TOWERS WATSON

Towers Watson Pension Scheme

Statement on the UK Stewardship Code

Introduction

The Trustee of the Towers Watson Pension Scheme ("the Scheme") recognises the importance of good stewardship in pursuit of its fiduciary duty and is committed to being a long-term responsible investor. Stewardship activities can involve monitoring and engaging with companies as well as exercising shareholder voting rights. The matters of interest to investors are likely to be wide ranging but might include corporate strategy, performance, risk (including those from environmental and social factors), capital structure, and corporate governance.

The Trustee supports the UK Stewardship Code ("the Code") which it recognises as best practice and this Statement describes how the Scheme implements the principles of the Code. In practice the Trustee delegates responsibility for the selection, retention and realisation of investments to external investment managers and in so doing it also delegates day to day implementation of its stewardship activity. Where appropriate, the Trustee will consider investment managers' stewardship policies within new manager appointments.

The Trustee recognises that the Stewardship Code is primarily directed at UK equity investments. However, where possible, managers are encouraged to use best efforts to apply the principles of the Code to overseas equity holdings. Furthermore, the Trustee notes that some of the principles can apply to other asset classes and encourages managers to implement them where appropriate.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

The Trustee sets out its approach to stewardship in the Scheme's Statement of Investment Principles and within this Stewardship Statement. Both are available to Scheme members, and the latter is available publically via the Financial Reporting Council (FRC) website. The Statement of Investment Principles and this Stewardship Statement are reviewed regularly and updated as necessary to ensure they remain appropriate and effective. The Trustee encourages its external investment managers to document their policies on stewardship and disclose these publically.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

Day to day implementation of the Scheme's stewardship activity has been delegated to external investment managers. The Trustee encourages its investment managers to document their approach to stewardship, which should include how they manage any conflicts of interest that arise (for example within voting or engagement activity) to ensure that the interests of Scheme members are prioritised.

Principle 3: Institutional investors should monitor their investee companies

Where the investment style allows, the Trustee encourages its external investment managers to monitor investee companies. Issues to be monitored are likely to vary, however typically these might include a company's corporate strategy, financial performance, risk (including those from environmental and social factors), capital structure, and corporate governance.

The investment consultant monitors the stewardship approach of the Scheme's investment managers and reports on this to the Trustee at least once a year. Where appropriate the Scheme's consultant will engage with investment managers to encourage improvement.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities

The Trustee recognises that constructive engagement with company management can help mitigate areas of risk, and encourages its investment managers to outline their position on company engagement in their stewardship policies. In line with the requirements of the Code, investment managers should indicate the extent to which, if at all, they are willing to be made insiders through engagement and the mechanisms by which this could be done.

If an investment manager does not engage with company management as part of its investment process, the Trustee expects its stewardship policy to explain how it responds to situations where it has a concern over an investee company.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate

Day to day management of the Scheme's assets has been delegated to external investment managers. As such the Trustee is very unlikely to be directly involved in collective engagement activity. However, the Scheme's investment managers may get involved in collective engagement where this is an efficient means to protect long-term shareholder value. With respect to collective engagement the Trustee encourages transparency around the aims and objectives of the engagement and of the parties involved.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity

The Trustee has delegated its voting rights to the Scheme's investment managers and encourages them to vote whenever it is practical to do so. The Scheme's investment managers are encouraged to have a documented voting policy in line with relevant industry best practice which among other things covers the extent to which they use proxy voting agencies, their position on stock lending and disclosure of voting activity.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities

External investment managers are required to periodically report stewardship activity to the Trustee. The Trustee also encourages investment managers to disclose their voting records publicly in an appropriate format.