in the table below. The Scheme's equity holdings are invested across the following pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in several underlying managers.
- Towers Watson Investment Management (TWIM) Core Diversified Fund - an active global multi-asset fund managed by the Fiduciary Manager which invests in several underlying managers.

#### Voting table

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment manager. The Fiduciary Manager has assessed the investment manager's voting policy as part of its overall assessment of the investment manager's capabilities. The Fiduciary Manager considered the policy to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Fiduciary Manager's partnership with EOS at Federated Hermes (see below).

#### **Global Equity Focus Fund**

<b>Voting activity</b>	<i>Number of votes eligible to cast:</i>	3,285
	<i>Percentage of eligible votes cast:</i>	98.0%
	<i>Percentage of votes with management:</i>	87.8%
	<i>Percentage of votes against management:</i>	11.7%
	<i>Percentage of votes abstained from:</i>	0.5%
<b>Most significant votes cast:</b>	<i>Company</i>	Berkshire Hathaway
	<i>Size of holdings</i>	0.98%
	<i>Resolution</i>	Climate risk disclosure

	<i>Vote Cast</i>	For
	<i>Rationale for voting decision</i>	The manager voted in support of the company's responsibility for improving the quality of the climate risk disclosure reporting. Given that the company's disclosures cover 90% of emissions and given the company's long-earned reputation for ethical stewardship, awaiting further guidance from the regulator seems an inadequate delayed response. Investment manager voted against company management, and will continue doing so in support of improving quality of climate disclosures.
<b>Most significant votes cast:</b>	<i>Company</i>	Alphabet
	<i>Size of holdings</i>	5.68%
	<i>Resolution</i>	Human rights
	<i>Vote Cast</i>	For
	<i>Rationale for voting decision</i>	The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns. The manager considered that the location of cloud data centres and the strategy to mitigate risks associated with human rights are material topics for disclosure. The manager will continue voting in a similar way going forward.
<b>Most significant votes cast:</b>	<i>Company</i>	Microsoft Corp
	<i>Size of holdings</i>	4.94%
	<i>Resolution</i>	Report on climate risk in retirement plans
	<i>Vote Cast</i>	For
	<i>Rationale for voting decision</i>	The manager believes that reporting on climate risks associated with pension scheme assets promotes greater transparency and addresses ESG risks.
<b>Use of proxy voting</b>	The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other providers.	

## Core Diversified Fund

<b>Voting activity</b>	<i>Number of votes eligible to cast:</i>	42,932
	<i>Percentage of eligible votes cast:</i>	94.7%
	<i>Percentage of votes with management:</i>	85.9%
	<i>Percentage of votes against management:</i>	13.6%
	<i>Percentage of votes abstained from:</i>	0.5%
<b>Most significant votes cast</b>	<i>Company</i>	Apple Inc.
	<i>Size of holdings</i>	0.49%
	<i>Resolution</i>	Report on Median Gender/Racial Pay Gap
	<i>Vote Cast</i>	For
	<i>Rationale for voting decision</i>	The manager considered that the shareholder proposal promotes better management of ESG opportunities and risks
<b>Most significant votes cast</b>	<i>Company</i>	JPMorgan Chase & Co.
	<i>Size of holdings</i>	0.05%
	<i>Resolution</i>	Disclose 2030 Absolute carbon reduction targets for Lending and Underwriting activities
	<i>Vote Cast</i>	For
	<i>Rationale for voting decision</i>	The manager considered that the shareholder proposal promotes better management of ESG opportunities and risks
<b>Most significant votes cast</b>	<i>Company</i>	Microsoft Corporation
	<i>Size of holdings</i>	1.16%
	<i>Resolution</i>	Report on Risks related to Artificial Intelligence
	<i>Vote Cast</i>	For
	<i>Rationale for voting decision</i>	The manager considered that the shareholders' proposal would better reflect ESG risks.
<b>Use of proxy voting</b>	The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other providers.	

### Industry-wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for several years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). 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 a risk related to climate change. The Fiduciary Manager represents client policies/sentiments to EOS via the Client Advisory Council, 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 2023:

- Engagements with 1,041 companies on a total of 4,272 issues and objectives.
- 31 responses to consultations or proactive equivalents and 90 discussions with relevant regulators and stakeholders.
- Voting recommendations on 128,101 resolutions, with 22,716 against management.
- Active participation in a range of global stewardship initiatives.

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 retaining that status
- Co-founding the Net Zero Investment Consultants Initiative 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 an 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)
- Co-founding the Investment Consultants Sustainability Working Group
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network
- Being a founding member of The Diversity Project
- Being an official supporter of the Transition Pathway Initiative

### **3. Conclusion**

The Trustee considers that all SIP policies and principles were adhered to during the year.