

# Implementation Statement

## 1. Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustees of the Acer Pension Scheme ("the Scheme") covering the scheme year ("the year") to 31 March 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
- A description of voting behaviour (including the "most significant" votes made by or on behalf of the Trustees) during the year and state any use of services of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are 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 delegates some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme'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.arcadis.com/en-gb/about-us/business-practices/pension-statement-of-investment-principles>

### **Review of and changes to the SIP**

The SIP was reviewed and updated as part of the appointment of WTW as the Scheme's Fiduciary Manager in December 2021. As such the relevant SIP for the period is therefore the SIP dated December 2021.

## 2. Adherence to the SIP: 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 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 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.

Assessing the Fiduciary Manager's incorporation of sustainability into their investment process along with consideration of ESG factors was a key factor in the Trustees' decision to appoint WTW. Since their appointment, the Trustees have worked with WTW to gain a better understanding of their engagement and voting policy, as well as having broader sustainability training to assist the process of creating a separate sustainable investment policy document. This document is planned to be finalised by the Trustees over the coming year.

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 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", the Trustees' have shown three.

Further information on the voting and engagement activities of the managers is provided in the table below.

The Scheme's equity holdings are invested across four pooled funds:

- 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 fund
- SSGA - Heitman Global Prime Property Securities Index (AMX)– a global equity fund focused on businesses related to prime properties.
- SSGA – Infrastructure Equity MFG Index (AMX) – a global equity fund focused on businesses related to core infrastructure.

As outlined above, the Scheme 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 Scheme's investment managers could impact the investment manager's ability to generate the best investment outcome for the Scheme and ultimately, the Scheme'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 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 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 Scheme as climate change action and human and labour rights and has therefore sought to include examples of significant votes relating to these areas, subject to the availability of data.

Over the period, the Trustees appointed WTW as fiduciary manager. WTW transitioned asset to the new arrangements over the period, and the below reflects the data for the funds held as at 31 March 2022 (which were not invested in for the full year).

<b>Manager and strategy</b>	<b>Portfolio structure</b>	<b>Voting activity (as at March 2022)</b>
<b>Towers Watson Investment Management Global Equity Focus Fund</b>	Pooled multi-manager equity fund	<p>Number of meetings at which the manager was eligible to vote: 168</p> <p>Number of resolutions on which manager was eligible to vote: 2,826</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 89%</p> <p>Percentage of votes against management: 10%</p> <p>Percentage of votes abstained from: 1%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 57%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12%</p>
<b>Use of proxy voting</b>	<p>The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote investors' shares.</p> <p>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.</p>	

<b>Manager and strategy</b>	<b>Portfolio structure</b>	<b>Voting activity (as at March 2022)</b>
<b>Manager A – an active Chinese equity fund</b>	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 99</p> <p>Number of resolutions on which manager was eligible to vote: 794</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 94%</p> <p>Percentage of votes against management: 6%</p> <p>Percentage of votes abstained from: 0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 20%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8%</p>
<b>Use of proxy voting</b>	<p>The manager uses Glass Lewis' voting recommendation service.</p>	

Manager and strategy	Portfolio structure	Voting activity (as at March 2022)
<b>SSgA Heitman Global Prime Property Securities AMX Fund</b>	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 80 Number of resolutions on which manager was eligible to vote: 996 Percentage of eligible votes cast: 100% Percentage of votes with management: 91% Percentage of votes against management: 9% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 56% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8%
<b>SSgA MFG Core Infrastructure AMX Fund</b>	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 96 Number of resolutions on which manager was eligible to vote: 1,103 Percentage of eligible votes cast: 98% Percentage of votes with management: 85% Percentage of votes against management: 14% Percentage of votes abstained from: 0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 72% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 2%
<b>Use of proxy voting</b>	<p>The Manager has contracted Institutional Shareholder Services (ISS) to assist with managing the voting process at shareholder meetings. They use ISS to: (1) act as proxy voting agent (providing State Street Global Advisors with vote execution and administration services), (2) assist in applying their 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> <p>In addition, they also have access to Glass Lewis and region specific meeting analysis provided by the Institutional Voting Information Service. Research and data provided by these third parties complements the manager's 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>	

TWIM and Manager A provided significant voting data for their relevant fund and we have shown three of each as a representative

Coverage in portfolio	Size of holdings	Most significant votes cast
Towers Watson Investment Management Global Equity Focused Fund	2.0%	<p><b>Company:</b> <u>Amazon</u></p> <p><b>Resolution:</b> Report on the impacts of plastic packaging</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> Promotes transparency around environmental issues.</p> <p><b>Rationale for being considered a significant vote:</b> We consider ESG factors to be a major factor influencing the long-term predictability and sustainability of a company's revenue and earnings growth.</p> <p><b>Outcome of the vote:</b> Against</p>
Towers Watson Investment Management Global Equity Focused Fund	1.8%	<p><b>Company:</b> <u>UnitedHealth Group Inc</u></p> <p><b>Resolution:</b> Reduce ownership threshold for shareholders to call a special meeting</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> We believe that this shareholder proposal promotes appropriate accountability.</p> <p><b>Rationale for being considered a significant vote:</b> UnitedHealth Group Inc is an important holding for us across the various portfolios and we believe that effective access for shareholders to voice their concerns is in the interest of long-term shareholders and good industry practice.</p> <p><b>Outcome of the vote:</b> Failed</p>
Towers Watson Investment Management Global Equity Focused Fund	0.7%	<p><b>Company:</b> <u>Cigna</u></p> <p><b>Resolution:</b> Report on Gender pay gap</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for the voting decision:</b> We believe that better disclosure on the gender/racial pay gap is the first step towards addressing this important social issue. We also believe that Cigna would benefit from such a policy in attracting and retaining the best talent in a 'war for talent' situation</p> <p><b>Rationale for being considered a significant vote:</b> Cigna is an important holding for us, and we believe that it is a significant issue.</p> <p><b>Outcome of the vote:</b> Failed</p>
Manager A – an active Chinese equity fund	0.9%	<p><b>Company:</b> <u>Chaozhou Three-Circle Co. Ltd</u></p> <p><b>Resolution:</b> The Company's Eligibility for Issuance of Shares w/o Pre-emptive Rights</p> <p><b>How the manager voted:</b> Against</p>

		<p><b>Rationale for voting decision:</b> Discount and size of equity placement viewed as excessive and not in the interest of shareholders</p> <p><b>Rationale for being considered a significant vote:</b> Against management</p> <p><b>Outcome of the vote:</b> Shares were issued but the total amount was significantly reduced.</p>
<b>Manager A – an active Chinese equity</b>	<b>4.6%</b>	<p><b>Company:</b> <u>Midea Group Co. Ltd</u></p> <p><b>Resolution:</b> Provision of guarantees for controlled subsidiaries</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for the voting decision:</b> Guarantees deemed to be excessive by the investment manager</p> <p><b>Rationale for being considered a significant vote:</b> Against management</p> <p><b>Outcome of the vote:</b> For</p>
<b>Manager A – an active Chinese equity fund</b>	<b>4.7%</b>	<p><b>Company:</b> <u>China Mengniu Dairy Co</u></p> <p><b>Resolution:</b> Elect Simon Dominic Stevens; Elect NIU Gensheng</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for the voting decision:</b> Not additive to Board independence; Poor attendance at meetings</p> <p><b>Rationale for being considered a significant vote:</b> Against management</p> <p><b>Outcome of the vote:</b> For</p>

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

### **3. Conclusion**

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