

The Mount Charlotte Thistle Hotels
Retirement Benefits Scheme

**Annual Implementation
Statement – Scheme year
ending 30 April 2023**

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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 2023.

The purpose of this statement is to set out:

1. 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
2. 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 Statement of Investment Principles (“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.clermonthotel.group/about-us#statements>

Review of and changes to the SIP

The SIP is a document which outlines the Trustees’ policies with respect to various aspects related to investing and managing the Scheme’s assets including, but not limited to; investment managers, portfolio construction and risks. The SIP in place during the year was dated August 2020.

No changes were made to the SIP during the year. This statement focusses on the SIP agreed in 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 managers. The Fiduciary Manager has assessed the investment managers’ voting policy as part of its overall assessment of the investment managers’ 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 2022:

- Engaging with 1,138 companies on 4,250 issues and objectives
- Making voting recommendations on 134,188 resolutions at 13,814 meetings, including recommended votes against 24,461 resolutions
- 33 consultation responses or proactive equivalent and 75 discussions with relevant regulators and stakeholders
- Active participation in many collaborations including Climate Action 100+, Principles for Responsible Investment (PRI), and UN Guiding Principles Reporting Framework

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 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

Investment manager and company level 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 (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 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 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 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.

- The Fund has Article 8 Sustainable Finance Disclosure Regulation designation. This represents a Fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, amongst other requirements.
- TWIM intends for the Fund to achieve at least a 50% reduction in greenhouse gases by 2030 in its portfolio and continue beyond that time to further reduce greenhouse gases from the portfolio with an aim of net zero emissions by 2050. Progress is measured using multiple climate metrics.

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. The Trustees endeavoured to select "significant" votes which align with the Trustees' identified priorities for voting and engagement – climate change – where the data has allowed.

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 and listed infrastructure.

Voting table

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	Number of meetings eligible to vote at: 3,194			
	Number of votes eligible to cast: 42,381			
Most significant votes cast	Percentage of eligible votes cast: 93%			
	Percentage of votes with management: 85%			
	Percentage of votes against management: 15%			
	Percentage of votes abstained from: 0%			
	Percentage of meetings where at least one vote was made against management: 67%			
	Percentage of votes made contrary to the recommendation of the proxy adviser: 4%			
	Company	Power Assets Holdings Limited	TERNA Elettrica Nazionale SpA	Bank of China Limited
	Size of holdings (as a % of growth portfolio)	0.17%	0.21%	0.01%
Resolution	Elect Director	Approve Remuneration Policy	Elect 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	Concerns related to inappropriate membership of committees. Concerns related to approach to board gender diversity. Inadequate management of climate-related risks.	Apparent failure to link pay and appropriate performance	Inadequate management of climate-related risks
	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	Pass	Pass	Pass
	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>For the Core Diversified Fund, through the equity and listed real asset strategies, TWIM work 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 underlying managers also use ISS facilitate voting and provide research. The China equity manager in the Fund 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.