

The Spirax-Sarco Employees Pension Fund
**Annual Implementation
Statement – Scheme year
ending 31 December 2022**

May 2023

Table of Contents

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

1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Spirax-Sarco Employees Pension Fund (“the Fund”) covering the scheme year (“the year”) to 31 Dec 2022.

The purpose of this statement is to:

- Set out how, and the extent to which, in the opinion of the trustees, the Fund’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 Fund 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 delegate some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Fund’s DB 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 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.spiraxsarco.com/global/en-GB/pages/defined-benefit-pensions>

2. Voting and 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 Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to Sustainable Investment (“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 Fund’s portfolio) on an annual basis.

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 Fund’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 Fund’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 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 Fund 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 Fund'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 deemed most significant by the Trustees have been shown below. The Trustees have endeavoured to select "significant" votes which align with the Trustees' identified priorities for voting and engagement – climate and governance – where the data has allowed.

As at the end of the Year, the Fund's equity holdings were invested across four pooled funds, (in addition to a holding in Spirax-Sarco Engineering plc):

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in number of underlying managers
- Manager A – an active Chinese equity manager
- SSgA Heitman Global Prime Property Securities - a passive global equity fund focussed on equity related to prime properties
- SSgA MFG Core Infrastructure Fund - a passive global equity fund focusses on equity related to infrastructure companies

As outlined above, the Fund is invested in both active and passive equity funds. For the active funds, the Trustees have decided not to publicly disclose investment manager names. This decision relates to the underlying investment managers in the TWIM and Manager A. Given the nature of these investments, the Trustees believe that publicly disclosing the names of the Fund's investment managers could impact the investment manager's ability to generate the best investment outcome for the Fund and ultimately, the Fund's members.

The Fiduciary Manager's view is that the approach to SI, ESG Integration and Engagement of the underlying managers within TWIM is acceptable.

The Fiduciary Manager views Manager A's approach to voting as acceptable and its ESG Integration and Engagement as a strength. The manager's voting policy is publicly disclosed and includes beliefs on voting for a wide range of ESG related issues. The Fiduciary Manager continues to engage for further improvement.

The Fiduciary Manager's view is that State Street Global Advisors approach to SI is acceptable. The manager's policy covering ESG integration and analysis is disclosed publicly. 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 (this had been an area we'd previously identified as needing more attention). Further, SSgA has indicated that they will be shifting to a more outcome-oriented stewardship model where they plan to strengthen voting

approach on various topics and exercise more targeted engagements. In our view, this appears to be a positive evolution from a voting perspective to signal urgency and exercise their power as one of the largest asset managers.

The below tables provide overall voting statistics and give some examples of the votes made by the managers.

TWIM Global Equity Focus Fund

Voting activity	Number of votes eligible to cast:	2516		
	Percentage of eligible votes cast:	100%		
	Percentage of votes with management:	87.6%		
	Percentage of votes against management:	10.8%		
	Percentage of votes abstained from:	1.6%		
Most significant votes cast	Company	Microsoft Corporation	Alphabet Inc.	Cigna corp
	Size of holdings	3.97%	3.1%	1.5%
	Resolution	Report on Tax Transparency	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns	Report on Gender/Racial Pay Gap
	Vote Cast	Against	For	For
	Rationale for voting decision	For shareholder resolution, against management recommendation / Shareholder proposal promotes transparency	For shareholder resolution, against management recommendation / Shareholder proposal promotes better management of ESG opportunities and risks	We support disclosure of data to assess Cigna's gender pay gap on a raw and adjusted basis, which will positively support Cigna's global recruitment and human resources efforts.
	Outcome of vote	Failed	Failed	Failed
	Reason for significance	Size of holdings	Size of holdings	Size of holdings

Use of proxy voting	Equity Ownership Services Limited (“EOS”) provides voting recommendation 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 use Institutional Shareholder Services (“ISS”)’s ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation.
----------------------------	---

Manager A

Voting activity	Number of votes eligible to cast:	1014		
	Percentage of eligible votes cast:	100%		
	Percentage of votes with management:	96.1%		
	Percentage of votes against management:	3.9%		
	Percentage of votes abstained from:	0.2%		
Most significant votes cast	Company	Ping An Insurance (Group)	Midea Group	Shanghai M&G Stationery Inc
	Size of holdings	4.81%	4.29%	3.49%
	Resolution	Elect CAI Xun	Key Management Team Stock Ownership Plan and the Midea Global Partners Plan 8th Phase Stock Ownership Plan (draft) and Its Summary	Amendments to 2020 Restricted Share Plan
	Vote Cast	For	Against	For
	Rationale for voting decision	CAI Xun and HE Jianfeng are nominated by Shenzhen SASAC which can play the role of checks and balances. The size of board is not small but it is necessary to have representatives from different shareholders, which is not a bad thing at current stage.	ROE of Midea Group in 2021 was 24.09% but the threshold for ROE is set at 20% in 2022 and 2023 and 18% for 2024 and 2025. Don't think it is properly designed.	The challenge from Covid for its business and the performance hurdle remains reasonable after one year extension

	Outcome of vote	Passed	Passed	Passed
	Reason for significance	Size of holdings	Size of holdings	Size of holdings
Use of proxy voting	Glass Lewis/ create own policy which Glass Lewis implement on behalf			

SSGA Heitman Global Prime Property Securities

Voting activity	Number of votes eligible to cast:	927		
	Percentage of eligible votes cast:	100.00%		
	Percentage of votes with management:	90.5%		
	Percentage of votes against management:	9.5%		
	Percentage of votes abstained from:	0%		
Most significant votes cast	Company	Deutsche Wohnen SE	Inmobiliaria Colonial SOCIMI SA	Pebblebrook Hotel Trust
	Size of holdings	Not provided	Not provided	Not provided
	Resolution	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation	Advisory Vote to Ratify Named Executive Officers' Compensation
	Vote Cast	Against	Against	Against
	Rationale for voting decision	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.	This item does not merit support as SSGA has concerns with the proposed remuneration structure for senior executives at the company.

	Outcome of vote	Not provided	Not provided	Not provided
	Reason for significance	Size of holdings	Size of holdings	Size of holdings
Use of proxy voting	AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to Institutional Shareholder Services (“ISS”) voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.			

SSgA MFG Core Infrastructure Fund

Voting activity	Number of votes eligible to cast:	1,083		
	Percentage of eligible votes cast:	98%		
	Percentage of votes with management:	83%		
	Percentage of votes against management:	16%		
	Percentage of votes abstained from:	0%		
Most significant votes cast	Company	Aguas Andinas SA	SNAM SpA	Power Assets Holdings Limited
	Size of holdings	0.13%	2.91%	2.2%
	Resolution	Elect Directors (Bundled)	Accept Financial Statements and Statutory Reports	Elect Director (Bundled)
	Vote Cast	Against	Against	Against
	Rationale for voting decision	Insufficient/poor disclosure. Lack of independence on board. Inappropriate bundling of election of directors on a single vote	Inadequate management of climate-related risks	Inadequate management of climate-related risks
	Outcome of vote	Passed	Passed	Passed

	Reason for significance	Size of holdings	Climate Related	Climate Related
Use of proxy voting	AMX has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to Institutional Shareholder Services (“ISS”) voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other best-in-class providers.			

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). The Trustees have identified key ESG risks for the Fund as climate change action and governance and therefore selected votes on these topics as the most significant for the Fund.

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 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

3. Conclusion

The Trustees consider that all SIP policies and principles were adhered to during the year.