

Babtie Group Limited Superannuation & Life
Assurance Scheme

**Annual Implementation
Statement – Scheme year
ending 31 March 2022**

Table of Contents

Section 1: Introduction	1
Section 2: Voting and Engagment	3
Section 3: Conclusion	12

1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Babbie Group Limited Superannuation & Life Assurance Scheme (“the Scheme”) covering the scheme year (“the Year”) to 31 March 2022.

The purpose of this statement is to:

1. Set out how, and the extent to which, in the opinion of the Trustee, 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. Describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee 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 Trustee delegates some responsibilities. In particular, the Trustee has 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 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 has been made available on the following website:
<https://halcrow.com/>

2. Voting and engagement

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 Environmental, Social and Governance ("ESG") considerations and stewardship activities (including voting and engagement) are delegated to the Scheme's investment managers.

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 Trustee believes 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 fiduciary portfolios, including the Scheme's.

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 ("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.

Company level engagement and rights attached to investments (including voting):

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 (including listed infrastructure and real estate) 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 "significant votes", three have been shown below.

Over the Year, the Scheme's equity exposures came predominantly from its investments in the following pooled funds:

- Towers Watson Investment Management ("TWIM") Partners Fund – a multi-asset growth fund managed by the Fiduciary Manager which invests in a number of underlying managers
- Towers Watson Investment Management ("TWIM") Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in a number of underlying managers
- Towers Watson Investment Management ("TWIM") – Hedge Advantage Fund – a global, multi-strategy fund managed by a firm affiliated with the Investment Consultant which invests in a number of underlying hedge fund manager strategies

- State Street Global Advisors (“SSgA”) MFG Core Infrastructure Fund – a passive global equity fund focussed on equity related to infrastructure companies
- Manager A - a global active equity fund focussed on equity related prime properties

As outlined above, the Scheme is invested in both active and passive equity funds. For the active funds, the Trustee has decided not to publicly disclose investment manager names. This decision relates to Managers A and the underlying investment managers in the TWIM Global Equity Focus Fund, the TWIM Partners Fund and the TWIM Hedge Advantage Fund. Given the nature of these investments, the Trustee believes that publicly disclosing the names of the Scheme’s investment managers, together with information on their underlying holdings via the voting disclosures below could impact the investment manager’s ability to generate the best investment outcome for the Scheme and ultimately, the Scheme’s members.

WTW views SSgA’s approach to sustainable investment as acceptable. We have seen a positive tone from the top supporting the value of stewardship. In addition, SSgA has undertaken a successful multi-year campaign on diversity with clear tracking of progress/action with voting and engagement linked to real world impact. This year, SSgA has highlighted an increased focus on climate transition, beginning with a small universe of companies for engagements. We also have a positive view of the firm’s recent commitment to placing someone senior at the helm of ESG thought leadership, with a focus on ESG integration.

WTW’s assessment of Manager A’s sustainable investment approach is one of strength. The firm has integrated ESG considerations well through the hiring of dedicated resource and integration of ESG analysis into the investment process. The portfolio is therefore influenced by these considerations. Manager A demonstrates a strong stewardship approach through its policy disclosure, engagement practices and voting framework, particularly in relation to remuneration and Boards of Directors.

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 managers.

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 these policies is provided through the Fiduciary Manager’s partnership with EOS at Federated Hermes (EOS) who the Fiduciary Manager has engaged to provide corporate level engagement and voting recommendations in relation to the TWIM Global Equity Focus Fund, TWIM Hedge Advantage Fund which the Scheme invests in directly and also through the Partners Fund.

The Trustee has recently identified key ESG risks for the Scheme as climate change action and has therefore sought to include examples of significant votes relating to these areas, subject to the availability of data.

TWIM – Partners Fund

Voting activity	Number of meetings at which the manager was eligible to vote: 592 Number of votes eligible to cast: 7,410 Percentage of eligible votes cast: 99.1 Percentage of votes with management: 90.5 Percentage of votes against management: 8.5 Percentage of votes abstained from: 1.0
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	<p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 33.5</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 6.8</p>			
Most significant votes cast	Company	Amazon	Facebook	Microsoft
	Size of holdings	0.6%	0.8%	0.9%
	Resolution	Report on the impacts of plastic packaging	Report on platform misuse	Report on Gender/Racial Pay Gap
	How the manager voted	For	For	For
	Rationale for decision	Promotes transparency around environmental issues	Platform misuse poses perhaps the key risk to the company. Per the saying “what gets measured, gets managed”, additional management attention on this topic is most welcome. To the extent that the Community Standards report is already measuring much of this, then that simply lowers the incremental cost of this report	Promotes appropriate accountability and incentivisation on gender and diversity
	Rationale for classifying as 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.	We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.	We consider diversity to be a critical factor influencing the long-term performance and sustainability of a company.
	Outcome of vote	Failed	Failed	Failed

Use of proxy voting	<p>For the TWIM Partners Fund, the equity exposure comes from four main areas:</p> <p>It's global equity portfolio where EOS provides voting recommendations to enhance engagement and help achieve responsible ownership. EOS's voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS's 'ProxyExchange' electronic voting platform to facilitate voting.</p> <p>It's China equity manager uses Glass Lewis service where they have created a bespoke policy</p> <p>It's emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting</p> <p>It's long-short equity managers use ISS to provide corporate research and to facilitate the voting process.</p>
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TWIM – Global Equity Focus Fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 168</p> <p>Number of votes eligible to cast: 2,826</p> <p>Percentage of eligible votes cast: 100.0</p> <p>Percentage of votes with management: 89.0</p> <p>Percentage of votes against management: 10.0</p> <p>Percentage of votes abstained from: 1.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 57.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12.0</p>			
Most significant votes cast	Company	Citigroup	Cigna	Ameriprise Financial, Inc.
	Size of holdings	1.1%	0.7%	0.7%
	Resolution	Report on Racial Equity Audit	Report on Gender pay gap	Advisory Vote to Ratify Named Executive Officers' Compensation
	How the manager voted	For	For	Against

	Rationale for decision	RAMAM support Racial Equality - report on racial equity audit	We believe that better disclosure on gender / racial pay gap is the first step toward addressing this important social issue. TWIM also believes that Cigna would benefit from such a policy in attracting and retaining the best talent in "war for talent" situation.	Voted with Hermes EOS
	Rationale for classifying as significant	Large holding in portfolio	Cigna is an important holding for us, and we believe that this is a significant issue.	Apparent failure to link pay and appropriate performance
	Outcome of vote	Not known	Failed	Passed
Use of proxy voting	The underlying managers use Institutional Shareholder Services ("ISS") 'ProxyExchange' electronic voting platform to electronically vote investors' shares. As described elsewhere, TWIM also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers are ultimately responsible for the votes.			

TWIM - Hedge Advantage Fund*

Voting activity	Number of votes eligible to cast: 1,142 Percentage of eligible votes cast: 99% Percentage of votes with management: 92% Percentage of votes against management: 7% Percentage of votes abstained from: 1%			
Most significant votes cast	Company	Public Power Corp.SA	Haier Smart Home Co Ltd	Air Products and Chemicals
	Size of holdings	0.2%	0.2%	0.2%
	Resolution	Amend Company Articles	Consider and approve the 2021 A Share Option incentive scheme	Executive and Board updates
	How the manager voted	For	For	For

	Rationale for decision	The change in election process of the employee representative is positive for shareholders.	The management stock option as an employee stock ownership plan (ESOP) is a key step forward to integrate management's incentive with minority investors.	Agree with director nominations and the executive compensation plan is fair
	Rationale for classifying as significant	The amendment for the revocation of employee representatives by the General Meeting responds directly to efficiency criteria.	The manager has minimum acceptable targets that management are expected to achieve	Ensuring fair executive compensation is important to the manager
Use of proxy voting	Within the Towers Watson Hedge Advantage Fund, some of the underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. The TWIM fund also uses EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. The underlying managers within the fund are ultimately responsible for the votes.			

* Information for the Hedge Advantage Fund (HAF) is in relation to three managers within the long-short equity portfolio. One of the underlying managers only supplies voting data annually, and therefore the significant votes for this manager are over the period 30 September 2020 to 30 September 2021. The other underlying long-short equity managers provided information over the 12 month period to 31 March 2022.

State Street Global Advisors MFG Core Infrastructure Fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 96</p> <p>Number of votes eligible to cast: 1,103</p> <p>Percentage of eligible votes cast: 98.0</p> <p>Percentage of votes with management: 85.0</p> <p>Percentage of votes against management or abstained: 15.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 72.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2.0</p>			
Most significant votes cast	Company	Aguas Andinas SA	AusNet Services Ltd.	Power Assets Holdings Limited
	Size of holdings	0.2%	0.5%	2.3%
	Resolution	Elect Directors (Bundled)	Elect Director	Elect Director

	How the manager voted	Vote Against Management	Vote Against Management	Vote Against Management
	Rationale for decision	Insufficient/poor disclosure; Lack of independence on board; Inappropriate bundling of election of directors on a single vote	Concerns related to approach to board gender diversity	Concerns related to approach to board gender diversity
	Rationale for classifying as significant	Information not provided	Information not provided	Information not provided
	Outcome of vote	Passed	Passed	Passed
Use of proxy voting	The manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement and proxy voting on behalf of the fund.			

Manager A – global active prime properties equity fund

Voting activity	<p>Number of meetings at which the manager was eligible to vote: 49</p> <p>Number of votes eligible to cast: 607</p> <p>Percentage of eligible votes cast: 100.0</p> <p>Percentage of votes with management: 95.3</p> <p>Percentage of votes against management: 4.7</p> <p>Percentage of votes abstained from: 0.0</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 24.0</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: N/A</p>			
Most significant votes cast	Company	Kilroy Realty Corporation (KRC-US)	American Tower Corporation (AMT-US)	Alexandria Real Estate (ARE-US)
	Size of holdings	3.7%	1.7%	1.6%
	Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Amend articles/by laws - shareholder proposal to reduce the ownership threshold for shareholders to call a special meeting from 25% to 10%. The proposal also called for the removal of a	Director Re-election

			provision which excluded shareholders who had owned shares for less than one continuous year from being able to call a special meeting.	
	How the manager voted	For	For	Against
	Rationale for decision	ISS believe KRC should not have renewed the COO's employment contract with the pre-existing cash severance package as it is above current market levels. The company provided several explanations for this. Given it is economically better for the COO to retire than to force the company to renegotiate, we believe a vote for the proposal is warranted.	Against company recommendations, we voted for the shareholder proposal. We believe the existing ownership threshold of 25% is too high, requiring an aggregate investment of approximately US\$28bn in order for a shareholder to call a special meeting. Although arguably still too high, a 10% ownership threshold as proposed provides less of an obstacle for shareholders.	ARE governing documents prohibit shareholders' ability to amend the company's bylaws. However, we believe shareholders' ability to amend corporate bylaws is a fundamental right and as such a vote against directors on the governance committee is warranted.
	Rationale for classifying as significant	Vote against ISS recommendation	Vote against management recommendation	Vote against management
	Outcome of vote	Resolution was passed with 55% votes "For"	The proposal failed to pass with "For" votes receiving 42% of votes cast.	All three directors received a majority of "For" votes and will therefore stay on the board.
Use of proxy voting	The manager submits proxy votes via the ISS ProxyExchange portal			

Industry wide / Public policy engagement

As mentioned in the SIP, 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 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 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.

3. Conclusion

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