

The Mount Charlotte Thistle Hotels
Retirement Benefits Scheme

**Annual Implementation
Statement – Scheme year
ending 30 April 2022**

Table of Contents

Section 1: Introduction 3
Section 2: Voting and Engagement..... 3
Section 3: Summary and conclusions 7

Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Mount Charlotte Thistle Hotels Retirement Benefits Scheme (“the Scheme”) covering the scheme year (“the Year”) to 30 April 2022.

The purpose of this statement is to 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; and

The voting behaviour by, or on behalf of, the Trustees (including the most significant votes cast by the 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 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 have delegated some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’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://www.glhhotels.com/about-glh/statement-of-investment-principles>

Review of and changes to the SIP

No changes were made to the SIP during the year. The relevant SIP for this statement is therefore the SIP dated September 2020.

Section 2: Voting and Engagement

Industry wide / public policy engagement:

Regarding engagement, the Trustees’ SIP states that:

“The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement”; and

“The Trustees expect the Fiduciary Manager to assess the alignment of each investment manager’s approach to sustainable investment (including engagement) with its own before making an investment on the Scheme’s behalf. The Trustees expect the Fiduciary Manager to engage with the Scheme’s investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings. In addition, the Trustees expect the Fiduciary Manager to review the investment managers’ approach to sustainable investment (including engagement) on a periodic basis and engage with the investment managers to encourage further alignment as appropriate”.

The Trustees delegate 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 Trustees' 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).

As noted above, 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 2021:

- 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.

As set out in Section 1, 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.

The Trustees' view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustees believe that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustees have appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustees incorporate an assessment of the Fiduciary Manager's performance in this area as part of its overall assessment of the Fiduciary Manager's performance. The Trustees believe Climate Change, in particular, is a current priority. The Fiduciary Manager has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in all its fully discretionary delegated investment portfolios.

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 Fiduciary Manager produces detailed reports on the SI characteristics of the highest-rated managers (such as those included in the Scheme’s portfolio) on an annual basis.

The policies and processes described above have impacted the Scheme’s investments in numerous ways. An example is within the Towers Watson Investment Management (“TWIM”) Core Diversified Fund (the “Fund”) in which the Scheme invests, where the global equity managers integrate SI into their investment processes. Additionally, the listed real asset holdings were transitioned over the period to funds with a specialist stewardship provider (Federated Hermes EOS) to engage and provide voting advice to companies within the portfolio.

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 Scheme’s investment managers. The day-to-day integration of ESG considerations and stewardship activities (including voting and engagement) are delegated to the Scheme’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 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. This document focusses on the equity holdings, which have voting rights attached.

During the Year, the Scheme’s equity holdings were accessed via one pooled fund:

- Towers Watson Core Diversified Fund – which seeks to provide cost effective diversification by making extensive use of Willis Towers Watson’s innovative research into passive and smart beta (i.e., ways to get cheaper and more liquid exposure to some traditionally actively managed strategies) opportunities across multiple asset classes and markets, including allocations to equity pooled funds.

The table below sets out a summary of the voting within the Towers Watson Core Diversified Fund and a summary of the most significant votes. Where managers provided multiple examples of “significant votes”, the top three have been shown below. This data represents activity over the Year.

Voting activity	<p>Number of meetings eligible to vote at: 4,006</p> <p>Number of votes eligible to cast: 50,371</p> <p>Percentage of eligible votes cast: 92%</p> <p>Percentage of votes with management: 86%</p> <p>Percentage of votes against management: 13%</p> <p>Percentage of votes abstained from: 1%</p> <p>Percentage of meetings where at least one vote was made against management: 62%</p> <p>Percentage of votes made contrary to the recommendation of the proxy adviser: 3%</p>
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Most significant votes cast	Company	Goodman Group Underlying investment manager: Active Chinese Equity	Sydney Airport Underlying investment manager: Passive real assets	AusNet Services Ltd. Underlying investment manager: Passive real assets
	Size of holdings (as a % of growth portfolio)	0.13%	0.11%	0.05%
	Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Grant of 407,727 Rights to Geoff Culbert	Elect Robert Milliner as Director
	Vote Cast	Against – vote was not communicated with management in advance	Against – vote was not communicated with management in advance	Against – vote was not communicated with management in advance
	Rationale for decision	The manager does not believe this item merits support as the manager has concerns with the proposed remuneration structure for senior executives at the company.	The manager has concerns about remuneration committee performance	The manager has concerns related to approach to board gender diversity
	Rationale for being considered a significant vote	<p>“Significant votes” identified as follows:</p> <ol style="list-style-type: none"> 1. All votes on environmental related shareholder proposals. 2. All votes on compensation proposals where the manager voted against the company management’s recommendation. 3. All against votes on the re-election of board members due to poor ESG performance of their companies. 4. All against votes on the re-election of board members due to poor compliance with the local corporate governance score of their companies. 5. All against votes on the re-election of board members due to a lack of gender diversity on board. 		
	Outcome of vote	58% For, 42% Against	For	For
	Implications of the outcome	Where appropriate the manager will contact the company to explain their voting rationale and conduct further engagement.		
Use of proxy voting	<p>Across the equity and listed real asset strategies within the Core Diversified Fund, EOS 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 underlying managers also use ISS to facilitate voting and provide research. The active China equity manager uses Glass Lewis service where they have created a bespoke policy.</p>			

Section 3: Summary and conclusions

We consider that all SIP policies and principles were adhered to.