

Waterways Pension Fund

Implementation Statement for the scheme year 1 April 2020 to 31 March 2021

Introduction

Under new regulatory requirements now in force, the Trustee is required to produce an annual Implementation Statement setting out how policies set out in the Statement of Investment Principles (SIP) have been followed and describe any voting behaviour by or on behalf of the Trustee during the scheme year. This is the first such statement produced and includes a brief summary of how investment decisions are taken and details of recent updates to the SIP and the Asset Allocation Policy ("AAP").

Summary of how investment decisions are taken

The Trustee is responsible for setting and monitoring the investment strategy for the Fund and for appointing investment managers. The Trustee consults with the Sponsoring Employer and seeks guidance and written advice from their legal and investment advisers as appropriate when undertaking these activities.

The Trustee has a clearly defined funding target and compares the Fund's position against this to highlight if changes are needed to the investment strategy. The current funding target for the Fund is to achieve full funding on a Gilts+0.65% liability discount basis by 2031.

The Fund's required returns to achieve the funding target, liquidity and management of risk are also used by the Trustee to assess if changes to the investment strategy are needed. Together with the funding position, these are all monitored by the Trustee on at least a quarterly basis.

Summary of recent SIP and AAP updates

The SIP and the AAP document are reviewed at least once in each three-year period or when there is a material change to the circumstances of the Fund. The SIP was last updated in September 2020 in response to changes to investment regulations applying to occupational pensions. These changes incorporated the Shareholder Rights Directive ("SRD II") into UK law and required defined benefit pension scheme SIPs to be updated to include further details on:

- The arrangements with investment managers, including how they are incentivised to behave and invest in line with the Trustee's policies and how the Trustee will monitor managers' performance, fees and portfolio costs
- Engagement policy, including the exercise of the rights (including voting rights) attaching to the investments

SRD II applies more widely than just to pension schemes and the directive aims to further encourage appropriate long-term investment decision-making and engagement.

In addition to the regulatory changes to the SIP, the Asset Allocation Policy ("AAP") was also updated in September 2020 to account for increased investments in Man Diversified Risk Premia Fund and CQS Credit Multi Asset Fund and to add asset ranges for each asset class to clearly demarcate the range of allocations that are considered acceptable following a recommendation in the Fund's audit report.

This implementation statement reports on the policies set out in the SIP updated in September 2020 and the SIP in force immediately prior to this.

Summary of the Trustee's voting and engagement (stewardship) policies

The Trustee believes that good stewardship is an important part of general Fund governance. Stewardship refers to the responsible allocation and management of capital to create long-term value and sustainable benefits for the economy, the environment and society.

The Trustee's stewardship policy is to:

- Delegate all aspects of monitoring the behaviour of the underlying companies (as well as other relevant persons) to the individual investment managers. This includes delegating responsibility for the exercising of rights (including voting rights) attaching to investments
- Meet directly with each of its investment managers from time-to-time and – where relevant and after taking appropriate advice from the Investment Consultant – question the managers on their activities with respect to stewardship and engagement

The Trustee's ability to influence investment managers' voting and stewardship activities will depend on the nature of the investments held. As all of the Fund's assets are invested either in pooled funds – where the Trustee holds units in a fund rather than having any direct ownership rights over the underlying assets – or in LDI – where the underlying assets are mainly gilts and derivatives, so less scope for stewardship activities to be applied – the Trustee has limited scope to influence managers' voting and stewardship activities. However, the Trustee does take stewardship into account when selecting, monitoring and retaining its investment managers and, where relevant, will ensure that its voting and stewardship policies are fully reflected in its investment management agreements (with regular updates as appropriate).

How have the Trustee's stewardship policies been followed?

As noted above, the Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. As part of the latest SIP updates made in September 2020, the Trustee has made a commitment to monitor and disclose the voting behaviour carried out on its behalf.

The use of voting rights is most likely to be financially material in the sections of the portfolios where physical equities are held. Financially material considerations include (but are not limited to) those arising from Environmental, Social and Governance considerations, including climate change. Given that the vast majority of the Fund's assets are invested with investment managers that hold gilts, derivative instruments, corporate bonds and other credit assets in their portfolios, voting is only relevant to the Man Diversified Risk Premia Fund and Ruffer Absolute Return Fund I. As all of these holdings are made via pooled funds, where the investment manager is responsible for voting and engagement on the underlying assets rather than the Trustee, the Trustee's ability to influence voting activities undertaken is limited.

Over the scheme year, voting activities by Man Group and Ruffer LLP were undertaken with due consideration to investors' best interests considered on a fund wide basis and in accordance with the voting procedures set out in each manager's voting policy. The Trustee is not aware of any material departures from the managers' stated voting policies.

In terms of proxy service providers, Man Group uses Glass Lewis as its provider and 'Viewpoint' electronic voting platform to cast votes. Ruffer LLP uses ISS's 'ProxyExchange' electronic voting platform to vote. All voting decisions are made by the respective managers (no voting decisions are outsourced). A summary of the managers' voting over the scheme year including significant votes cast

is included in the appendix of this statement.

Given the nature of these mandates and the fact that voting activities were undertaken in line with the managers' policies, the Trustee is satisfied that the voting policies all been adequately followed over the scheme year.

Summary

The Trustee is comfortable that the voting and engagement policies have all been adequately followed over the scheme year noting a number recent changes to regulations in this area and the Trustee policies themselves.

Appendix

Voting Disclosures

	Man	Ruffer
Number of holdings at period end (£m)	£42,851,966	£47,802,642
No of meetings eligible to vote during the period	813	86
No of resolutions eligible to vote during the period	9171	1144
% of resolutions voted	99%	97%
% of resolutions voted with management	89%	91%
% of resolutions voted against management	11%	9%
% of resolutions abstained	0.3%	2%
% of meetings with at least one vote against management	53%	43%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	4%	8%
Any use of proxy voting services during the period	Glass Lewis	Institutional Shareholder Services (ISS)

Summary of significant votes as identified by Man

	Company 1	Company 2	Company 3	Company 4	Company 5
Summary of resolution	Shareholder Proposal Regarding Aligning Investments with The Paris Agreement	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	Shareholder Proposal - Regarding Report on Plans to Reduce Total Contribution to Climate Change	Shareholder Proposal Regarding Human Rights Due Diligence Process Report	Shareholder Proposal - Regarding Report on Plans to Reduce Total Contribution to Climate Change
How Man voted	For	For	For	For	For
Outcome of vote	N/A	For: 12.40%	For: 54.27%	For: 44.38%	For: 17.94%

Summary of significant votes as identified by Man - Continued

	Company 6	Company 7	Company 8	Company 9	Company 10
Summary of resolution	Shareholder Proposal - Regarding Independent Board Chair	Shareholder Proposal - Regarding Report on Linking Executive Compensation to ESG Metrics	Shareholder Proposal Regarding Political Contributions and Expenditures Report	Shareholder Proposal Regarding Independent Board Chair	Shareholder Proposal Regarding Lobbying Report
How Man voted	For	For	For	For	For
Outcome of vote	For: 35.32%	For: 9.47%	For: 8.66%	For: 32.39%	For: 28.71%

Summary of significant votes as identified by Ruffer

	Exxon Mobil	Exxon Mobil	Exxon Mobil	Cigna	National Oilwell Varco
Summary of resolution	Votes for re-election of non-executive directors	Shareholder resolution for further disclosure of the company's lobbying activities	Shareholder resolution for an independent board Chair	Votes for re-election of non-executive directors	Votes for re-election of non-executive directors
How Ruffer voted	Against all non-executive re-elections	For	For	Against 6 non-executive directors	Against 4 non-executive directors
Outcome of vote	Re-election proposals passed with a range of 83-98% shareholder approval for votes	Proposal failed with 62.5% votes against	Proposal failed with 67.3% votes against	Re-election proposals passed with a range of 96-99% shareholder approval for votes	Re-election proposals passed with a range of 88-95% shareholder approval for votes

Summary of significant votes as identified by Ruffer - Continued

Company name	Barrick Gold	Newmont Mining	Wheaton Precious Metals	Ocado	Mitsubishi Electric
Summary of resolution	Votes for re-election of non-executive directors	Votes for re-election of non-executive directors	Votes for re-election of non-executive directors	Re-election of the Chair of the Board	Vote for re-election of independent director
How Ruffer voted	Against 2 non-executive directors	Against 2 non-executive directors	Against 5 non-executive directors	Against	Against
Outcome of vote	Re-election proposals passed with a range of 88-95% shareholder approval for votes	Both re-election proposals passed with 94% shareholder approval for votes	Re-election proposals passed with a range of 85-95% shareholder approval for votes	Re-election proposal passed with 96% shareholder approval for vote	Re-election proposals passed with a range of 76-82% shareholder approval for votes