

The Spirax-Sarco Employees Pension Fund

**Annual Implementation
Statement – Fund year
ending 31 December 2021**

June 2022

Table of Contents

Section 1 : Introduction 3
Section 2 : Voting and engagement 4
Section 3 : Conclusion 13

Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of The Spirax-Sarco Employees Pension Fund (“the Trustees” of “the Fund”) covering the Fund year (“the year”) to 31 December 2021.

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, 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 Fund makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“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 undertake them effectively, the Trustee delegates 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>

Section 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.

In addition, the Fiduciary Manager has committed to targeting net zero greenhouse gas emissions by 2050 at the latest, with a 50% reduction by 2030, in the portfolios that it manages including the Fund'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 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 will produce detailed reports on the SI characteristics of the investment managers on an annual basis. These reports will form part of the Trustees' ongoing portfolio monitoring. Following the transition to a new Fiduciary Manager over the year, the Trustee will look to review portfolio turnover reporting for the underlying managers now the asset transition is complete.

The Fund has an allocation to the TWIM Secure Income Fund, which has positive ESG credentials. Secure Income Strategies are long term, and a successful outcome requires consideration of how the assets are creating value for local communities or broader society. <https://www.wtwco.com/en-GB/Insights/2022/03/how-can-secure-income-assets-have-an-impact-in-the-community>

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 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 or managers who hold considerable amounts of equity 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", the top four have been shown below.

Further information on the voting and engagement activities of the managers is provided in the table below. The voting data is provided for the year to December 2021. Please note that the Fund has not been invested in these managers for the full year.

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

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 Global Equity Focus Fund 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 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 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 uses multiple third party ESG data providers such as Sustainalytics, Vigeo EIRIS, ISS and S&P Trucost. SSgA has developed a proprietary ESG scoring system. Within the investment process, SSgA considers the transition risks of companies as the world looks to move to a low carbon economy. Company management is typically informed of the rationale, post-voting, for decisions made to vote against or abstain from the motion. Contentious voting decisions or those against management are made by the stewardship team.

TWIM Global Equity Focus Fund

Voting activity	Number of votes eligible to cast:	3,007			
	Percentage of eligible votes cast:	100%			
	Percentage of votes with management:	89%			
	Percentage of votes against management:	10%			
	Percentage of votes abstained from:	1%			
Most significant votes cast	Company	Facebook, Inc.	UnitedHealth Group Inc	Microsoft	Amazon
	Size of holdings	2.4%	2.3%	3.8%	1.6%
	Resolution	Report on platform misuse	Reduce Ownership Threshold for Shareholders to Call Special Meeting	Report on Gender/Racial Pay Gap	Report on the impacts of plastic packaging
	Vote Cast	For	For	For	For

	Rationale for voting decision	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	We believe that this shareholder proposal promotes appropriate accountability.	Promotes appropriate accountability and incentivisation on gender and diversity.	Promotes transparency around environmental issues.
	Outcome of vote	Failed	Failed	Failed	Failed
Use of proxy voting	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 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:	864
	Percentage of eligible votes cast:	100%
	Percentage of votes with management:	95%
	Percentage of votes	5%

	against management:				
	Percentage of votes abstained from:	0%			
Most significant votes cast	Company	Midea Group Co. Ltd	China Mengniu Dairy Co	Ping An Insurance	Yunda Holding Co. Ltd
	Size of holdings	4.62%	4.73%	2.86%	1.03%
	Resolution	2021 provision of guarantee for controlled subsidiaries	Elect Simon Dominic Stevens; Elect NIU Gensheng	Elect Soopakij Chearavanont XIE Jiren; Elect YANG Xiaoping	Adjustment of Performance Appraisal for Previous Employee Restricted Shares Plan; Authorization to the Board to Handle Matters Regarding the Employee Restricted Shares Plan
	Vote Cast	Against	Against	For	For
	Rationale for voting decision	Excessive guarantees	Committee independence; Less than 75% Attendance	4 Non-Executive Directors are from two shareholders CP group and Shenzhen Investments respectively. The size of board directors is fine. CP Group is a financial investor with 8.8% of total stakes in Ping An. The independence of committee is not the highest level but acceptable.	The performance hurdle is not proper if they include Best Express (which is the worst) as one of the 4 peers.
	Outcome of vote	Passed	Passed	Passed	Passed
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:	968			
	Percentage of eligible votes cast:	93%			
	Percentage of votes with management:	91%			
	Percentage of votes against management:	9%			
	Percentage of votes abstained from:	0%			
Most significant votes cast	Company	Goodman Group	Prologis, Inc.	SL Green Realty Corp.	Dexus
	Size of holdings	Not provided	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	Advisory Vote to Ratify Named Executive Officers Compensation
	Vote Cast	Against	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.	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	Not provided
Use of proxy voting	Manager uses a variety of third-party service providers to support stewardship activities. Data and analysis from service providers are used as inputs to help inform position and assist with prioritisation. However, all voting decisions and engagement activities are undertaken in accordance with in-house policies and views, ensuring				

	<p>the interests of clients remain the sole consideration when discharging stewardship responsibilities.</p> <p>Institutional Shareholder Services (ISS) assist with managing the voting process at shareholder meetings. Manager uses ISS to:</p> <p>(1) act as a proxy voting agent (providing State Street Global Advisors with vote execution and administration services),</p> <p>(2) assist in applying voting guidelines,</p> <p>(3) provide research and analysis relating to general corporate governance issues and specific proxy items, and</p> <p>(4) provide proxy voting guidelines in limited circumstances.</p> <p>In addition, manager also has access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement their in-house analysis of companies and individual ballot items. All final voting decisions are based on their proxy voting policies and in-house operational guidelines.</p>
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SSgA MFG Core Infrastructure Fund

Voting activity	Number of votes eligible to cast:	1,064			
	Percentage of eligible votes cast:	100%			
	Percentage of votes with management:	85%			
	Percentage of votes against management:	14%			
	Percentage of votes abstained from:	0%			
Most significant votes cast	Company	SNAM SpA	AusNet Services Ltd.	TERNA Rete Elettrica Nazionale SpA	Sydney Airport
	Size of holdings	Not provided	Not provided	Not provided	Not provided
	Resolution	Deliberations on Possible Legal Action Against Directors if Presented by Shareholders	Approve Remuneration Report	Approve Second Section of the Remuneration Report	Approve Remuneration Report

	Vote Cast	Against	Against	Against	Against
	Rationale for voting decision	Insufficient/poor disclosure	Apparent failure to link pay and appropriate performance	Apparent failure to link pay & appropriate performance	Concerns about remuneration committee performance
	Outcome of vote	Not provided	Not provided	Not provided	Not provided
Use of proxy voting	<p>Manager uses a variety of third-party service providers to support stewardship activities. Data and analysis from service providers are used as inputs to help inform position and assist with prioritisation. However, all voting decisions and engagement activities are undertaken in accordance with in-house policies and views, ensuring the interests of clients remain the sole consideration when discharging stewardship responsibilities.</p> <p>Institutional Shareholder Services (ISS) assist with managing the voting process at shareholder meetings. Manager uses ISS to:</p> <ul style="list-style-type: none"> (1) act as a proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying voting guidelines, (3) provide research and analysis relating to general corporate governance issues and specific proxy items, and (4) provide proxy voting guidelines in limited circumstances. <p>In addition, manager also has access to Glass Lewis and region-specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complement their in-house analysis of companies and individual ballot items. All final voting decisions are based on their proxy voting policies and in-house operational guidelines.</p>				

Industry wide / public policy engagement

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 include:

- 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.

Section 3: Conclusion

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