Implementation Statement for the year ended 31 March 2023

Introduction

This Statement of Investment Principles ('SIP') Implementation Statement ('the Statement') has been prepared by P Trustee Limited ('the Trustee') and relates to the PwC Pension Fund ('the Fund').

Under the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations now in force, the Trustee is required to produce an annual Statement setting out how voting and engagement policies described in the Fund's SIP have been followed. Based on regulatory requirements, the Statement covers the period from 1 April 2022 to the end of the Fund's financial year on 31 March 2023.

From 1 October 2022, further Department of Work and Pensions ('DWP') guidance on the reporting of stewardship activities through Implementation Statements came into effect. This statement aims to consider this guidance as the Trustee moves towards meeting the DWP's updated stewardship expectations.

The Statement sets out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the Statement describes the areas of the portfolio where stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee's opinion on the outcomes of voting and engagement activity for the Fund's investment managers whose investments grant the use of voting rights (where engagement is most easily evidenced within the portfolio).

Changes to the SIP over the period

There were no changes to the SIP over the reporting period (1 April 2022 – 31 March 2023). The Trustee is committed to reviewing the SIP no less than every three years.

Following the reporting period, the SIP was updated in September 2023 to reflect the Fund's chosen stewardship theme, climate change, to best channel stewardship efforts. The theme has been selected by assessing its relevance to the Fund and its members, the financially material risks that it poses, and the maturity and development of thinking within the industry that allows for ease of integration into our approach.

Summary of the Trustee's policies on voting and engagement

The Trustee believes that good stewardship practices, including engagement and voting activities, and responsible investment are an important part of general Fund governance as they help preserve and enhance asset owner value over the long term. In particular, the Trustee has considered how ESG factors should be integrated into the Fund's investment management processes. The Trustee has considered the guidance provided by the Law Commission which states that trustees should take account of risks to a company's long-term sustainability, such as ESG factors, if they are, or may be, financially material.

In light of this, the Trustee's policy on ESG is that the investment managers should integrate ESG considerations (including but not limited to climate change) into their investment processes and implementation decisions to assess the potential impact on financial performance and in deciding on the selection, retention and realisation of investments.

The Trustee's Investment Consultant incorporates ESG considerations into their manager research process, which informs advice provided to the Trustee on selecting, reviewing and changing individual managers.

Specifically, this includes:

- Appointment: Each time a manager is selected or reviewed, ESG integration is one of the key selection factors considered by the Trustee.

- Annual survey: managers are surveyed annually to ensure any changes to the ESG integration process are captured (e.g. data sources, reporting lines, etc).

The Trustee has a policy of not taking into account "non-financial matters" when considering the selection, retention and realisation of assets.

How have the Trustee's voting and engagement (stewardship) policies been followed?

Stewardship

The Trustee receives regular updates from their Investment Consultant on the investment managers' performance. This includes notifications of any change to the Investment Consultant's overall rating of the managers which incorporate ESG and Stewardship considerations. The Trustee meets with the Fund's credit managers annually in a dedicated session which covers updates to the strategy and their ongoing approach to ESG integration and effective stewardship. The Trustee and the Investment Consultant have no concerns around any of the managers approaches to ESG integration.

The following investment managers of the Fund are signatories to the UK Stewardship Code: Legal & General Investment Management (joined in 2010), Insight Investment (joined in 2016), CQS (joined 2020), and Payden & Rygel (joined 2020). These managers have not flagged any non-compliance with the principles of the code.

There are no immediate concerns with the fact that the other investment managers used by the Fund are not signatories to the UK Stewardship Code. Brigade Capital and Bridgewater Associates have stated that whilst they are supportive of the objectives that underlie the UK Stewardship Code, the managers do not consider the code to be appropriate in the context of the strategies they manage. These managers are signatories to an internationally recognised alternative, the UN Principles of Responsible Investment ('UN PRI'). Signatories to the UN PRI have made a public commitment to responsible investment and to build a more sustainable financial system. The Trustee recently approved disinvesting from the allocations to Brigade and Bridgewater for strategic reasons.

In addition to the above, over the reporting period, the Trustee has received reporting which tracks the carbon intensity of the Fund's investment strategy, alignment of the portfolio with a net zero pathway, and funding level performance under various climate transition scenarios. The Trustee continues to receive ESG Integration and Stewardship ratings for certain mandates and use PRA Climate Stress tests to assess the risk to the Fund's funding level of different climate scenarios.

Being cognisant of the DWP's updated guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, the Trustee will review the above policy with a view to aligning it with the new guidance.

Engagement

The Trustee delegates responsibility for engaging with individual issuers to the Fund's investment managers. The Trustee understands that engagements carried out by investment managers are likely to vary in nature by asset class. Regardless, engagement is also considered to be of importance for all the Fund's investment managers. The Trustee has highlighted engagement examples from managers in Appendix 3.

As part of moving towards the new DWP stewardship expectations, the Trustee plans to consider both how best to assess the engagement activities of the Fund's managers and how best to then engage with the managers where necessary.

Voting

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The use of voting rights is most likely to be financially material in the sections of the portfolios where physical equities are held. Financially material considerations include (but are not limited to) those arising from environmental including climate change, social and governance considerations.

Given some of the Fund's assets are invested with investment managers that hold gilts, derivative instruments, corporate bonds and other credit assets in their portfolios, voting is only relevant to the Bridgewater Optimal Portfolio and in a small number of cases, to the Brigade Credit Offshore Fund II. As these investments are made via pooled funds, the investment managers are responsible for voting and engagement on the underlying assets rather than the Trustee, limiting the Trustee's ability to influence shareholder voting activity. However, the Trustee is cognisant of its role in engaging with the managers where managers' activities do not meet expectations.

The Trustee is comfortable that there appear to have been no material departures from the managers' stated voting policies.

The managers mentioned above provided details of their voting behaviour in line with the Pensions and Lifetime Savings Association's Vote Reporting Template. A summary of voting activities and commentary on "significant votes" conducted by the Bridgewater Optimal Portfolio and Brigade Credit Offshore Fund II on behalf of the Fund is provided in Appendix 1 and 2 respectively. In addition to voting information, examples of the Fund's investment managers' engagement with debt issuers have also been included.

In a similar way to engagement, in future, the Trustee plans to consider how best to assess the voting activity of the Fund's managers and how best to then engage with the managers where necessary.

Final Remarks

The Trustee is comfortable that the voting and engagement policies set out in the SIP have been adequately followed over the period, noting recent changes to regulations in this area and the Trustee policies themselves.

Over the next year, the Trustee plans to consider how best to meet the DWP's new expectations on stewardship and move to take more ownership of stewardship, as the new guidance expects. Changes to the Trustee's approach will be taken with regard to the Fund's governance constraints and in the best interest of the Fund's members.

Appendix 1 – Voting statistics

The use of voting rights is applicable to sections of the portfolio where physical equities are held. For the Fund this applies to two asset managers: Bridgewater Optimal Portfolio Ltd and Brigade Credit Offshore Fund II Ltd. This appendix details voting behaviour and significant votes undertaken by these asset managers on behalf of the Fund.

Voting Criteria	Bridgewater	Brigade
No of meetings eligible to vote during the period	1,975	6
No of resolutions eligible to vote during the period	19,060	34
% of resolutions voted	99.9	100.0
% of resolutions voted with management	86.6	100.0
% of resolutions voted against management	13.2	0.0
% of resolutions abstained	0.8	0.0
% of meetings with at least one vote against management	42.8	0.0
Which proxy advisory services does your firm use, and do you use their standard voting policy or create your own bespoke policy which they then implement on your behalf?	Since 2006, Bridgewater has engaged Glass, Lewis & Co. ('Glass Lewis') to vote proxies on behalf of their clients. Bridgewater has directed Glass Lewis to apply their standard policy across all accounts (except All Weather Sustainability), as well as certain aspects of Glass Lewis's climate policy as an overlay to the extent such guidelines are deemed to mitigate climate-related risk or enhance shareholder value.	ISS (Institutional Shareholder Services) whose standard voting policy is used.
% of resolutions which you voted contrary to the recommendation of your proxy adviser?	0.7	8.8

Appendix 2 – Significant votes

The Trustee has considered votes with the following criteria (reviewed annually) to be considered "significant":

- Votes taken by shareholders of companies which represent large portions of the Fund's overall portfolio, or of a fund in which the Fund is invested in.
- Votes taken by shareholders of companies which are large carbon emitters in the Fund's overall portfolio, or within a fund in which the Fund is invested in.
- Resolutions which have large proportions of votes "against".
- High-profile votes that include but are not limited to: activist action, attention from industry groups, and/or shareholder resolutions.

Bridgewater has not been able to provide details around individual votes taken due to the nature of the strategy and the sensitivity around the disclosure of voting information. The Trustee's Investment Consultant has confirmed that this is in line with expectations as this is a macro-oriented fund which trades indices and baskets of stocks, rather than individual names, meaning that individual stocks represent a small share of the portfolio and ownership share in each company is small. Votes are likely to be less significant in the context of the overall strategy. As such, no significant votes pertaining to Bridgewater have been disclosed.

Although Brigade have disclosed individual votes, the Trustee has not deemed any of these votes to meet their definition of "significant". As such, no significant votes pertaining to Brigade have been disclosed.

Appendix 3 – Engagement

Under the Fund's SIP, the Trustee expects their investment managers to practice good stewardship and engagement. The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Fund's investments, and is not restricted to equity investments. The managers provided an overview of engagement activity and the Trustee selected examples for each manager that they have considered noteworthy.

In order to focus the examples of engagement to those that are most relevant to the Trustee, the examples from relevant managers below were collected with a focus on those with ESG or Stewardship themes.

Brigade

Company: Parexel

Focus of the engagement: Encourage increased ESG disclosure to improve ESG comparability and reporting quality over time.

Details of the engagement: Brigade engaged with Parexel, a provider of biopharmaceutical services, in mid-2022 and discussed areas in which the company believes its business impacts the environment as well as mitigation strategies.

Parexel believes the largest component of its environmental impact is related to employee travel. The company have sought to reduce their environmental impact in this area by promoting remote work/virtual client meetings, efficient airlines, electric vehicles and purchasing Renewable Energy Certificates to meet their 100% Renewable Energy Commitment. Other operational initiatives to address climate change included prioritising vendors who comply with specified ESG standards, establishing baseline metrics to monitor performance in sustainable efforts and seeking to use 50% or more recycled or reclaimed products in new construction.

Outcome of the engagement: Brigade plan to receive periodic updates on these initiatives in future portfolio monitoring calls. Brigade understands that environmental metric impacts can be complex and expect that it might take some time for a company of Parexel's size to calculate, access and design tangible environmental impact targets.

CQS

Company: Jadex

Focus of the engagement: Commitment to net zero.

Details of the engagement: CQS initiated discussions about decarbonisation with Jadex in March 2022. During this engagement, the CFO indicated their intention to calculate baseline greenhouse gas emissions before establishing any targets. In a subsequent follow up in November 2022, CQS was informed that Jadex aimed to reduce its operational impact on the planet although no specific targets were set.

Outcome of the engagement: In February 2023, CQS reconvened with Jadex. The company confirmed the release of their inaugural ESG report and announced a decarbonisation target of 10% reduction in scope 1 & 2 emissions by 2025. CQS note that this is a positive first step and will continue to encourage Jadex to commit to net zero.

Payden and Rygel
Company: Astrazeneca

Focus of the engagement: As part of Payden's commitment to the goals of the Paris agreement, the engagement aimed to comprehend and pursue distinct results associated with the manager's ESG goals.

Details of the engagement: Payden initiated written correspondence with AstraZeneca's Investor Relations team to acquire ESG-related disclosures. The team provided credible data, highlighting environmental metrics such as ESG reports, renewable energy KPI summaries, verified decarbonization targets, and a carbon-neutral target by 2026.

For governance-related information, the company highlighted that they are increasing ethics and transparency with shareholders on both the debt and equity side. For social metrics, the company has increased gender diversity to 48% of women in senior and middle management roles.

Outcome of the engagement: The engagement met Payden's objectives by procuring information not available through third-party data. This data enables Payden to monitor future disclosures and progress towards its ESG goals. In the event that new information becomes available, Payden may engage with the company to assess its improvement on its ESG journey.

Insight
Company: Equinor

Focus of the engagement: ESG considerations - carbons emissions and product footprint.

Details of the engagement: As part of its engagement with Equinor, a multinational energy company, Insight covered two ESG topics: Equinor's carbon emissions and production footprint specifically pertaining to the company's 2023 production mix.

Insight had engaged with Equinor previously when the company surpassed a 5% threshold indicating the proportion of unconventional revenue sources, including Arctic Oil. This breach led to Equinor failing Insight's Buy and Maintain purchase agreement. During the prior engagement regarding the breach, Equinor argued that some 'unconventional' oilfields should not be classified as such due to their ice-free status for most of the year.

In the most recent engagement, Insight sought an update on Equinor's unconventional oil and gas exposure. Equinor confirmed that Johan Castberg, an Arctic oilfield in the Barents Sea, is on track to come on-stream for 2024 -- therefore, volume/production guidance remains premature. Equinor did not exclude potential future investments in the Barents Sea, considering it a conventional area.

During the engagement, Insight queried Equinor about its group-wide emissions reduction targets. Equinor disclosed a 50% group-wide emission reduction target for Scope 1 and 2 emissions by 2030. However, the company lacks Scope 3 targets due to the uncontrollable nature of these emissions. Insight stressed the industry norm of setting Scope 3 targets, similar to Equinor's peers.

Outcome of the engagement: Insight will continue their engagement with Equinor on its plans for those oilfields deemed 'unconventional' to assess the environment/bio-diversity impact of these projects. Restrictions remain in place as a result of Equinor exceeding the 5% threshold. Insight note that excluding the three oilfields suggested to be 'conventional' by Equinor would push their controversial revenues score below the threshold, however, given the heightened biodiversity risk in the Arctic, Insight have kept the definition of these oilfields as 'unconventional'.

LGIM
Company: McDonald’s

Focus of the engagement: Overuse of antimicrobials (including antibiotics).

Details of the engagement: There is overuse of antimicrobials (including antibiotics) in human and veterinary medicine and animal agriculture. LGIM believe that, without coordinated action today, anti-microbial resistance could prompt the next global health crisis. For the last two years, LGIM have engaged with McDonald's on the issue individually and collaboratively. They signed a collaborative investor letter under the leadership of the Interfaith Center on Corporate Responsibility (“ICCR”) asking the company to publish targets related to the reduction of medically important antibiotics for the routine prevention of disease in its global beef supplies, which in 2018 they had announced that they would do by end of 2020. Given insufficient progress, LGIM decided it was time to further escalate their concerns.

During the autumn of 2022, LGIM co-filed a shareholder proposal asking McDonald's to apply the World Health Organisation Guidelines on use of Medically Important Antimicrobials in Food-Producing Animals throughout its supply chains. The company has since released its antibiotics reduction targets 2 years after the initial deadline.

Outcome of the engagement: LGIM is looking forward to working with the company, both individually and collaboratively, and with other shareholders over the course of 2023 and beyond to meet their request.