

# Affinity Water Pension Plan – DB Section Implementation Statement for the year ending 31 December 2023

Welcome to the Trustee’s Statement of how it implemented the policies and practices in the Plan’s Statement of Investment Principles (SIP) during the year ending 31 December 2023.

This statement covers the DB section of the Plan. Information regarding the DC Section and Additional Voluntary Contribution (AVC) policies is provided in a separate document.

## Introduction

This is the Trustee’s statement prepared in accordance with the requirements of The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018. This statement sets out how the Trustee has complied with the Plan’s Stewardship Policy during the period from 1 January 2023 to 31 December 2023 and other policies and practices within the Statement of Investment Principles (“SIP”).

For members in the DB section, the benefits you receive are on a defined benefit (“DB”) basis. That means the retirement benefits paid to you depend on your salary and service.

## What is the Implementation Statement for?

Each year, the Trustee is required to prepare an Implementation Statement, which sets out how it has complied with the SIP during the last Plan year. The Trustee has worked with its Investment Advisor (“Advisor”) to ensure that their work and actions over the year have complied with the SIP and to produce this Implementation Statement.

## What is the SIP?

The SIP sets out the investment principles and practices the Trustee follows when governing the Plan’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used and the Trustee’s approach to responsible investing (including climate change).

This Implementation Statement is in respect of the SIP in place as at 31 December 2023 which was signed on 21 September 2023 as well as the SIP which was in place between 31 December 2022 and 21 September 2023. In relation to the DB section, there was a minor change to the Plan’s SIP to reference the current investment strategies asset classes. The Plan’s SIP between 31 December 2022 and 21 September 2023 was fundamentally the same as the DB section of the SIP signed on 21 September 2023 from an investment policy, objective and risk management perspective. The next review will take place no later than September 2026.

For convenience, the SIP is separated into two documents, one covering the DC section and one covering the DB section. **If you want to find out more, you can find the SIP (and the Chair’s Statement on the DC section) at [www.affinitywaterpensions.co.uk](http://www.affinitywaterpensions.co.uk)**

### Overall, the Trustee is satisfied that:

- The Plan’s DB investments have been managed in accordance with the SIP during the period; and
- The provisions in the SIP remain suitable for the Plan’s DB members.

## How the Plan’s DB investments are governed

The primary objective of the DB section of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Plan's investments are governed and managed in accordance with the Plan's Trust Deed and Rules as well as Trust Law, Pensions Law and Pension Regulations. The Trustee has established an Investment and Funding Committee ("IFC"), which focuses on investment issues.

In particular, the IFC monitors, appoints and removes investment managers, considers tactical investment opportunities, manages the relationship with the Trustee's investment advisors and makes recommendations to the Board on investment strategy and the DB SIP. The IFC also manages the relationship with the actuary, makes recommendations to the full Trustee Board on actuarial valuation assumptions, and monitors the recovery plan and schedule of contributions.

Both the Trustee and IFC receive advice from their investment and actuarial advisors, Hymans Robertson LLP. Eversheds Sutherland LLP acts as the Trustee's legal advisor.

Through the IFC, ongoing dialogue with the Sponsor is maintained to ensure all parties are aware of the current approach for assessing and managing investment and actuarial issues.

The IFC will meet at least three times a year at appropriate times in the reporting and audit cycle. Over 2023, the IFC met 4 times. The meetings are minuted to capture the proceedings and decisions made, which are then circulated to the full Trustee Board.

There have been no changes to the governance processes during the last year.

The Trustee has delegated day-to-day investment decisions, including stewardship of the Plan's investments, in addition to which investments to buy and sell, to the investment managers for the DB section.

The Trustee monitors how well its Advisor meets the objectives agreed with them, which are designed to align with the Trustee's objectives and investment strategy set out in the SIP. The Trustee has the following DB objectives with the Advisor:

- Advise on a suitable investment strategy, and amendments to the strategy, to deliver the required investment returns from the Plan's investments to support the long-term funding objective;
- Implement a strategy, and amendments to the strategy, that delivers the target returns whilst minimising the associated risk;
- Maintain progress along the agreed journey plan and advise on potential solutions if the journey plan is not on track;
- Deliver an investment approach that reflects the Plan's cashflow position, and likely evolution, and minimises the risk of forced disinvestment;
- Provide advice on cost efficient implementation of the Trustee's strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management, selection of managers;
- Provide relevant and timely advice;
- Develop Trustee knowledge and understanding of the Plan's investment strategy, its implementation and investment matters;
- Provide suitable reporting for the Trustee to understand the Plan's progress towards its investment objectives;
- Ensure advice complies with relevant pensions regulations, legislation and supporting guidance;
- Ensure the Trustee meets the relevant pensions regulations and legislation relating to investment, including the Plan's SIP and approach to responsible investment.

The IFC carried out an evidence-based review of the Advisor's performance against these objectives in December 2023 and was satisfied that they had been achieved for the year. This involved rating the Advisor against the different objectives.

To facilitate meeting those objectives, the Trustee undertook the following during the last year to ensure that their knowledge of investment matters remains up to date:

**Table 1 – DB-related Trustee training over the 12-month period to 31 December 2023**

Date	Topic	Aim	Trainer
<b>January 2023</b>	Diversity, Equity and Inclusion (DEI)	A training session on the importance of DEI was delivered to the full Trustee Board. The session covered a background to DEI, including the importance of DEI for the Trustee Board and Plan operations.	Eversheds
<b>March 2023</b>	Discretions	A training session on Trustee discretions was delivered to the full Trustee Board. The session covered discretionary powers, ways to exercise discretion, reasonable enquiries and the decision-making process.	Eversheds
<b>May 2023</b>	Actuarial, Investment and Funding	A Trustee induction training session was delivered to new Trustee Directors. The session covered the purpose of funding valuations, an overview of the Plan's objectives and current investment strategy as well as the roles and responsibilities of Insight, Hymans and the Trustee.	Hymans Robertson LLP
<b>June 2023</b>	Pensions accounting, assurance, and regulations	A training session on Audit, Accounts and Annual reports was delivered to the full Trustee Board. The session covered climate change reporting, compliance of Plan website on environmental, social and governance ("ESG") disclosures, TPR funding code consultation and pensions dashboard.	KPMG
<b>July 2023</b>	Personal Data Breaches	A training session on Data Breaches was delivered to the full Trustee Board. The session included an overview of what a data breach is, procedures for a data breach and case studies.	Internal
<b>September 2023</b>	Responsible Investment	A training session on Responsible Investment was delivered to the full Trustee Board. The session included an overview of Responsible Investment, ESG and Climate Risk, compliance with regulatory requirements, the Plan's progress to-date on RI matters and an illustrative plan for the next 12-18 months.	Hymans Robertson LLP

Date	Topic	Aim	Trainer
September 2023	Conversance	A training session on Conversance was delivered to the full Trustee Board. The session included an overview of TKU requirements, navigating the Trust Deed and rules and balance of powers.	Eversheds
December 2023	Conflicts of Interest	A training session on Conflicts of Interest was delivered to the full Trustee Board. The session included an introduction to types of conflicts, the problem of conflicts, the Regulator's guidance, managing conflicts and a case study example.	Eversheds

**The Trustee is satisfied that during the last year:**

- **The Plan's DB governance structure was appropriate;**
- **The Trustee has maintained its understanding of investment matters; and**
- **Its Advisor met the agreed objectives.**

### How the investment strategy is managed

The objectives and rationale for the investment strategy is set out in the Plan's current SIP on pages 1 and 2.

In 2023, the Trustee reviewed the Plan's investment strategy following the gilt yield volatility and increased collateral requirements, assessing the long-term objective and likelihood of the Plan meeting it. As a result, the Trustee decided to return its equity allocation back towards the Plan's 5% target allocation.

### How investments are chosen

The Trustee has developed a set of investment beliefs which it uses as a guide when making investment decisions.

The Trustee has considered the duration of the Plan's liabilities when choosing and reviewing the funds.

The Trustee reviews the performance of its manager and mandates on a regular basis against a series of metrics, including, but not limited to, financial performance against the benchmark and objectives of the mandate and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

The Trustee monitors the performance of the funds used by the DB section of the Plan by:

- Reviewing of quarterly investment performance reports;
- Meeting with the managers on a periodic basis;
- Engaging with the Advisor.

Over the year, the Trustee monitored fund performance relative to the manager's respective benchmarks and targets on a quarterly basis. The Trustee is comfortable with the current positioning of the Plan's asset allocation.

**The Trustee is satisfied that during the last year:**

- **The Plan's overall investment strategy was appropriate;**
- **The actions taken by the managers to navigate market conditions were appropriate.**

### **The expected risks and returns in the DB section of the Plan**

The investment risks relating to the DB section are described in the SIP on pages 4 and 5, and the expected return is described in the SIP on page 5.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Plan invests in over the longer-term), and the style of management adopted by the Plan.

**The Trustee believes that the main investment risks described in the SIP have not changed materially over the year.**

**The Trustee is satisfied that the current expected rates of investment return for the types of funds described in the SIP are still reasonable relative to the risks.**

**The Trustee is satisfied that through a diversified portfolio, systemic risk can be mitigated, and accept that it is not possible to make specific provision for all possible eventualities.**

### **Ability to invest / disinvest promptly**

It is important that member benefits can be received promptly, and that the Plan's investments can be realised quickly if required, as set out on page 5 of the SIP. The Trustee also ensures that the Plan has a robust process for the administration team processing cash payments to/from the Plan and to/from the investment funds.

**The Trustee is satisfied that money can be invested in and taken out of the majority of DB investments without delay, as set out in the SIP.**

### **Portfolio turnover within funds**

The Trustee monitors the performance of the assets net of costs on a quarterly basis and any material deviation in performance relative to target returns or benchmarks will warrant an investigation into the activity carried out by the fund manager, including the buying, and selling of assets. In this way, the Trustee indirectly monitors portfolio turnover and the associated transaction costs.

Over the last Plan year, the Trustee monitored short-, medium-, and long-term fund performance relative to the manager's respective benchmarks and targets on a quarterly basis. Deviations away from long-term targets for some of the funds was caused by yield volatility as well as increased geopolitical tensions. The Trustee has continued to engage regularly with all managers to monitor the relevant actions being taken by managers.

Portfolio turnover for the Plan's assets over the year to December 2023 is provided in Table 2.

**Table 2: Annual portfolio turnover for the Plan's open-ended funds over the year to 31 December 2023**

Open-ended funds	Annual portfolio turnover
Legal & General Investment Management ("LGIM") – RAFI Fundamental Global Reduced Carbon Pathway Index Fund	3.9%
M&G – European Loan Fund (ELF)	11.6%
Insight – High Grade ABS Fund	37.0%
Insight – Liquid ABS Fund	70.5%
Insight – Global ABS Fund	40.5%
Insight – Secured Finance II Fund	31.0%
Insight – Buy & Maintain Sub-Portfolio	2.8%
Insight – LDI	9.0%

Source: Investment Manager. Turnover figures reflect the purchases/sales of gilts within the LDI sub-portfolio only.

Short-term changes in the level of turnover may be expected when a manager alters its investment strategy in response to changing market conditions. However, a change in the level of portfolio turnover might indicate a shift in the amount of risk the manager is taking, which could mean that a fund is less likely to meet the objectives for which it was chosen by the Trustee.

During 2022, there was a higher volume of turnover within Insight's Buy & Maintain Sub-Portfolio and pooled ABS funds during 2022, predominantly caused by the UK gilt crisis in September and October 2022 which led to a significant outflow from the funds. In 2023, the turnover has decreased towards norms. For the ABS pooled funds specifically, turnover remains elevated, as the subsequent recovery saw larger inflows back into these funds. As a result, the level of purchases were greater than sales for the ABS pooled funds. Portfolio turnover in the Secured Finance II Fund remained biased towards meeting outflows over 2023, with investors generally increasing the liquidity of their wider investment strategies.

The Trustee carried out a review of investment costs, including transaction costs as a result of turnover, incurred across the portfolio over the 12-month period to 31 March 2023. Results from the review have shown that the investment costs over the period have decreased compared with the fees previously reported to the Trustee, with total costs incurred by the Plan at c.£2.0m (c.0.5% of assets). The Trustee carries out this review on an annual basis.

**Over the year, the Trustee has monitored performance for all the funds on a quarterly basis and discussed performance with the Plan's Advisor. The Trustee has not identified any instances of material deviations in performance, which would warrant any further investigation into portfolio turnover. As a result, the Trustee is satisfied with the degree of portfolio turnover over the period.**

### Security of the assets

In addition to the normal investment risks faced when investing in the funds used by the Plan, the security of funds in the Plan depend upon:

- The financial strength of the fund managers; and
- The legal structure of the funds the Plan invests in.

The financial strength of the fund managers has a bearing on the risk of losses to the Plan's members caused by the remote chance of one of these institutions getting into financial difficulties. The legal structure of the funds

used has a bearing on the degree to which the funds' assets are "ring-fenced" from the rest of the fund managers' business in the unlikely event that the manager becomes insolvent.

**There have been no changes to the structure of the funds used by the Plan during the last year. The Trustee is not aware of any material changes in the financial strength of the fund managers over the year.**

### Conflicts of interest

As described on page 7 of the SIP, the Trustee considers potential conflicts of interest by:

- Maintaining a register of interest for Trustee directors and its Advisor, which is regularly reviewed;
- Ensuring that the investment managers have appropriate conflicts of interest policies in place; and
- Considering the impact of any conflicts of interest arising in the management of funds used by the Plan, when given notice.

The Trustee expects the fund manager to invest the Plan's assets in the members' best interests. With the aim of ensuring long-term, sustainable returns to provide benefits to the Plan's members, the fund managers are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meets regularly with its fund managers to monitor their performance and conflicts of interest, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights.

The Plan's asset managers have conflicts of interest policies in place. The managers have not disclosed any potential or actual conflict over the period. The Trustee formally asks managers to confirm any conflicts of interest when managers meet with the Trustee.

**The Trustee is satisfied that there have been no material conflicts of interest disclosed during the year which might affect members' benefit expectations or the running of the Plan.**

### Manager incentives

As described on pages 2 and 3 of the SIP, the Trustee seeks to ensure that the fund managers are suitably incentivised to deliver investment performance in keeping with the funds' stated benchmark or target. The Trustee monitors the actual fees paid to the managers on a quarterly basis and compares the actual fees paid to estimates set at the start of the year. The Trustee also monitors its fund managers' performance against their respective benchmark or target on a quarterly basis over a 3-year time horizon and expects managers to explain any major deviations.

The Trustee will periodically formally ask managers to confirm any changes to their internal remuneration policy when managers meet with the Trustee.

Following investor approval to extend the fund life of the M&G Debt Opportunities Fund III to December 2023, the annual management fee was reduced to 0.75%. In December 2023, the fund life was extended an additional year to 31 December 2024. The management fee has been reduced to 0% p.a. from 1 January 2024 onwards.

**The Trustee is satisfied that the fees paid to managers over the year were appropriate and that the managers are suitably incentivised to deliver good outcomes for the Plan.**

### Responsible Investment

The Trustee believes that managing the risks that environmental factors (including climate change), social factors (such as the use of child labour) and corporate governance behaviour, collectively called "ESG" factors, can have on the value of the Plan's investments is important.

The Trustee believes in the principles of responsible investment, which means that it expects its investment managers to consider ESG factors in investment decision-making and take an active role as a steward of its capital. In practice, this may mean understanding how an investee company affects or is dependent on social and environmental systems, and how this can have material financial implications over the long term. From this perspective, the Trustee believes capital value is best protected and this approach supports the Plan's investment objectives and members' best interests.

The Trustee is currently reviewing the Plan's approach to responsible investing which includes formalising a set of Responsible Investment beliefs. Once agreed, a Responsible Investment Policy will be created which will be reviewed periodically. Furthermore, the Trustee is considering setting the Plan a net-zero alignment objective and considering updating the investment advisor objectives to include a Responsible Investment-related objective.

**The Trustee's approach to responsible investing has not changed during the last year but is currently being reviewed.**

**The Trustee's approach to sustainable investing has not changed during the last year. The Trustee is satisfied that during the year the Plan's investments were invested in accordance with the policies on sustainable investing and consideration of financially material factors set out in the SIP.**

### Policy implementation

In line with the SIP, no specific actions over the past year have been considered with respect to non-financially material factors in the development and implementation of the Plan's investment strategy. As outlined on page 7 of the SIP, the Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustee's own engagement activity is focused on its dialogue with the investment managers which is undertaken in conjunction with the Advisor. The Trustee meets regularly with its managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by the Advisor. Over the past 12 months, the Trustee has met with 3 of its 6 DB section managers. This information is shown in Table 5.

### Stewardship policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Plan's assets which includes the Trustee's approach to:

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

The Trustee has adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long-term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy. A link to the investment managers' voting policies can be found in the Appendix.

Within the quarterly investment monitoring reports, the Trustee monitors each investment manager's ability to ensure that each manager considers environmental, social and governance risk factors into their investment decision making process and exercise good stewardship over the underlying holdings. The Trustee monitors the



extent to which the investment managers do this through dialogue with the investment manager at quarterly meetings and via Responsible Investment ratings which are provided by the Advisor.

The Plan is not a part of investor collaborations or initiatives itself but does recognise that such efforts can be supportive of the Plan's investment objectives. As such, the Trustee welcomes that its appointed investment managers (and Advisors) are active participants in relevant groups, be this to support overall well-functioning financial markets or through focussed thematic engagement efforts. This is consistent with its approach of delegating certain rights and responsibilities and is considered to be a component of an investment manager's stewardship efforts.

The Plan's investment managers list the initiatives that they are part of in their Stewardship Code submissions and on their websites. As this participation is extensive in each case, a full list is not presented here. As the Trustee is in the process of defining its Responsible Investment beliefs, with a view to setting itself stewardship priorities in the future, it plans to assess how its investment managers align with expectations on these topics over the coming period through engagement at IFC meetings.

At present, the Trustee does not have any stewardship priorities or themes in place. The Plan's Stewardship Policy is reviewed on a periodic basis, in line with the Plan's SIP review. The Trustee has committed to reviewing the managers' stewardship policies on a periodic basis.

**The Trustee is satisfied that the rights and responsibilities that are delegated to asset managers are being acted upon in a satisfactory manner. There has been no change to the Responsible Investment ratings over the year.**

### Voting Activity

The Trustee periodically reviews the fund managers' approaches to stewardship including voting and engagement policies. The voting process has not changed over the year with responsibility for investment decisions delegated to the investment managers. Where managers are responsible for investing in a new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee seeks to ensure that its managers are exercising voting rights, and where appropriate, to monitor manager voting patterns. The Trustee also monitors investment managers' voting on particular companies or issues that affect more than one company.

Based on the information provided by the managers, voting statistics are provided in Tables 3 and 4. The reported information is based on full disclosure by LGIM and M&G. The Trustee does not believe that any information is missing.

The managers have been unable to provide a breakdown into type of issue, including environmental, social and governance issues, for this statement.

The M&G Debt Opportunities Fund III focuses on distressed investments which involve taking equity and debt positions in significantly underperforming companies. Therefore, the manager often takes majority control of its assets and liaise with top management on a regular basis. Consequently, any vote presented to the board has already been discussed with the manager which means it is not a mandate with conventional voting rights. The mandate does not make use of a proxy voting service.

**Table 3: LGIM voting data for the year to 31 December 2023**

LGIM RAFI Fundamental Global Reduced Carbon Pathway Index Fund	
Proportion of Plan's DB assets as of 31 December 2023	5.2%
Did the manager employ the house voting policy in managing the fund?	Yes

LGIM RAFI Fundamental Global Reduced Carbon Pathway Index Fund	
Was use made of any proxy voting service during the year?	Yes – LGIM uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM.
No. of meetings eligible to vote at during the year	3,286
No. of resolutions eligible to vote on during the year	37,471
% of resolutions voted	99.9%
% of resolutions voted with management	79.0%
% of resolutions voted against management	20.5%
% of resolutions abstained	0.5%
% of meetings with at least one vote against management	68.6%

*\*Numbers may not sum to 100% due to rounding differences. Source: Investment Manager*

**Table 4: M&G voting data for the year to 31 December 2023**

Debt Opportunities Fund III	
Proportion of Plan's DB assets as of 31 December 2023	1.9%
Did the manager employ the house voting policy in managing the fund?	Yes
Was use made of any proxy voting service during the year?	No
No. of meetings eligible to vote at during the year	23
No. of resolutions eligible to vote on during the year	32
% of resolutions voted	100%
% of resolutions voted with management	100%
% of resolutions voted against management	-
% of resolutions abstained	-
% of meetings with at least one vote against management	-

*\*Numbers may not sum to 100% due to rounding differences. Source: Investment Manager*

### Significant votes

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes identified were significant, 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. The majority of public companies hold their Annual General Meeting (AGM) during the second quarter of each year.

Based on the information provided by the managers, the most significant votes undertaken on behalf of the Trustee are outlined in the Appendix. All significant votes are via the Plan's equity manager, LGIM. The Plan's other mandate with voting rights (M&G DOFIII) does not have a process in place to record significant votes although voting within this mandate is expected to be limited given the size and number of remaining positions within the mandate. The M&G DOF III mandate is not an equity manager with conventional voting rights and so it may be more difficult to determine votes with particular significance.

Significant votes can be determined by alignment with any key stewardship priorities or themes identified by a scheme, and/or defined as those that have a large relative size of holding in portfolio, potential impact of vote on company, profile of resolution, among others. At present, the Plan does not have any key stewardship priorities or themes. Therefore, the Appendix provides a list of significant votes that are defined as those with a large relative size of holding in the portfolio, potential impact of vote on company, or profile of resolution, among others. When collating the information, the Trustee assesses the significant votes that are recorded and engages with LGIM as appropriate where there are concerns.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. LGIM do not engage with investee companies in the three weeks prior to an AGM as LGIM note that their engagement is not limited to shareholder meeting topics. For each of the significant votes listed, LGIM have confirmed that they will continue to engage with the investee companies, publicly advocate their position, and will monitor company and market-level progress on the issues considered. Links to LGIM's engagement and voting policies can be found in the Appendix.

**The Trustee is satisfied that the fund managers' activity over the period remains aligned with the Stewardship Policy described in the SIP.**

### Engagement activity

The Trustee holds meetings with its investment managers on a regular basis where stewardship issues are discussed in further detail. The Trustee asks all of its managers to provide examples of how they have integrated ESG considerations into the ongoing management of the respective funds, challenging them and asking the manager to provide further evidence if appropriate.

Over the year, the Trustee met with 3 of its 6 DB investment fund managers. The Trustee did not meet with any manager in Q1 2023 to prioritise reviewing the Plan's investment strategy. The Trustee has met with M&G and Insight in 2024 whilst the other two managers it did not meet (DWS and Patrizia) manage funds that are currently in wind down and represent a minimal proportion of the Plan's assets.

**Table 5: Trustee's engagement activity with investment managers over the year to 31 December 2023**

Date	Fund manager	Subject discussed	Outcome
17 May 2023	Insight	<ul style="list-style-type: none"> <li>Gilt and corporate bond market update</li> <li>Update on the LDI collateral pool and current regulatory guidance on LDI collateral buffer</li> <li>Usage of credit repurchase agreements and other derivative instruments</li> <li>Portfolio management review of the LDI and Buy &amp; Maintain sub-portfolios</li> <li>The turnover analysis and transactions for the B&amp;M portfolio</li> </ul>	<p>The IFC found the presentation useful: it clarified the reasoning for many of the actions the investment manager undertook over the quarter.</p> <p>The IFC instructed Hymans Robertson to liaise with Insight to update the Investment Management Agreement for updated liability cashflows and the external asset assumptions to ensure that Insight manage the solution as accurately as possible.</p>
13 September 2023	LGIM	<ul style="list-style-type: none"> <li>Fund activity and performance</li> <li>Market update</li> </ul>	The IFC found the update useful and had no further actions for LGIM following the meeting.

Date	Fund manager	Subject discussed	Outcome
		<ul style="list-style-type: none"> <li>How ESG is incorporated into their investment process and examples of engagement and voting activity</li> <li>The fund's objective to reduce its carbon exposure in line with global cap indices</li> </ul>	
12 October 2023	Insight	<ul style="list-style-type: none"> <li>Insight business update with focus on the integrated solutions proposition</li> <li>Refresh of the integrated solutions framework and business update</li> <li>Roles and responsibilities of the team</li> <li>Implications of the Mansion House Speech</li> <li>Portfolio management review of the LDI and B&amp;M sub-portfolios</li> <li>Training on Secured Finance assets</li> <li>Approach to ESG within the integrated solutions framework</li> </ul>	<p>The IFC found the site visit at Insight's offices beneficial and thought the day was well structured. They were satisfied that the integrated solution was meeting its objective and also noted that the discussion on ESG integration was very well articulated.</p> <p>The IFC instructed Hymans Robertson to monitor the level of investment into Insight's integrated solutions framework on an ongoing basis and consult with Insight to provide regular information on ESG integration developments within Secured Finance assets.</p>
22 November 2023	Partners Group	<ul style="list-style-type: none"> <li>Business update</li> <li>Portfolio update and RAG analysis of the underlying loans</li> <li>Cashflow distribution forecast</li> <li>Extension of fund maturity to October 2024</li> <li>How ESG is incorporated into their investment process</li> </ul>	<p>The IFC was content with the update and had no further actions for Partners Group following the meeting. They noted that Partners may seek an additional year extension and if so the fees would be subject to a zero-fee arrangement.</p> <p>The IFC asked Hymans Robertson LLP to source the latest cashflow forecast to ensure that the investment strategy is building in the latest assumptions.</p>

### Summary of manager engagement activity

The following table summarises the key engagement activity for the DB managers over the year. LGIM have provided the geographic breakdown of their engagement information for the Plan's equity holdings. For the Plan's other investment managers, this information has not been provided. At present, the Trustee does not have any stewardship priorities or themes in place and therefore has not detailed how effective the manager's activities were in achieving the Trustee's aims.

**Table 6 – Summary of management activity**

Fund	Number of engagements	Topic engaged on
LGIM - RAFI Fundamental Global Reduced Carbon Pathway Index Fund	<p>3,286 eligible meetings to vote at.</p> <p>37,471 eligible resolutions to vote on (voted 99.9%).</p> <p>The fund manager made a total number of 664 engagements over the year, with 423 unique companies engaged with equating to 44% of the fund value.</p> <p>A geographic breakdown of engagements is broadly as follows:</p> <ul style="list-style-type: none"> <li>• 13% Asia-Pacific</li> <li>• 19% Emerging Markets</li> <li>• 18% Europe</li> <li>• 8% Japan</li> <li>• 35% North America</li> <li>• 8% UK</li> </ul>	<p>Significant votes on climate change and alignment with the Paris Agreement, diversity in the election of board directors and governance regarding board accountability were all engaged on.</p> <p>The manager made 624 engagements on environmental items, 99 on social, and 165 on governance items. The top five topics engaged on were climate impact pledge, climate change, remuneration, deforestation and board composition.</p>
M&G - Debt Opportunities Fund III	<p>23 eligible meetings to vote at.</p> <p>32 eligible resolutions to vote on (voted 100%).</p> <p>The manager has actively engaged with 4 of 5 issuers in the fund over the year. M&amp;G's ownership in one of the assets decreased over the year such that they are no longer board observers.</p> <p>In determining their vote, a number of factors will be taken into consideration including M&amp;G's voting policy, company specific information and the extent to which M&amp;G have been able to obtain additional information to make an informed decision. Ultimately, every proposal will be evaluated on its merits, based on circumstances relevant to each individual company.</p>	<p>Ongoing engagement with management on business plans, director changes and corporate governance processes.</p>
DWS - Pan European Infrastructure Fund III	<p>No voting rights for the fund. The manager has been unable to provide engagement data at Fund level so has provided the data at Firm level.</p>	<p>Specifically Net Zero/Science-based targets, executive compensation, board independence, auditor queries, board</p>

Fund	Number of engagements	Topic engaged on
	<p>In 2023, at a firm-wide level, DWS Group voted at 5,563 general meetings of 4,012 investee companies.</p> <p>In 2023, the manager held 624 engagements with 541 investee companies. Out of an overall 624 engagements in 2023, 502 included governance related topics, for 194 meetings DWS discussed social topics, and in 387 meetings environmental issues were raised.</p>	composition, climate change management and disclosures, board diversity, water.
Patrizia - TransEuropean Property V	<p>No voting rights for the fund.</p> <p>The TransEuropean V Limited Partnership is currently in the process of winding down. There are currently no standing assets left in the fund.</p> <p>Four quarterly investor calls.</p>	Report & Accounts, appointment of auditor, quarterly fund review and progression of wind-up.
M&G - European Loans Fund	<p>No voting rights for the fund.</p> <p>M&amp;G's leveraged finance team carried out 35 engagements across 16 issuers and 1 sponsor.</p> <p>There were 19 engagements on Social topics, 11 on Environmental and 5 on Governance. M&amp;G's Stewardship and Sustainability team attend the engagement meetings alongside the fixed income team.</p>	Net Zero and decarbonisation, Diversity and Inclusion, Modern Slavery, Cyber Security as well as Business Oversight and Risk Management.
Partners Group - Multi Asset Credit 2017	<p>The fund has voting rights but given the minority positions Partners do not determine nor influence the vote.</p> <p>The fund is currently in its realisation (run-off) phase and currently holds an active portfolio of 16 loans.</p> <p>The manager has actively engaged with 4 issuers in the fund over the year. This included refinancing and realisation of first and second lien debt, restructuring progress, a call with management and an investment extension.</p>	Debt refinancing, restructuring, financial performance and business updates.

Fund	Number of engagements	Topic engaged on
Insight segregated account  (Buy and maintain bonds, LDI, secured finance and asset-backed securities)	No voting rights for this account.  Within the Buy and Maintain portfolio, Insight conducted 53 interactions with 26 issuers, equivalent to 51% of the portfolio's assets.  Within the LDI portfolio, Insight engaged with seven counterparty banks on ESG dialogue.  Within the Secured Finance II Fund and the pooled asset-backed securities funds (Liquid ABS, High Grade ABS and Global ABS), the manager engaged with c.65 issuers with a total of c.70 engagements. The issuers whom Insight engage with across these funds are broadly the same.	Climate change, water, diversity and inclusion, ESG-linked remuneration, thermal coal, ESG data provision, ESG considerations in loan origination and underwriting process.  The manager has been unable to disclose the outcome of their engagement activity for their pooled funds for this exercise.

Source: Investment Manager

**The Trustee is satisfied that the fund managers' voting and engagement activity over the period remains aligned with the expectations of the Trustee, and is in the members' best interests.**

### More information

The Trustee hopes this statement helps you understand how the Plan's DB investments been managed over the year.

If you want any more information on how the Plan is run, please visit [www.affinitywaterpensions.co.uk](http://www.affinitywaterpensions.co.uk). If you have any questions, please contact Hymans Robertson on 0207 082 6182 ([affinity@hymans.co.uk](mailto:affinity@hymans.co.uk)).

## Appendix – LGIM and M&G voting policy

### **LGIM**

[https://www.lgim.com/landg-assets/lgim/\\_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf)

<https://www.lgim.com/uk/en/capabilities/investment-stewardship/>

### **M&G**

<https://www.mandg.com/~media/Files/M/MandG-Plc/documents/responsible-investing/stewardship/voting-policy-2023.pdf>



## Appendix - LGIM significant votes for the year to 31 December 2023

Date	Company	% of LGIM RAFI	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Outcome	Lessons Learnt and Next Steps
23/05/2023	Shell Plc	1.1	Resolution 25 - Approve Shell Energy Transition Progress (Environmental)	LGIM voted against the resolution. LGIM were concerned by the lack of disclosure surrounding future oil and gas production plans and targets.	A vote against was applied as LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario.	80% of the vote against the resolution.	LGIM will undertake extensive engagement with Shell on its climate transition plans
24/05/2023	Amazon.com Inc	0.6	Resolution 13 - Report on Median and Adjusted Gender/Racial Pay Gaps (Social)	LGIM voted for the resolution. LGIM expect companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gaps.	LGIM considers this vote significant as they view gender diversity as a financially material issue for clients, with implications for the assets managed on their behalf.	29% of the vote in favour of the resolution.	LGIM will engage with the company and monitor progress.
03/04/2023	Broadcom Inc.	0.2	Resolution 1g- Elect Director Henry Samueli (Environmental)	LGIM voted against the resolution as they expect companies to meet minimum standards with regard to climate risk management.	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, with their flagship engagement programme targeting companies in climate-critical sectors.	97.8% of the vote against the resolution.	LGIM will engage with the company and monitor progress.

Date	Company	% of LGIM RAFI	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Outcome	Lessons Learnt and Next Steps
02/05/2023	Bristol-Myers Squibb Company	0.2	Resolution 1C- Elect Director Giovanni Caforio  (Governance)	LGIM voted against the resolution. LGIM expect companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	LGIM considers this vote significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	92.4% of the vote against the resolution.	LGIM will engage with their investee companies and publicly advocate their position on these issues.
05/04/2023	Hewlett Packard Enterprise	0.1	Resolution 1k- Elect Director Gary M. Reiner  (Social)	LGIM voted against the resolution. A vote against is applied as the company has an all-male Executive Committee.	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.	96.1% of the vote against the resolution.	LGIM will engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
25/05/2023	McDonald's Corporation	0.2	Resolution 5- To Adopt Policy to Phase out use of Medically-Important Antibiotics in Beef and Pork Supply Chain.  (Environmental)	LGIM voted for the resolution. Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and they consider AMR to be a systemic risk. The resolution asks McDonald's to adopt a company-wide policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply	LGIM considers this vote to be significant as Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and they consider AMR to be a systemic risk.	16.3% of the vote in favour of the resolution.	LGIM will engage with the company and monitor progress.

Date	Company	% of LGIM RAFI	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Outcome	Lessons Learnt and Next Steps
				chains and to set targets with timelines, metrics for measuring implementation, and third-party verification.			
14/06/2023	Toyota Motor Corp.	0.5	Resolution 4 - Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement  (Environmental)	LGIM voted for the resolution. LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment.	LGIM considers this vote significant as they believe that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors.	15.1% of the vote in favour of the resolution.	LGIM will engage with the company and monitor progress.
05/05/2023	AbbVie Inc..	0.3	Resolution 5 - Adopt Simple Majority Vote  (Governance)	LGIM voted for the resolution. A vote in favour is applied as reducing the supplementary vote requirement will improve minority shareholder rights.	LGIM considers this vote significant due to the relatively high level of support received.	53.2% of the vote in favour of the resolution.	LGIM will monitor the board's response to the relatively high level of support received for this resolution.