Annual Stewardship Report 2023

Review period 1 April 2022 – 31 March 2023

Jaguar Land Rover Pension Trustees Limited

Jaguar Land Rover Pension Trustees Limited
Registered Office: Abbey Road, Whitley, Coventry CV3 4LF Registered in England. Registered Number: No 4102133

Executive Summary for JLR Pension Scheme Members

The UK Stewardship Code (2020) sets out expectations for how investors should manage money on behalf of savers and pensioners, and how this leads to sustainable benefits for the wider economy, society and environment.

We set high standards for ourselves in being good ‘stewards’ of the JLR pension schemes’ invested assets. This means working closely with Willis Towers Watson (WTW), and others, to ensure our assets are being invested in the way we think they should be.

Below, we summarise some of the actions we have taken over the last 12 months to improve how this is done. Further detail is provided in the report, our third of this type.

Purpose and governance

Our purpose is to invest in a manner that ensures we pay the benefits that have been promised to members. We regularly review how the trustee committees are organised to make sure they remain appropriate. One example this year was switching which of our sub-committees makes decisions on aspects of our investment strategy. This helped us navigate a challenging period for investment markets during the year, and we think will set us up well for future decisions.

The Trustee, with input from specialist advisors (Hymans Robertson) and consultation with the company, sets the investment strategy. This includes setting the target return on our investments and the level of risk the Trustee considers appropriate for the stage we are at on our journey to our long term objective to be fully funded. The actual selection and monitoring of investment managers is then delegated to WTW who is our fiduciary manager. We therefore work very closely with WTW to understand their investment philosophy and process, to ensure these are aligned with our own beliefs.

We held several meetings with WTW during the year, and many of these conversations are detailed in the full report. One example is the setting of a net zero target for the Schemes’ assets. We worked with WTW to understand how they would deliver a net zero investment strategy in practice. We decided to align our target with WTW’s targets. Our shared target is to achieve net zero across the Schemes’ investments by 2050, with a milestone to halve carbon emissions and double our investments in climate solutions by 2030. We’ll regularly keep this under review.

We submitted our first report against the Task Force on Climate-Related Disclosures (“TCFD”) during the year – a year ahead of regulatory requirements. This reflects our commitment to increasing reporting and transparency over the carbon emissions of our investments and plans to manage climate risk over time.

During the year, we also held a dedicated session with the Director of Sustainability at JLR, to find out more about what JLR is doing in this area and share the work we’ve been doing on behalf of the pension schemes. We seek to maintain a strong relationship with JLR as sponsoring employer of the pension schemes and explore opportunities to collaborate when it comes to stewardship and sustainability.

Investment approach

Paying members’ benefits is our primary focus and we structure our assets to ensure this happens. A large proportion of the Schemes’ investments are designed specifically to generate cashflows in line with the pensions we’re paying the members of the scheme.

There is a need to invest sustainably over the long-term to ensure that we keep paying these pensions long into the future. WTW also believe in this approach, and take into account the environmental, social and company governance impacts of the investments made on our behalf. In scrutinising WTW processes and progress, we review their reporting, with support from our Strategic Investment Advisor, Hymans Robertson.

Engagement and voting

We've set priorities for WTW in their discussions with the investment managers they appoint, as well as between those investment managers and underlying companies. Some case studies of the engagement that has taken place over the year are included in this report, including one with Adidas, where better water use practices were encouraged, and reduction of plastic in packaging and logistics. We see real targets being set for companies and those changes in business practices have real world outcomes for the environment and workers, in addition to helping to protect the investments made by the Schemes.

We believe that groups have a bigger sway on encouraging things to be done better, so we support collaboration with other investors to drive positive change. An example is Climate Action 100+, an investor-led initiative that encourages the world's largest greenhouse gas emitting companies to take action on climate change. An organisation employed by WTW participates in this initiative on behalf of the Schemes and led a discussion with Colgate-Palmolive to improve climate-related transparency. This information helps us as investors to understand the impact of the business's products and processes on the environment. After a number of years of this work we are please to see action from the company to improve their transparency and business practices.

Looking ahead

In our 2023/24 Scheme year, we'll work with WTW to develop net zero journey plan reporting to measure progress against our stated goals. We'll also review updated climate modelling and consider the implications for our investment strategy.

The remainder of this report provides further detail on the activities we have undertaken over the year and summarises some of the actions undertaken by our delegates on our behalf. Being responsible stewards of capital is integral to our approach as a Trustee Board; we hope this report gives a flavour of some of the ways we ensure the highest level of stewardship is applied through our investment approach.

The remainder of this report provides more detailed reporting against the 12 principles of the code. We hope you find it informative.

Rob Lummis

Rob Lummis - Trustee Chair

Contents

2 Purpose and governance

Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

Jaguar Land Rover Pension Trustees Limited (the Trustee) is the trustee body for the Jaguar Pension Plan, Land Rover Pension Scheme and Jaguar Executive Pension Plan (the Schemes), which total c£6 billion of assets. Its purpose is to pay pension benefits to members of the Schemes as they fall due. The Schemes' assets are invested across a range of asset classes, covering equity, fixed income, property, private markets and diversifying strategies (asset allocation is provided on page 13).

We, the Trustee, have agreed to a long-term investment strategy whereby assets will be migrated into a cashflow-driven-investment (CDI) portfolio as members retire and become pensioners. We've chosen this strategy to provide greater funding-level stability and greater certainty of paying members' benefits. A key priority for the Trustee is ensuring that the Schemes' investment strategy delivers sustainable long-term cashflows.

We seek to act in the best interest of the Schemes' members by having the right individuals on our Trustee Board and receiving specialist, professional advice. This ensures we provide an appropriate level of challenge and take decisions in our members' best financial interests.

As highlighted in a previous submission, we have recently reduced our Trustee Board down to 12 directors and restructured some of our delegated committees. These changes have been in operation over the reporting period and have so far worked in line with expectations. Reflecting on our decision-making and governance arrangements through the gilts crisis in September/October 2022 (further detail in Principle 4), we amended the Terms of Reference our Financial Strategy Committee (FSC) and Investment Implementation Committee (IIC). The main change was to transfer decisions on liability hedge ratios from the FSC to the IIC, given the interplay of such decisions with other investment considerations already under the remit of the IIC.

Responsible investment (and stewardship as part of responsible investment) has been a longstanding consideration in how the Trustee takes investment decisions. We've continued to implement the policies and processes established by our Responsible Investment Working Group (RIWG) over the year, while considering new areas such as net-zero targets and broader collaborations.

We continue to believe that, as one of the larger UK pension scheme asset owners, it's appropriate for us to show leadership and promote best practice in areas of responsible investment and stewardship. This was demonstrated by our TCFD report submission in 2022, a year ahead of our regulatory obligation.

We strongly believe that working closely with the Schemes' fiduciary manager is crucial for ensuring assets are invested, and stewardship is conducted, in a manner consistent with our beliefs. During the year, we spent a considerable amount of time discussing responsible investment matters with WTW, with support from our strategic investment consultant, Hymans Robertson. We also held a session with JLR's Director of Sustainability, to improve our understanding of our sponsoring employer's actions and to ensure our own actions were suitably aligned.

Our responsible investment beliefs are set out overleaf.

Trustee Responsible Investment Beliefs

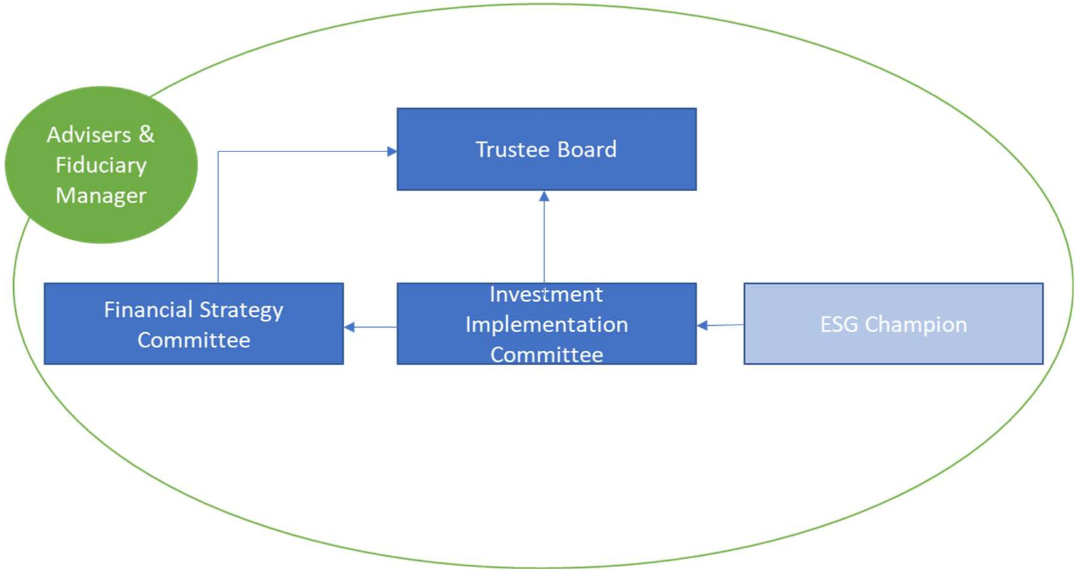
Belief	Comment
Good knowledge and an open mindset both matter in building an effective approach to responsible investment	The Trustee recognises that ongoing education is vital in building a clear understanding of ESG issues as they develop and that ongoing dialogue with all key stakeholders (the sponsor, fiduciary manager and advisers) is essential as a means of building this knowledge base. Maintaining an open mindset with regard to ESG issues and being prepared to develop an approach that evolves with emerging evidence will allow the Trustee to react appropriately and provide positive challenge.
Achieving sustainable returns is necessary and more likely within strategies where ESG risks are effectively managed	As an asset owner with long-term liabilities, the Trustee recognises the importance of investing with a commensurate time horizon. ESG risks are not expected to be rewarded over this timeframe as external factors, such as carbon emissions, are increasingly likely to be priced. Portfolios that are positively positioned could generate excess returns.
Investment managers are expected to integrate the consideration of ESG factors into processes and decision-making	The Trustee notes that risks arise differently between individual investments. The Trustee delegates responsibility for implementing decision-making to the fiduciary manager, who has a clear responsibility to take all financial issues into account and should be able to demonstrate how they embed ESG factors into decision-making and the managers they allocate to. This creates a requirement for the fiduciary manager to report on their activity in order to help the Trustee build knowledge. There is also an expectation that the fiduciary manager should be forward-looking and evolve their own approach to reflect emerging practices.
Climate risk will have a systemic impact and is of immediate concern	Climate change is considered to be a cross-cutting issue that is already having an impact on financial outcomes. The Trustee recognises the potential impact of climate risk on all aspects of the pension schemes, including the sponsor's operational activities.
ESG issues are continually evolving, requiring a dynamic approach to risk management	ESG issues affect different asset classes and holdings in different ways, and the approach adopted should be appropriate to the particular strategy. Investment managers are likely to be better placed to exercise judgment in this regard although the Trustee recognises that change is inevitable. Where change takes place, it should ideally be for reasons that are driven by data and evidence.
Investors have a clear responsibility to exercise their votes, and other rights that come with investments, and engage with underlying companies where it is expected to reduce risk or improve shareholder value	As asset owners, the Trustee has a responsibility to ensure that any rights attached to investments are properly used. The Trustee also has a responsibility to engage with the management of companies in which it invests, to manage risk, encourage good behaviour and enhance shareholder value. The Trustee will ensure that any rights are recognised, and engagement exercised, and that through appropriate reporting the fiduciary manager demonstrates how they have exercised those rights and enacted engagement.
Transparency in reporting creates both accountability and the ability for effective challenge	Challenging managers requires the provision of sufficient information to allow effective scrutiny. By making information available and decision-making transparent, managers can encourage discussion which improves the understanding of activity and the management of risks.
Large investors have a position of influence and should use this to help deliver positive change for all investors	The Trustee acknowledges that, as a large institutional investor, it has the ability to influence other stakeholders. If the Trustee is demanding evidence of best practice on ESG issues from its advisers and fund managers, this will help to improve the broader financial system for all investors.

Principle 2: Signatories' governance, resources and incentives support stewardship.

We have a clear governance structure, with dedicated sub-committees to ensure effective decision-making can take place. Regarding investment matters, our FSC oversees integrated risk management, covering actuarial, company covenant and investment-strategy matters. The FSC reports into the Trustee Board. Our IIC, which reports into the FSC and Trustee Board, oversees the implementation of investment strategy. In previous submissions, we've described our RIWG, which developed and delivered the Trustee's RI policy, scrutinised WTW via ongoing monitoring and dialogue, and ensured the delivery of the Trustee's stewardship policy.

During the 2022/23 year, we integrated the work of the RIWG into the business plans of the FSC and IIC. This was always our intention, once a core level of knowledge was established and policies and processes put in place. Meanwhile, a Trustee Director was nominated as 'ESG champion' – since the removal of the RIWG, they've met regularly with WTW and Hymans Robertson to engage on various responsible investment matters, including stewardship. These meetings inform agenda items and discussion at our regular FSC and IIC meetings.

The Trustee Board has access to both the Chief Financial Officer and Sustainability Director of Jaguar Land Rover and receives periodic updates from the company. The current governance structure of the schemes and key relationships are illustrated in the chart. The FSC and IIC comprise members of the Trustee Board and have company representation. The Trustees have significant experience and have contributed to the development of our responsible investment approach over the last decade.



With the winding down of the RIWG, we have increased the focus on ESG matters within the FSC and IIC. We believe that fully integrating consideration of ESG issues throughout the strategy, implementation and monitoring process within these two committees is appropriate for our stage of development.

Our last RIWG meeting was in November 2022, and we're still bedding in our updated approach. We've retained our established processes and policies, and we think that the use of an ESG champion is working well. We'll keep this under review and will re-establish the RIWG in the future if we feel it's necessary. We have a well established practice of setting up focused and resourced sub-committees to address issues that require greater attention. Examples include dedicated groups to consider GMP equalisation and DB funding code integration.

We continued to receive specialist responsible investment input during the year across FSC, IIC and RIWG meetings. Support from specialists drawn from both the Trustee's advisers and fiduciary manager was sought to aid decision-making and ongoing scrutiny of how our assets are invested. This input included net-zero targets and journey planning, TCFD reporting and requirements, and climate change integration with CDI.

We also held a dedicated session with the JLR Director of Sustainability, to understand the actions being taken by our sponsoring employer in this area. This discussion helped us understand the level of alignment between the Schemes and employer, including any expectations the employer had for how the Schemes' assets would be invested.

The managers employed by WTW on our behalf undertake stewardship activities, to enable those closest to the underlying companies to vote and engage in a way that enhances value for the Schemes. WTW monitors the stewardship activity of the underlying managers and reports back to the IIC, who are active in their oversight of WTW and the underlying managers.

While we haven't focused directly on incentive structures linked to stewardship, we believe that the approach we've taken has created clear expectations for both WTW and Hymans Robertson. We recognise that we're accountable for stewardship, even though this is delegated to the underlying managers. We monitor stewardship activity via regular reporting provided by WTW. WTW also attend all IIC meetings, as does the investment adviser, Hymans Robertson, to ensure that there is clear alignment of beliefs.

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Trustee conflict management

It's our duty to act in the best interests of our beneficiaries, and we recognise that when conflicts arise, they need to be managed to ensure our duty is met. Examples of conflicts include where trustees represent a particular cohort of members, or where trustees also hold senior management positions within the sponsoring company to the scheme.

We maintain a conflicts of interest policy, which is reviewed regularly to ensure it remains appropriate. The policy sets out our duty to members and details how Trustee Directors should act in order to manage potential conflicts. Examples include:

- Acting impartially between all classes of beneficiaries.
- Minuting at meetings where a potential conflict may arise.
- Taking legal advice where appropriate over a potential or actual conflict.
- Conducting regular training to ensure we're able to identify conflicts and appropriately address them.

We reviewed our conflicts of interest policy during the year and were comfortable it remained appropriate; no material changes were made.

WTW and EOS conflict management in respect of stewardship

Conflicts of interest form part of WTW's assessment of underlying managers that they employ to invest the Schemes' assets. Managers are expected to document their approach to stewardship, which includes how they manage any conflicts to ensure that our interests are prioritised. WTW's approach to managing both actual and potential conflicts of interest is disclosed in their UK Stewardship Code report, which can be found here: https://www.wtwco.com/-/media/wtw/insights/2023/05/2022-uk-stewardship-code-full-report.pdf?modified=20230518113417.

In their 2022 report, WTW note that they assess asset managers' governance around conflicts of interests as part of operational due diligence reviews (138 were conducted in 2022). This includes a pre-screening round. WTW uses this opportunity to engage with asset managers to encourage best practice, including in relation to stewardship.

Engagement example: WTW's engagement with an asset manager in relation to a conflict of interest
WTW detailed an example of engaging on conflicts management with a Singapore-based private equity manager.

Objective: The objective was to work with the firm to improve its controls relating to compliance governance and experience. The firm had outsourced its compliance officer roles and had two employees listed with this job title, which WTW deemed to be inadequate. Also, one of these individuals was the ex-partner of the CEO, which created a conflict of interest.

Method: WTW's operational due diligence (ODD) process was put on hold after the identification of this issue. WTW engaged with the firm to hire a full-time compliance officer with relevant experience.

Occurrence: The manager was informed of this holdup. The firm appointed a new compliance officer, and WTW followed up to ensure the individual had the necessary experience to carry out the role, working with the new employee to further enhance the asset manager's internal compliance policies (including personal account dealing reporting and pre-clearance, and policies that included a requirement to receive pre-clearance for political donations).

Outcome: A compliance officer was appointed, and conflict of interest policies enhanced. After the firm made the necessary improvements, WTW gave a 'pass' rating from an ODD perspective.

Next steps: WTW will continue to assess the manager as part of its ongoing monitoring and reporting.

As is covered in more detail under later principles, the underlying managers appointed by WTW conduct voting and engagement on behalf of the Schemes. WTW have appointed EOS as proxy voter and for corporate engagement for its clients, as well as for additional public policy engagement. WTW contribute to the formulation of EOS voting and engagement policies – as noted later in this report, we've fed our own views into areas that we want EOS to prioritise – but EOS has discretion to recommend specific votes and engage with individual companies as they see fit.

EOS has a publicly available stewardship conflicts of interest policy (https://www.hermes-investment.com/uploads/2023/06/dfd908cb66f1bb779dd5a702ca861aa5/stewardship-conflicts-of-interest-policy-03-2023.pdf) in which they acknowledge that their position as a fiduciary for clients means they must seek to always act in their best interests. The firm notes that the following real or perceived conflicts may arise:

- They may engage with or vote on the shares of a company or government body that is the sponsor of one of their pension fund clients – such as our Schemes – or is a company within the same group as one of their clients.
- They may engage with a company that has a strong commercial relationship with EOS, such as WTW.
- They may vote on a corporate transaction, the outcome of which would benefit one of their clients more than another.
- They may engage with a company of which certain clients are equity holders and others are bondholders.

- They may hold meetings with companies for the dual purpose of delivering both their fund management and engagement services.
- They may otherwise act on behalf of clients who have differing interests in the outcome of their activities.

EOS also recognise potential conflicts of interest in relation to ownership, particularly given their subsidiary status within the Federated Hermes Limited group. In addition to procedures to regulate processes and information sharing, there is a policy in place that EOS will not exercise voting powers or make voting recommendations in respect of shares issued by Federated Hermes, but EOS will engage in stewardship activities for investments held within those funds. If a vote is required for those funds, EOS will pass on responsibility for this to a third-party proxy provider, ISS.

Similarly, EOS recognise other conflicts of interest where engagements are carried out by individuals who have close personal relationships with senior staff members (individuals should be reassigned) or own securities in the company that they are assigned to (requires approval from manager and compliance). Federated Hermes Limited, EOS' parent, do not engage in stock lending and typically do not engage in short positions. EOS maintain a register of conflicts of interest instances, which are reported to an 'escalation group' composed of team heads. Voting principles and the engagement policy are established and publicly available (https://www.hermes-investment.com/uk/en/institutions/policies-and-disclosures/).

Ultimately, our underlying investment managers, appointed by WTW, have final say over how votes are cast.

We've noted in previous submissions that EOS have historically recommended voting against WTW company management in certain instances, demonstrating that appropriate channels are in place to make unconflicted decisions.

In preparing this report submission, we have considered WTW's and EOS' conflicts policy in respect of stewardship and are comfortable with both.

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Climate Change

We've stated in our responsible investment beliefs that climate change is a systemic risk and an immediate concern. This has created focus and an imperative to act.

Using the UN Sustainable Development Goals (SDGs) as a guiding framework, we chose SDG13 (Climate Action) as part of a broader environmental theme to be one of our key stewardship priorities (we also chose to prioritise SDGs 5, 7, 10, 12, 14 and 15, with further detail provided under Principle 5). This has provided an area of focus within our RI policy and RI reporting, which we used as a basis for scrutiny and dialogue over the last year.

We published our first TCFD report during the reporting period, a year ahead of the date we were required to do so by regulation. As part of that, we conducted climate scenario modelling, analysed our emissions using various metrics and considered the climate risks across our investment strategy. Through discussion with Hymans Robertson, we acknowledged the limitations of climate scenario modelling, recognising that this is a challenge across the industry. Since the end of the reporting period, we've fed into developments that Hymans Robertson have made to develop additional climate modelling, which we intend to review while considering the implications for our investment strategy. We expect to report on this in our submission next year.

In our report last year, we described WTW's Climate Transition Value at Risk (CTVaR) analysis, which measures how much a company would be revalued or a company's market cap repriced based on a full climate transition. This analysis compares the expected Value at Risk (VaR) from a well below 2°C scenario versus a business-as-usual scenario. This is a forward-looking tool that focuses on how companies are positioned to manage transition risk rather than historical carbon emissions data.

An example of how this was used during the year is the engagement conducted with an underlying manager of one of our funds. WTW identified that the CTVaR of one of the underlying funds was contributing a material amount of climate risk to the overall strategy; this fund also had a higher CTVaR than a relative benchmark for the fund. Following engagement with the manager, WTW concluded that the most appropriate action was to size the fund appropriately such that the overall climate risk was mitigated.

We've set a goal of being carbon neutral by 2050 and reducing emissions by 50% by 2030, compared to 2019 levels. This is aligned with the objective set by WTW, but our focus is on our CDI portfolio, given the expected long-term trajectory towards CDI. We consider these targets to strike an appropriate balance between having access to a diversified range of assets while contributing to the reduction in global emissions at a pace that is aligned with industry standard. During the year, one of our corporate bond managers within our CDI portfolio, AXA, provided training on how climate change is integrated into their investment process. This detailed the approach taken, the data used and the metrics considered by AXA when deciding which bonds to purchase. We expect CDI net zero to be delivered through a combination of climate solutions investments and engagement with underlying bond issuers.

Soon we expect to receive updated reporting to assess our position relative to our targets, and we'll work with WTW to ensure that this reporting best suits our needs. This reporting will also be used to consider whether any action is needed across our investment strategy. We'll provide an update in our 2023/24 Stewardship Code report.

Since the end of the reporting period, we've reviewed whether to join the Institutional Investors Group on Climate Change. Discussions on this are ongoing, and we will report the outcome of these discussions in our submission next year.

Global inflation pressures and the associated liquidity squeeze

The sharp increase in inflation since early 2022 resulted in a large rise in interest rates. This spilled over into some extreme volatility in September/October 2022, following the UK government's mini budget, with a significant impact on our investment strategy. At the peak of the market volatility, our FSC and IIC were meeting daily, with some calls arranged at very short notice. Decisions were taken to raise cash across the portfolio, and liability hedge ratios were adjusted to reflect the risk we saw in the market.

Through this period, and since, the funding levels of our Schemes held up remarkably well. Our ability to act nimbly and decisively was key to ensuring appropriate actions were taken to mitigate risks to the Schemes.

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Our responsible investment policy sets out our approach to a range of matters, including stewardship, and is available here https://members.pensionpal.co.uk/jaguarlandroverpensions. Integrating the work of the RIWG into business plans of the FSC and IIC during the year provided an opportunity to reflect on our policy and the extent to which its contents were being addressed through ongoing processes. This covered the consideration of which committee RIWG work best fitted into. The conclusion was that certain items fitted better under the FSC's remit, and others under IIC. Overall, we were comfortable that we could deliver our policy through existing FSC and IIC workstreams; however, we recognised the benefit of having an ESG champion who could spend time 'digging deeper' on certain topics – as covered under Principle 2.

As detailed in previous report submissions, we used the UN SDGs as a framework for agreeing priority areas, deciding on Environment & Climate and Diversity & Inclusion (in that order). We plan to review our RI policy in the 2023/24 Scheme year and will report any key changes in our submission.

During the 2021/22 year, we prepared an accessible summary version of our RI policy and shared this with our pension scheme membership. Accompanying this, we issued a short online survey for members to provide feedback on the policy content. This survey confirmed that the category of highest importance to our membership was also Environment & Climate.

If there are any substantial changes following our RI policy review, we may reach out to our membership again to share the changes and seek feedback. Otherwise, we do not expect to regularly canvass member views.

As stated under principle 2, during the year we held a dedicated session with the JLR Director of Sustainability, to understand the actions being taken by our sponsoring employer in this area. This provided assurance that our approach is consistent with the efforts of our sponsoring employer.

Section 6 of our RI policy sets out our approach to stewardship. We expect WTW to report regularly on voting and engagement activity and to hold at least one dedicated session each year to review voting and engagement records in more detail. This is in addition to producing an annual implementation statement each year summarising our stewardship policy and adherence.

As noted under Principle 3, WTW partners with EOS to undertake both corporate and public policy engagement on behalf of the Schemes (and WTW's other clients). WTW represents their client policies, including our policy, to EOS via their Client Advisory Council, which WTW currently chairs. This ensures that our voice is heard by an agent able to influence policy in respect of over £1 trillion of assets. Key engagement themes of EOS have also been shared with us for comment, as part of the ongoing feedback loop that we engage in with EOS via WTW.

WTW provide assurance to us over the stewardship practices of our underlying managers, covering all asset classes. Through their reporting, they've demonstrated to us that they have increased their own standards in assessing what is best practice. This is evidenced through WTW's manager ratings; where underlying managers have retained their existing approach, and failed to respond to evolving best practice, they have been downgraded.

Whenever reporting is provided to the Trustee by WTW, we have the opportunity to provide feedback. This includes input from Hymans Robertson, who provide separate oversight across all areas of WTW's service. This gives us further assurance that WTW's reporting is balanced and fair. When we receive our reporting from WTW later this year, detailing our progress against our net zero journey plan objectives, we expect to follow this approach and work with WTW to ensure the reporting best suits our needs.

Members of the IIC joined webinars covering a range of responsible investment issues over the year, including delivering net zero and debating how ESG investing affects returns. Hearing different perspectives helps to challenge our own approach and provide assurance (or otherwise) in our processes.

3 Investment Process

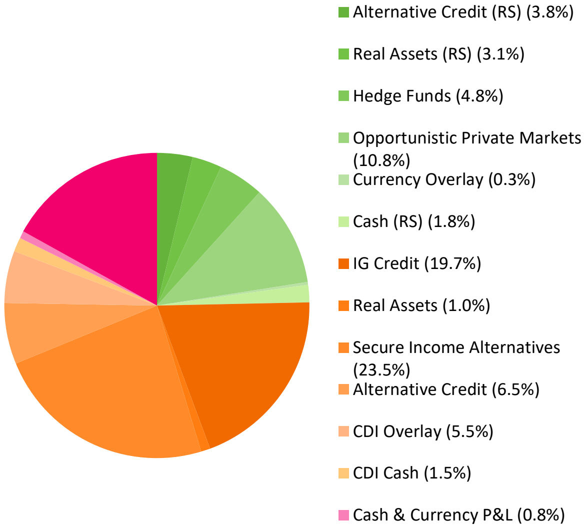
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

The below pie charts show the high-level investment strategy of our three Schemes. The return-seeking portfolios are invested across a range of growth assets, aiming to deliver a high level of return, such as equities, private markets and high yield credit. The CDI portfolios are invested across a series of income-generating assets, such as corporate bonds, long-lease property and infrastructure. The liability driven investment (LDI) portfolio holds low-risk assets aimed at ensuring the overall movement in the Schemes' assets are in line with the Schemes' liabilities.

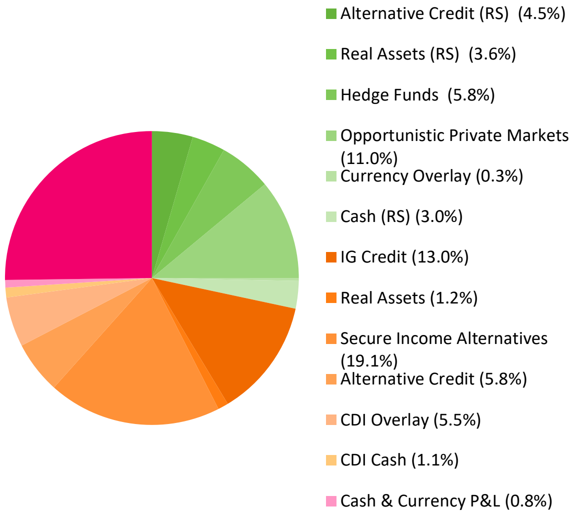
The return seeking and CDI portfolios are managed by WTW on a delegated basis. We receive advice on investment strategy – including the allocation to return seeking, CDI and LDI, liability hedge ratios and overall expected risk/return requirements – from Hymans Robertson.

Asset allocation

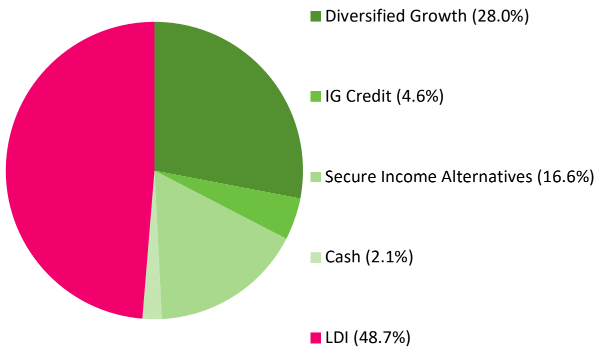
Jaguar Pension Plan (JPP), c£2.8bn



Land Rover Pension Scheme (LRPS), c£2.8bn

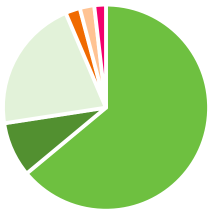


Jaguar Executive Pension Plan (JEPP), c£120m

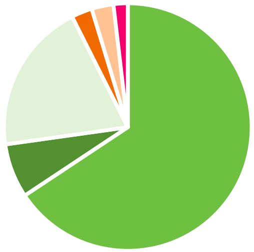


Geographical split

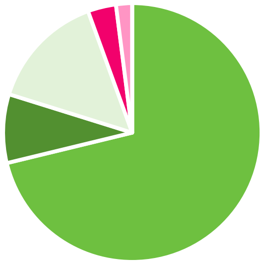
Jaguar Pension Plan (JPP), c£2.8bn



Land Rover Pension Scheme (LRPS), c£2.8bn



Jaguar Executive Pension Plan (JEPP), c£120m



Source: WTW, totals may not sum due to rounding. Where manager data was not avaiable for geogrpahical split, this has been estimated by Fidcuicary Manager.

The table below summarises the number of members in our three Schemes, separated into active, deferred and pensioner members.

Scheme	Active	Deferred	Pensioner	Total
Jaguar Pension Plan	2,258	2,825	8,027	13,110
Land Rover Pension Scheme	3,195	2,080	4,604	9,879
Jaguar Executive Pension Plan	10	25	94	129

All three schemes closed to new members from April 2010 but remain open for future service. For the two larger Schemes (JPP/LRPS), the Trustee has agreed a long-term journey plan to transition the Schemes' assets from the return seeking and LDI portfolios into the CDI portfolio, broadly in line with the migration of non-pensioner members to pensioners. Around 75% of the Schemes' assets will be invested in the CDI portfolio by the middle of the next decade. An analogous de-risking approach has been agreed for the smaller Plan (JEPP), without the creation of a CDI portfolio.

WTW are responsible for constructing the CDI portfolio in line with a CDI discount rate methodology owned by the Trustee, with support from the investment adviser. The CDI portfolio is designed to generate the cashflows needed to pay pensioner benefits as they fall due, with a high degree of certainty. The focus for the CDI portfolio is the generation of long term, sustainable, predictable cashflows while minimising funding level volatility. The latter is complemented by further liability hedging from the LDI portfolio.

The investment strategy journey plan into a CDI portfolio fits within the broader objective of having a 100% probability of paying all remaining members' benefits. We intend to transition assets into the CDI portfolio in line with the migration of the membership into pensioners. This is to enable higher investment risk to be taken when the membership is less mature, before transitioning into more stable, predictable assets when this is required.

The Trustee recognises that the stability of long-term cashflows from the CDI portfolio will be essential to deliver the journey plan and meet the needs of beneficiaries. Active stewardship is, therefore, essential to both the Trustee and WTW; the latter is mandated, through their agreement with the Trustee, to invest in assets that generate the cashflows needed to meet the pensioner benefits over the lifetime of the membership.

As noted last year, we have previously sought feedback from members on our responsible investment policy, which includes a section on stewardship, as well as our priority areas. This confirmed that our top priority of Environment & Climate was aligned with the views of our membership. We continue to prioritise this in our ongoing engagement with WTW. We also publish an annual implementation statement summarising voting and engagement records, which is included as part of our reporting and accounts. Last year, we published our first statement of compliance with the new TCFD requirements in respect of the 2021/22 financial year and will shortly publish our second instalment of that report.

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

With the exception of government bonds and swaps held in the LDI portfolio, WTW has delegated authority over the selection of asset classes and fund managers held by the Schemes. We recognise the importance of ensuring that WTW selects assets in a manner consistent with our beliefs and policy. Therefore, we regularly engage with and challenge WTW on their approach to ESG integration. Through WTW's reporting and discussion, we engage with the ESG integration and stewardship practices of the underlying managers.

WTW provide regular responsible investment updates, covering ESG as part of the investment selection process and integration of stewardship. These updates were shared with the RIWG and IIC during the year, with discussion and challenge. Given the nature of the portfolio, updates are considered by asset class.

Additionally, we receive responsible investment reporting from WTW on a quarterly basis, covering a range of metrics across our priority areas. This reporting aims to help assess risks to the portfolio and guide discussions on further actions. We're also due to receive updated reporting focused on monitoring portfolio exposures against our net zero and climate solutions targets. We'll work with WTW to ensure this best suits our requirements, and we look forward to reporting on this in next year's submission.

WTW have indicated that there is a high degree of overlap with respect to how ESG factors are integrated into their due diligence and monitoring of managers, but there are also some subtle differences across different asset classes.

- From an equity perspective, WTW require ESG risks to be incorporated in investment-strategy processes, including assessment of portfolios' risk profile by identifying where the most material sustainability risks lie from a regional, sector and stock perspective. They also assess the depth and quality of resourcing made available to integrate ESG and active ownership, as well as buy-in at all levels. WTW also place significant emphasis on the strength of an asset manager's assessment of these risks. WTW carry out ratings assessments on sustainability-focused strategies, some of which feature in the funds we have held in our Schemes. For active ownership, the focus is on voting and engagement.

- From a credit perspective, WTW's approach is common to that of equity, in that ESG and stewardship are formally integrated into due diligence and monitoring. WTW believe that there is strong evidence to suggest that sustainability-related themes can impact the creditworthiness of a firm. Therefore, understanding the manager's ability to assess issuers' sustainability risks is critical. The sustainability approach for credit managers is different from that of equity managers because of the multi-dimensional nature of the credit universe and the need for a more nuanced approach to understand how different sustainability-related themes could impact the same issuer's securities in different ways. WTW believe the historic perception that financial risks associated with the environment are beyond their time horizons is no longer applicable, given the pace of the energy transition, and WTW expect credit managers to incorporate ESG factors as they would any other financial risk.
- From a real asset and infrastructure perspective, the investment horizon is long term and is linked to local communities, presenting avenues for ESG integration and stewardship, particularly for unlisted assets. WTW believe the best opportunities for long-term sustainable returns come from fully embracing ESG in all parts of decision-making. In addition to assessing a manager's approach, WTW work on understanding the practical application of stated approaches and policies, quantifying the impact of physical climate risks and how this varies over different time horizons. WTW expect underlying managers to be engaged on these topics and to not outsource responsibilities, but they advocate the use of third parties such as GRESB for independent ESG auditing and measurement.
- From a liquid diversifiers perspective (including hedge funds), WTW incorporate sustainability factors including ESG in due diligence and monitoring, recognising that the degree to which risks are central depends on instrument characteristics. Where themes are relevant over the likely holding period, WTW expect that these are reflected in their investment thesis, models and ownership activities.

In 2022, WTW introduced minimum engagement standards for all managers alongside an annual manager questionnaire covering stewardship, ESG and other sustainability themes, reflecting the importance placed on these areas and evolving client and regulatory demands.

To illustrate how ESG factors are integrated into the investment decision-making process, WTW provide a summary overview and a detailed assessment of each manager/strategy in the portfolio, based on their ongoing research. The summary outlines relative strengths and weaknesses, covering three areas:

- Integration of ESG risks and opportunities within investment research and decision-making, including resources available.
- Proxy vote decision-making and execution process (where applicable), including disclosure of voting policy and results.
- Process for proactive engagement (where applicable), including disclosure of engagement activity.

WTW report on the extent to which there are changes in their views, allowing us to challenge these where necessary. An anonymised extract of the summary reporting is provided below:

Key:

Strength	Neutral	Weakness

Manager	Product	ESG Integration	Voting	Engagement
Manager X	Global Equity			
Manager Y	Credit value			
Manager Z	Long lease property			

While these processes are delegated to WTW, the detailed reporting regime and the associated scrutiny have driven a greater level of knowledge and understanding among the Trustees, providing comfort that the approach taken by WTW is appropriate and aligned with our beliefs and policies.

We note the following about the way in which our assets are selected and then overseen via the ongoing exercise of stewardship:

- Long-term themes relating to sustainability (eg transition to a low-carbon economy) are developed by WTW's asset research team, in alignment with the PRI and the UN SDGs objectives, and ultimately feed through into asset-manager selection and portfolio weightings.
- Sustainability represents the joint second highest weighted factor in WTW's portfolio construction process (12.5%), with only financial risk/return having a higher weighting.
- As noted under Principle 4, WTW have made a commitment to aligning all client portfolios to be net zero by 2050, with the aim of halving carbon emissions by 2030. The Trustee has decided to implement the same interim target for their CDI portfolio, ie reducing carbon emissions intensity by 50% by 2030.
- As noted under Principle 3, WTW have appointed EOS to provide proxy voting advice and corporate engagement for the Schemes' equity holdings, as well as public policy engagement. EOS has climate change as its number one priority, consistent with one of the Trustee's main priority areas.
- WTW (via EOS) expects all of their preferred managers to participate in 100% of eligible votes and to demonstrate efforts to improve corporate-level sustainable investment considerations. This is monitored on an ongoing basis by WTW and shared with us for discussion.
- WTW are willing to downgrade and remove a manager if insufficient progress is made on responsible investment or stewardship issues that have been raised. An example of this is given under Principle 11.

Example investments

We set out below some of the positive impact investments held by our Schemes during the year.

Strategy	Portfolio	Comment
Carbon credits	Return Seeking	The strategy invests in Californian Carbon Allowances (CCA), which are tradeable permits to emit greenhouse gases in California. A buy-and-maintain holding of physical CCAs reduces the available allowances for emitters to use, increasing the demand and therefore the price of CCAs. Proceeds from the auctioning of CCAs also go to the Greenhouse Gas Reduction Fund, which funds various RI-related initiatives.
Renewable Energy Infrastructure Debt	Return Seeking and CDI	This is a renewable energy and sustainable infrastructure investment strategy investing in privately negotiated debt. The fund focuses on wind and solar power projects, while also investing in energy storage, biomass and other sub-sectors of sustainable infrastructure with core project finance attributes.
Sustainable Opportunities (Long-Short)	Return Seeking	This strategy focuses on investing in companies that offer disruptive, market-driven solutions to global sustainability challenges with the goal of achieving capital appreciation and delivering risk-adjusted returns over a market cycle. It runs a concentrated portfolio on the long and short sides across a wide range of sectors and sustainability trends, with a focus on disruptive impact.
Renewable income	CDI	The strategy is designed to provide investors access to a diversified, low risk and highly cashflow-generative portfolio of directly held renewable energy assets across wind, solar and biomass.
Asian Climate Bonds	Return Seeking and CDI	This strategy invests in Asian corporate and quasi-sovereign debt that is resilient to or contributing positively to climate risks (A-list issuers) or is on a positive trajectory to do so (B-list issuers). The portfolio will include both labelled green bonds and non-labelled issuance.
Long-only climate action	Return seeking and CDI	This is a long-only concentrated high yield mandate. ESG integration and engagement is a critical component of the manager’s strategy and is a key differentiator of their approach. The manager engages with companies to shape sustainability outcomes and uncover fundamental information asymmetries.

We are pleased to see our investments also bringing wider benefits to society, as we believe there’s an investment case for investing in assets that are solving wider societal and environmental problems. We receive regular updates from WTW on the positive impact investments they’ve identified on our behalf. An example of this is within the Asian Climate Bonds strategy noted above. Engagement with Adani Green Energy has contributed to the development of a thermal coal exit strategy.

We also request that WTW provide examples of investments that were disregarded on responsible investment grounds, as this demonstrates application of our beliefs in practice. Across managers rated for all clients, WTW downgraded ratings on 25 managers over the period (after significant research engagement and due diligence) for sustainability reasons, including integration of ESG risks in their investment process; WTW continue to monitor and work with these managers. We set out an example below.

Case study: WTW's assessment of ESG considerations in the investment process

Objective: To assess integration of ESG considerations and engagement process for a new vintage of an SME lending fund. WTW has invested in this strategy since 2019 and the first vintage of the fund. At the point of initial investment, the manager was small and at an early stage of its lifecycle, with limited commitment to considering ESG considerations in the investment process. Since then, WTW's expectations have increased in this area, in response to regulatory and client demand (such as ours).

Method: As part of due diligence for a new mandate, WTW assessed the integration of the ESG considerations in the investment and active ownership processes. WTW also engaged in dialogue with the firm about how it can improve on ESG analysis and stewardship.

Occurrence: WTW identified that the degree of integration and processes relating to ESG and engagement didn't meet their expectations for asset managers that they select. There had been some progress at the firm, with the manager increasingly incorporating ESG considerations in the investment underwriting process. However, overall progress with engagement was limited, and the firm had become a laggard relative to its peers.

Outcome: Ultimately, the rating for a second fund was downgraded, and WTW did not invest in it.

Next steps: WTW will continue to engage with the manager with the aim of seeing improvements for the benefit of investors in the first fund. WTW would consider rating future vintages of the fund on the condition that their concerns are adequately addressed.

Through the IIC and RIWG, we have discussed WTW's approach to responsible investment integration, including stewardship, at length. In our view, there is genuine alignment of interests, and the assets we own are being invested in a manner consistent with our beliefs and policy.

Principle 8: Signatories monitor and hold to account managers and/or service providers.

Over the last year, we continued to use our RI policy and RI reporting to frame our ongoing engagement with WTW and Hymans Robertson. Once we'd set our net zero goals, we requested WTW make clear how they plan to achieve this for our CDI portfolio. WTW set out their intentions, which were discussed and debated by the RIWG. As part of this exercise, we received the climate change integration presentation from AXA referenced under Principle 4.

This provided a degree of comfort over the credibility of our net-zero objectives; however, we recognise that we will need to monitor progress. We've requested that WTW provide reporting that assesses our progress relative to our targets, and we expect to receive the first iteration of this shortly. We'll use this to consider whether any accelerated action needs to be taken across our investment portfolios. This reporting will also detail our allocation to climate solutions, which WTW have committed to doubling within our investment portfolios by 2030 – something we wholly support. Some of the current climate solutions strategies that we hold are set out under Principle 7.

As noted in last year's report, our reporting framework primarily covers:

- Metrics across our priority areas: climate change, environment and diversity & inclusion.

- Underlying manager RI assessments, covering ESG integration and stewardship.
- Climate modelling of our portfolios.
- Broader industry updates including initiative supports by our service providers.

This helps to provide a full picture of a range of responsible-investment-related aspects across our Schemes. Where concerns are raised on reviewing the reporting, we:

- Ask WTW to explain the metric, the holdings within the portfolio that contribute to the metric and the materiality and persistency of the issue.
- Explore what actions are being taken by WTW, underlying investment managers and EOS to engage with companies in breach.
- Consider whether the explanations and actions being taken are sufficient to satisfy our concerns and address the issues over an acceptable timeframe.
- Where necessary, we will take action to escalate our concerns.

We set Hymans Robertson annual objectives, and our latest review included a requirement for Hymans Robertson to ensure that the Trustee had the processes in place to meet TCFD regulations, including an understanding of climate-related risks. As previously noted, we issued our first TCFD report last year and expect to do this annually.

Through reviewing climate scenario modelling, prepared by Hymans Robertson, we've fed back concerns that we don't think the modelling goes far enough in stressing our portfolios for potential climate outcomes. Through engagement with Hymans, we understand this is a challenge that the broader industry is grappling with, and we welcome the work they've done to evolve the thinking in this area. We expect to receive the results of updated modelling soon, which we will reflect on.

Manager-level engagement
WTW and EOS, as service providers, engage regularly with asset managers on our behalf. We're satisfied that the ongoing engagement carried out by these parties is in line with our RI policies.

In 2022, WTW conducted engagements with over 200 asset managers on over 600 products related to sustainable investment and diversity. If engagement does not lead to change where necessary, WTW will consider a downgrade of their rating of the manager. During 2022, WTW also researched over a dozen sustainability-focused equity strategies, awarding their highest rating (preferred) to two. EOS, on the behalf of WTW, carried out 606 engagements across 155 companies over the year to 31 March 2023.

Case study: WTW's ongoing engagement with a global equity manager
On behalf of its clients, WTW engaged with an asset-management boutique that it rated highly, but which was early in its journey towards including RI considerations in its investment process – specifically, in incorporating net zero alignment considerations and calibrating risk and reward implications and engagement opportunities. The asset manager reached out to WTW in relation to this topic.

Objectives: To inform the manager of WTW’s expectations for asset managers and improve understanding of best practice when integrating climate information into the investment process.

Methods: This took place via initial and ongoing dialogue with the firm.

Occurrence: The dialogue covered topics including reporting requirements on climate metrics, development of a framework for assessing net-zero alignment of portfolio companies (noting existing industry frameworks), setting milestones for engagement and tracking progress, and demonstrating effective stewardship on laggards. The manager highlighted resource constraints, given the firm’s small size.

Outcomes: The manager hired an external consultant to support mapping the firm’s own carbon footprint and to devise a plan consistent with becoming net-zero aligned. The firm partnered with a third-party data provider for carbon and climate data to support integration of these considerations in the investment process and to guide engagement.

Next steps: The manager is enhancing its processes for ESG integration and stewardship efforts. They’re updating WTW on progress areas such as updates to annual reporting. WTW see these developments as positive and continue to monitor improvements.

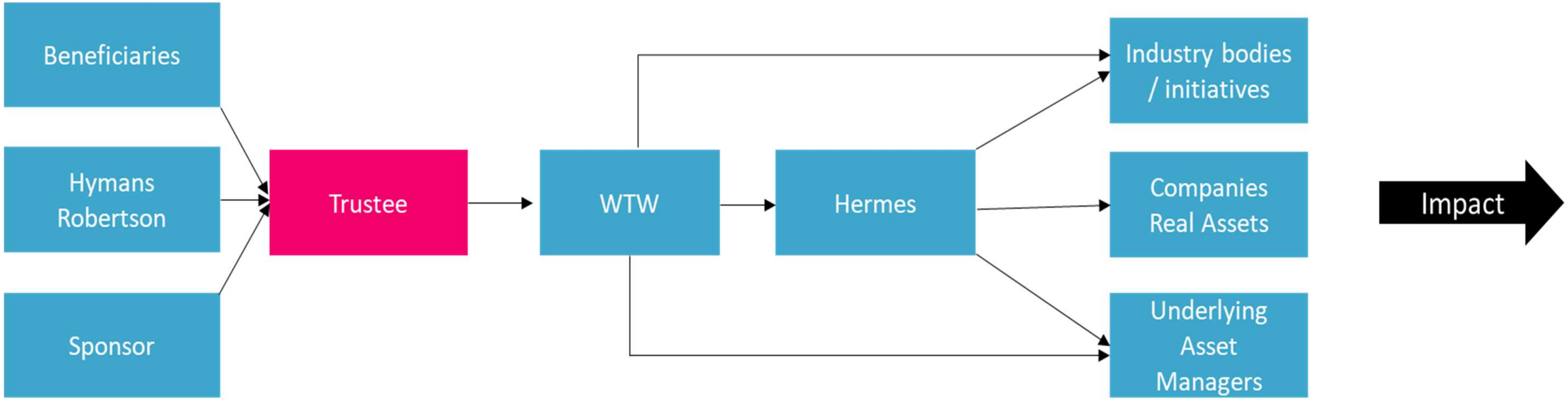
WTW report to our IIC twice a year on the responsible investment reviews of the underlying managers, which includes examples of their engagements with managers. This is part of broader responsible investment reporting across several asset classes. At the last review, WTW informed us that they had downgraded the rating for ‘ESG integration’ for eight of our managers, across equity, private markets and secure income assets. In almost all instances, downgrades were from a rating of ‘strong’ to ‘neutral’ and reflected the continued higher threshold required to be assessed as ‘strong’. The downgrades had been fed back to managers to seek improved practices.

Two of our managers were upgraded; in one instance, this was a reversal of a previous downgrade, with feedback having been taken on board by the manager.

4 Engagement

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.

We recognise that we don't have a direct relationship with the companies in which we invest, nor with many of the underlying asset managers, as illustrated below (the only exception being the LDI manager, where we consider the capacity for engagement to be limited). This, therefore, requires that we effectively communicate our own priorities to those to whom we delegate responsibility for engagement, to ensure that we have some influence on outcomes, and that we hold these parties to account through our oversight and monitoring practices.



As set out in the diagram, we engage with WTW, who in turn engage with underlying managers and conduct system-level engagement with the wider investment industry. The underlying managers are responsible for exercising voting rights and engaging at a corporate level. EOS (Hermes in the diagram above) conduct further corporate engagement for a proportion of the Schemes' assets. EOS also take part in public policy engagement.

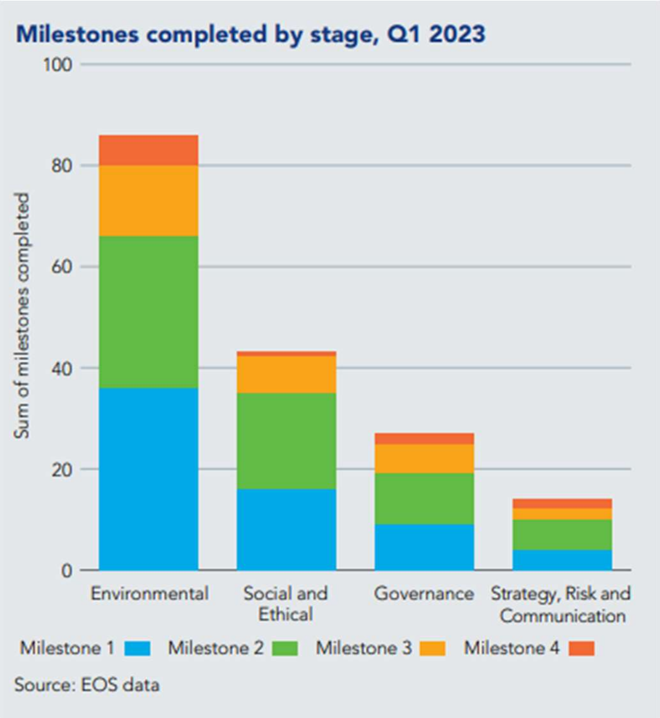
Our beliefs and expectations are detailed in our RI policy, which has been shared with WTW, and we're comfortable that their activities are aligned with this policy. It's clear to WTW that we expect them to promote active dialogue via investment managers with underlying investee entities, regardless of asset class. In particular, we expect engagement on climate and other environmental issues to be emphasised. We expect WTW to encourage underlying investment managers and EOS to promote underlying investee entities' climate disclosures to be aligned with best practice, eg Task Force on Climate-Related Financial Disclosures (TCFD), as we believe that this will drive improved standards and transparency. This has been communicated to EOS, who also prioritise environmental issues in their engagements. We're satisfied that WTW and EOS are performing in line with expectations because of the quality and detail of their engagement activity over recent years.

We cover engagement with asset managers in Principle 8, issuer-level engagement in Principle 11 and escalation in Principle 12.

WTW impress on the asset managers that they select the importance of engaging with companies on sustainable investment issues in line with their stance and our priorities. Over 2022, WTW introduced minimum engagement standards for all managers and developed an annual manager RI questionnaire, both of which are used to ensure that asset managers understand WTW's expectations. WTW maintain specific equity manager ratings for voting and engagement, and these are reported to the IIC.

Issuer (underlying asset manager) level engagement

In addition to engagement with asset managers by WTW, EOS are appointed by WTW to carry out corporate-level engagement on behalf of the schemes to maximise impact. To measure progress and the achievement of engagement objectives, EOS uses a four-stage milestone strategy, as illustrated. When they set an objective at the start of an engagement, EOS will also identify recognisable milestones that need to be achieved, with progress against these objectives assessed regularly and evaluated against the original engagement proposal.



We recognise that successful engagement can take time. Therefore, we draw on reporting from WTW and EOS to provide both a quantitative and narrative assessment of progress. The table below demonstrates that EOS categorise engagements with companies by type and milestone stage. The trustees' ESG champion attends an annual video conference with EOS and WTW to receive feedback on the prior year's progress against milestones and plans for the future engagement. The trustee has an opportunity to engage with the presenters.

Over time, we hope to see more of these engagements progress to milestone 4 and more engagements arise at early stages as new topics are discussed.

Given the prioritisation of our own themes, we've also considered how the themes set by EOS align with our own priorities, noting that 5 of the 12 current themes have a clear overlap, as set out below. As noted under Principle 5, we have commented on EOS' priorities via WTW, and fed back our priority areas. We're comfortable that the activity of EOS is aligned to our ambitions.

Theme	EOS Engagement priority area	Sub-themes
Environment and Climate	Climate change action	Strategy & action (alignment to Paris Agreement targets); governance and lobbying; disclosure
	Natural resource stewardship	Biodiversity and sustainable land use; sustainable food systems; water stress
	Circular economy and zero pollution	Controlling pollution of air, land and water; waste & circular economy initiatives
Fairness	Human and labour rights	Value chain rights; protection of basic rights; provision of affordable essential goods and services to reduce poverty
	Human capital	Diversity & inclusion; terms of employment; health, safety and wellbeing; awareness of technological disruption
	Wider societal impacts	Adherence to high ethical standards; zero tolerance of bribery or corruption; tax payment; maximising positive impact of goods and services

In a similar fashion to how we developed our own priority areas, EOS have mapped their engagement activity to the SDGs. EOS believe that all their engagement work is aligned to the delivery of the SDGs directly or indirectly (as illustrated). They've developed their own approach for benchmarking reporting on these goals in alignment with their engagement plan.

We'll continue our dialogue and monitoring of WTW and EOS to ensure that our goals and requirements are considered, and our own voice is heard. We will also actively monitor engagement in these areas to ensure that we can actively challenge the activity undertaken.

Examples are provided below of the engagement that EOS conducted on behalf of WTW clients in our priority areas.

Case study: EOS engagement with Adidas on environmental impact of its products (held within one of our equity funds)

An engagement by EOS on behalf of WTW and its clients over the year was with Adidas, with whom they have engaged for several years on the future trajectory of the company's sustainability strategy.

Objectives: EOS challenged Adidas on the environmental impact of its product range, stressing that science-based climate targets need to be central to its 2025 sustainability strategy and that the company should demonstrate alignment with the 1.5°C trajectory of the Paris Agreement.

Method: The approach was ongoing dialogue and monitoring of public commitments. This included EOS representatives travelling to the company's headquarters in Germany, meeting with the company's sustainability team, participating in investor days, and sharing EOS' own white-paper research.

Occurrence: EOS notes a public commitment from the company to address climate change challenges within its supply chains. Time bound, science-based targets were highlighted as a key tool for measuring progress.

Outcomes: EOS welcomed improvement to Adidas' CDP water score and sourcing 100% cotton via the Better Cotton Initiative. This reflects positive steps on increasing the use of more sustainable materials in production, products and stores. EOS encouraged targets to be set on the proportion of recycled materials in products and reducing the plastic footprint (eg in packaging and logistics).

Additionally, Adidas achieved certification from the Science-Based Targets initiative in 2021. It is committed to reducing absolute Scope 1, 2 and 3 emissions by 30% by 2030 from a 2017 base year. The business has set further ambitious targets on emissions reductions (reduction by 90% by 2025 from a 2017 base year).

Next steps: EOS will monitor progress on meeting the new targets. Adidas is also working to reduce energy and material consumption and make greater use of green-energy sources throughout the supply chain. The company plans to increase communication and marketing on sustainable material use and intends to roll out product takeback programmes at scale. EOS will monitor these developments.

Case study: EOS engagement with an issuer (relating to board composition and alignment with the energy transition)

EOS engaged with Repsol (a global energy company) on its board composition, a continuation of dialogue since 2018, as part of its engagement programme on behalf of WTW clients.

Objectives: To encourage greater diversity in board members' backgrounds and for skills and experience to be aligned to company sustainability goals.

Methods: This took place via initial and ongoing calls with company representatives and leadership.

Occurrence: In 2022, EOS followed up to find out if progress had been made to record the skills and experience of the board and assess its alignment with sustainability goals.

Outcomes: The firm noted previously that they would publish a skills matrix for board members. In 2021, a board member with experience in energy transition and renewable hydrogen production was appointed to sit on the sustainability committee. EOS are satisfied that the current board is appropriately skilled to implement the strategic and sustainability agendas.

Next steps: EOS welcomed an action plan to develop the directors' training in relation to the energy transition.

Over 2023, the firm made acquisitions in US renewable energy and can evidence stepping away from oil and gas exploration blocks in the Gulf of Mexico.

Further information on WTW engagement activity is provided in their UK stewardship code submission (https://www.wtwco.com/-/media/wtw/insights/2023/05/2022-uk-stewardship-code-full-report.pdf?modified=20230518113417), EOS' report quarterly on engagement (https://www.hermes-investment.com/uploads/2023/05/1b5ff30d04899d9ce4fb8083fbef73a8/eos-per-q1-2023-singles.pdf) and detail of their engagement plan for upcoming years (https://www.hermes-investment.com/uploads/2023/02/66aec9d2d37638930bca5c6d7d63d810/eos-engagement-plan-2023.pdf).

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

We recognise the value of collaboration in driving positive change, and we encourage both Hymans Robertson and WTW to advise us of opportunities to collaborate with other investors. We also expect Hymans Robertson, WTW and EOS to participate in collaborations that they believe are in the best interests of their clients, which includes our Schemes, and for these activities to be reported back to us. We've sought to understand the collaborations our providers currently support, particularly to the extent that they're aligned with our priority areas, and we set out some examples of this activity below.

EOS: Climate Action 100+ (CA100+)

EOS is among over 700 organisations who have signed up to CA100+, the investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is leading or co-leading the engagement for 24 companies, including car manufacturing and consumer products, as noted in detail below.

The aim of CA100+ is to press for sufficient information to confirm that appropriate financial adjustments have been made in the accounts to support the delivery of the company's climate commitments. However, over the past two years, none of the CA100+ assessed companies have provided sufficient information to pass this test, leaving investors at risk of 'flying blind'. Within the CA100+ group of companies, we've seen good progress on commitments and targets, with 75% setting net-zero targets, 13% with board oversight and 91% aligned with the TCFD. The group note that more work is required to confirm how they perform against publicly stated climate commitments; the majority of companies still score poorly against the Climate-Aligned Accounting benchmark, and no company met the requirements in all areas. Their future engagements will be focused on progressing engagements that have already been contacted through CA100+.

Case study: EOS engagement via CA100+ with an issuer, Colgate-Palmolive (consumer products) (held within one of our corporate bond mandates)

EOS led a collaborative engagement on behalf of CA100+ with Colgate-Palmolive, in relation to TCFD reporting.

Objectives: To introduce the initiative, drive greater accountability and provide greater disclosure on physical climate risks.

Methods and occurrence: In 2019, there was a call to introduce the initiative, which continued through to 2022. The team met with the firm's investor-relations team and chief sustainability officer to encourage reporting against the recommendations of TCFD and to disclose its strategy for managing climate risks and opportunities. As the firm noted that the framework was being used internally but expressed that it wasn't ready to commit to public TCFD reporting, EOS submitted a statement at the company's 2021 AGM urging proactive dialogue on this topic, asking the chair when reporting would be publicly disclosed and when targets would be set to support its commitments to achieving net zero by 2040.

Outcomes: The company held discussions with a third party to support climate scenario analysis and took steps towards publication of its first TCFD report. In April 2022, the first TCFD report was published. The report highlighted areas of progress, including the formation of ESG reporting and water security task forces, to address increasing demands for disclosure in these areas.

Next steps: EOS due to receive the firm's updated climate and net-zero roadmap, which should align to Paris Agreement goals, address five key areas relevant to the business and be aligned with the Science Based Targets initiative. EOS continue to engage with the company on disclosing the results of climate scenario analysis and providing more information on its strategy for reducing Scope 3 emissions.

WTW and Hymans Robertson: Net Zero Consultants Initiative (NZICI)

Hymans Robertson and WTW are two of the 12 consultancies to launch NZICI in 2021, which commits to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner, in alignment with the objectives of the Paris Agreement. The NZICI recognises the pertinent role that investment consultants, including those with discretionary management services such as WTW, have as both educators and influencers, committing them to advising clients on the need for net-zero planning. The aim of the NZICI is that net zero becomes a standard consideration in investment advice. Its 12 signatories at the time of launch were responsible for advising on assets exceeding $10 trillion.

Both companies are also active in the Investment Consultants Sustainability Working Group (ICWSG), which brings together leading UK investment-consulting firms to improve sustainable investment practices across the investment industry.

In its role as an asset manager, WTW also joined the Net Zero Asset Managers Initiative in 2021, committing 100% of its discretionary assets to the group's net zero by 2050 goal.

WTW: The Diversity Project's Asset Owner Diversity Charter

WTW are signatories to this commitment to work together to build an investment industry that better represents the composition of wider society. As part of that, WTW have committed to incorporating diversity questions into manager selection and ongoing manager monitoring.

As noted under Principle 5, a senior representative of WTW chairs the Client Advisory Council for EOS and regularly attended meetings of our RIWG. This ensures our views are considered when setting the high-level agenda and ensures alignment between us, WTW and EOS on engagement plans.

Further examples of industry-wide initiatives WTW participate in are:

- 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).
- Co-founding the Investment Consultants Sustainability Working Group.
- Continuing to lead collaboration through the Thinking Ahead Institute and WTW Research Network.
- Being an official supporter of the Transition Pathway Initiative.

We benefit from WTW's involvement in these collaborative initiatives, as WTW are able to use their industry presence to champion positive change on the Schemes' behalf.

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.

As noted in Principle 8, our process for scrutinising the information provided to us via ongoing monitoring allows us to escalate concerns where necessary. With regard to direct stewardship activities, as detailed in Principles 9 and 10, engagement, and escalation of that engagement where needed, is carried out on our behalf by WTW and EOS with selected asset managers and underlying issuers.

WTW expect investment managers to escalate stewardship activities when they believe there are material risks not being adequately addressed, monitoring this via their sustainability questionnaire and ongoing due diligence for each asset manager. This includes an assessment of whether the investment manager's policy specifies when and how they escalate stewardship, the level of engagement taking place and examples of progress of key engagement activities. This ultimately feeds into the rating WTW have for that strategy. No single method of escalation is specified, but WTW examine activities relating to: process relating to when and how to escalate; reporting of overall engagement statistics; examples of engagements to evidence escalation activity; and use of voting as applicable as a tool for escalation. WTW seek to work with asset managers to improve their activity in these areas.

WTW report voting and engagement activity to us on at least an annual basis, including examples of engagement escalation. This reporting cycle enables us to feed into the process and understand where practices are falling short of our expectations.

In addition to the engagement carried out by WTW, EOS conduct company engagement on behalf of the TWIM Global Equity Focus Fund. EOS conduct their engagement privately but, where this proves unsuccessful, may escalate their engagement by choosing to speak publicly at a company's AGM, with the aim of garnering support from investors or other shareholders. EOS also recommend voting against management as a tool of escalation, though choose to use this only where they believe the company is taking insufficient action to address concerns previously raised via standard engagement techniques. EOS' experience is that, given the size of assets they represent, voting against management is a powerful tool to progress engagement priorities. They also employ letters to the board of directors, industry collaboration (such as CA100+) and open letters. Examples of engagement by EOS, including use of escalation levers, are provided in Principles 9 and 10.

An example of escalation by EOS is its speech at the Berkshire Hathaway AGM in 2022, in relation to climate-related risk reporting, which the company had not started. This represented a follow-up to public engagement with the company on this issue the prior year, which culminated with a vote that did not pass. The 2022 proposal requiring the firm to measure, disclose and reduce emissions in alignment with Paris Agreement goals (and a related proposal to report on outcomes of their DE&I efforts) did not pass in 2022. The full speech can be found here: https://www.hermes-investment.com/uploads/2022/05/9bd12b42a5d1b6a336561e50f8e16f55/eos-corporate-speech-for-berkshire-hathaway-2022-annual-meeting-policy-document-04-2022.pdf. Berkshire Hathaway was held within one of corporate bond mandates during the year.

5 Voting

Principle 12: Signatories actively exercise their rights and responsibilities.

Listed equity assets comprise a relatively small proportion of our Schemes' investments, and at year-end there were no holdings in equity. However, as equity was a part of the portfolio over the year, and we have reintroduced allocations to equity after 31 March 2023 (c4% JPP/LRPS; c11% JEPP), we have included summary voting data for our largest equity fund holding in this section. We retain our approach to exercising active ownership rights and responsibilities relating to equity investments when held.

As the return-seeking allocations are relatively small, we seek to be proportionate in the governance time and budget we dedicate to monitoring and assessing voting records. However, we believe that voting is an important tool in exercising stewardship, and we set out or voting policy below. We expect:

- all votes to be exercised, where feasible, by underlying fund managers selected by WTW
- WTW to oversee voting policies and voting activity of underlying asset managers to ensure good practice
- WTW to provide clear monitoring and reporting on voting activity, and that this will be discussed in detail on at least an annual basis
- votes on resolutions related to climate and other environmental actions to be considered carefully, based on the specific request being made and the context of the company in question. We expect a high level of support for votes requiring greater disclosure or setting a business transition strategy consistent with the Paris Agreement. We expect WTW to monitor this and explain any cases where such votes are not supported.

We undertake detailed monitoring of managers' voting records against our voting policy at least once a year. Where voting activity falls short of the above requirements, we expect WTW to explain and follow up as necessary with underlying managers expressing our concern where appropriate. We expect this to encourage improved practices over time.

The underlying managers may obtain recommendations from proxy advisers (including EOS) when casting votes on our behalf. As part of our annual reviews, we analyse the extent to which managers voted against their proxy adviser, to ensure there was sufficient voting challenge and ownership is being demonstrated by managers.

There is no stock lending permitted within our largest equity investment, the TWIM Global Equity Focus Fund. Stock lending discretion is delegated to the other underlying managers appointed by WTW. While WTW encourage underlying managers to recall shares for key votes, they have informed us that this is not always done. Given our mutual preference for all votes to be undertaken where possible, WTW monitor and engage underlying manager activity in this area. The proportion of the Schemes' shares held (indirectly through funds) that are lent out is low, and the proportion of those shares not being recalled for key votes is also low, so we're comfortable that stock lending is not having a material impact on our voting activity. However, we'll continue to monitor this with WTW.

Overleaf, we have set out below a summary of our voting records (for JPP, LRPS and JEPP) over the reporting period.

Manager	TWIM Global Equity Focus Fund (GEFF)	TWIM Partners Fund (equity portion only)
Proportion of Plan assets*	0.0%	8.7%
No. of meetings eligible to vote at during the year	150	1,890
No. of resolutions eligible to vote on during the year	2,548	25,560
% of resolutions voted	99	93
% of resolutions voted with management	88	86
% of resolutions voted against management	11	14
% of resolutions abstained	2	1
% of resolutions voted against recommendation of proxy adviser (if applicable)	11	5

*Proportion is for JPP and LRPS for equity focus fund and JEPP for partners fund. As of 31 March 2023, the Scheme did not hold any assets with voting rights. Post scheme year end, the TWIM Global Equity Focus Fund was added back to the JPP and LRPS portfolios. Given the role that the TWIM Global Equity Focus Fund played throughout the 2022/23 scheme year, the Trustee has decided to include the voting summary for this fund.

We've engaged with WTW on the above summary data since the end of the reporting period and note the following high-level observations at this stage:

- The proportion of resolutions voted is high, which we are pleased by, as this demonstrates our underlying fund managers take their voting rights seriously on our behalf.
- There is a healthy proportion of votes against management.
- There is a healthy proportion of votes carried out against proxy advisers, indicating that our underlying managers have their own policies in places and don't just blindly follow proxy advice.

For the period ending 31 March 2023, we're satisfied that the proportion of assets voted is high, abstentions are low and a large majority of resolutions are voted in line with the proxy adviser. We are comfortable with the proportion of votes against proxy recommendations, which demonstrates that recommendations are not followed blindly. We're satisfied with the voting policies and priorities of WTW and EOS and the communication and implementation of these policies with relevant parties.

Voting examples

We've reported below some of the most significant votes cast by the underlying managers within our equity funds. Managers were asked to provide examples of votes in areas that we've prioritised (SDGs 5, 7, 10, 12, 14 and 15) and therefore consider significant. The managers were also asked to confirm the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. Examples are provided below, relating to equity holdings in the Global Equity Focus Fund (GEFF) held across the Schemes over the year, covering topics on DE&I, waste management and governance.

Example 1: Cigna Corporation, 27 April 2022, vote for 'Report on gender pay gap'. Holding represented c1.4%

An underlying manager voted for a proposal on Cigna Corporation to prepare a report on the gender pay gap. The vote failed. The manager supports the disclosure of data to assess the gender pay gap, as the manager believes that this will positively support recruitment and human resource efforts. The manager regards this as a significant vote as diversity, equity and inclusion are important for the long-term success of the company in attracting and retaining talent, which, in turn, is important for shareholders' interests.

Example 2: Pegasystems Inc, 15 June 2022, voted against election of Director. Holding represented c0.5%

An underlying manager voted against a proposal to appoint a longstanding board member as director. The vote passed. While the manager recognised the overall experience of the candidate, their most recent executive experience dated back 17 years. The manager believed the company might be better served by appointing a director with more recent experience and positive diversity attributes. The manager recognised that investors are likely to vote in line with the management's recommendation, and they are likely to continue to vote against the candidate.

Example 3: Amazon, 21 May 2022, vote for 'Report on efforts to reduce plastic use'. Holding represented c1.5%

An underlying manager voted for a proposal for Amazon to produce a report on efforts to reduce plastic use. The vote failed, The manager supports proposals, whether from management or shareholders, which enhance transparency around environmental issues. The manager considers ESG factors to be an important consideration in influencing the long-term predictability and sustainability of the company's revenue and earnings growth. This represents the second consecutive year where the underlying manager has voted for a report on the implications of plastic packaging to be produced – this voting approach clearly articulates the manager's opinion on the importance of improving transparency on environmental matters.

Exercising rights and responsibilities within fixed income

For fixed income assets, the ability to influence covenants on bond issues varies by the types of assets held – for example, liquid fixed income assets tend to have little to no ability to influence, while there is more ability to seek amendments to terms and conditions within private debt assets. Meanwhile, sustainability ratchets are starting to be included within some private debt transactions. We noted in Principle 7 some examples of mandates selected by WTW on our behalf that incorporate these features and seek to align more closely with sustainability goals. Engagement with issuers is now a central expectation and has deepened through 2022. WTW have shared with us that fixed income managers have broadly moved on from making disclosures on non-applicability of engagement in fixed income to building frameworks and reporting on instances where engagement does occur.

WTW have highlighted that they focus predominantly on getting fixed income managers to engage with issuers. Given the lack of voting rights, the focus so far has been engaging on specific sustainability objectives and the covenants and protections for debt investors. As noted in Principle 7, WTW integrate ESG into credit research and expect fixed income managers to do so too, which is monitored through their RI questionnaire and ongoing due diligence and monitoring.

Where EOS engage with issuers on behalf of WTW, this is carried out directly with company leadership and should have an impact on business structure including financing terms.

We’re satisfied with progress in this area and will continue to monitor engagement progress in asset classes other than equity.