

Waterways Pension Fund

Implementation Statement for the Fund year 1 April 2022 to 31 March 2023

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 Fund year. This is the third such statement produced and includes a brief summary of how investment decisions are taken and details of recent updates to the SIP.

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 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 Asset Allocation Policy ("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 updated in May 2022 to incorporate additional wording within the Environment, Social and Governance and Stewardship sections as agreed by the Trustee. The update includes detail on areas such as how the Trustee has integrated the monitoring of climate risk metrics into its wider risk management framework and manager monitoring reports.

For completeness, there were no updates to the AAP over the reporting year, with the last update being in August 2021.

This implementation statement reports on the policies set out in the SIP updated in May 2022.

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) attached 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).

Please note that following new statutory guidance set out by the Department for Work and Pensions (DWP) placing a greater expectation that "ownership" of stewardship should sit with the Trustee rather than investment managers, the Trustee has agreed a separate stewardship policy. This policy focuses on how the Trustee practices effective stewardship as part of their fiduciary duty to act in the best financial interests of members. To best channel the Trustee's stewardship efforts, the Trustee has initially focused on two key themes - climate change and biodiversity.

This policy was drafted shortly after year-end and hence manager compliance with this more robust policy will be covered in detail in the next iteration of this report.

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 SIP, 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 Progressive Diversified Risk Premia Fund and Ruffer Absolute Return Fund I.

Over the Fund 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 Fund 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 have all been adequately followed over the Fund year.

Summary

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

Appendix

Voting Disclosures

	Man Progressive Diversified Risk Premia	Ruffer Absolute Return Fund
Number of holdings at period end (£m)	£25,946,890	£24,959,493
No of meetings eligible to vote during the period	706	77
No of resolutions eligible to vote during the period	7,868	1,305
% of resolutions voted	99.8%	100.0%
% of resolutions voted with management	85.8%	94.2%
% of resolutions voted against management	13.4%	5.7%
% of resolutions abstained	0.9%	0.1%
% of meetings with at least one vote against management	52.8%	41.6%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	7.0%	7.1%
Any use of proxy voting services during the period	Glass Lewis	Institutional Shareholder Services (ISS)

Summary of significant votes as identified by Man

	Citi Group Inc	Sumitomo Mitsui Financial Group Inc	Booking Holdings	Intel Corp.	Pfizer Inc.
Summary of resolution	Shareholder Proposal Regarding Report on Human Rights Standards for Indigenous Peoples	Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement	Shareholder Proposal Regarding Linking Executive Pay to Climate Change Performance	Shareholder Proposal Regarding Report on Racism in Company Culture	Shareholder Proposal Regarding Public Health Costs of Limiting COVID-19 Vaccine Technologies
How Man voted	For	For	Against	For	For
Outcome of vote	The resolution failed with 66.9% votes against.	<i>Voting outcome unavailable</i>	The resolution failed with 85.4% votes against.	The resolution failed with 83.7% votes against.	The resolution failed with 73.1% votes against.

Summary of significant votes as identified by Ruffer

	Equinor ASA	Cigna Corporation	BP Plc	Barclays Plc	Meta Platforms, Inc
Summary of resolution	Environmental - Approve Company's Energy Transition Plan (Advisory Vote)	Social - Report on Gender Pay Gap	Environmental - Approve Shareholder Resolution on Climate Change Targets	Environmental - Approve Barclays' Climate Strategy, Targets and Progress 2022	Social - Provide Report on Child Sexual Exploitation Online
How Ruffer voted	For	Against	Against	For	For
Outcome of vote	The resolution passed with 96.6% votes in favour.	The resolution failed with 66.8% votes against.	The resolution failed with 85.1% votes against.	The resolution passed with 80.8% votes in favour.	The resolution failed with 82.7% votes against.