

The Markem Pension Scheme

**Annual Implementation
Statement – Scheme year
ending December 2024**

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1. Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of the Markem Pension Scheme (“the Scheme”) covering the scheme year (“the year”) to 31 December 2024.

The purpose of this statement is to set out:

- Set out how, and the extent to which, in the opinion of the trustees, the Scheme’s engagement policy (required under regulation 23c of the Occupational Pension Schemes Investment Regulations 2005) has been followed during the year;
- Describe the voting behaviour by, or on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) during the year and state any use of services of a proxy voter during that year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the Statement of Investment Principles (“SIP”) are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact. In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s DB assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers the policies and principles set out in the Trustee’s SIP.

A copy of this implementation statement and a copy of the most recent SIP have been made available on the following website: <https://schemes.vidett.com/markem-pension-scheme/>

2. Voting and engagement

Investment manager and company-level engagement

As set out above, the Trustee has delegated responsibility to the Fiduciary Manager to implement the Trustee’s agreed investment strategy, including making certain decisions about investments (including asset allocation and manager selection/deselection) in compliance with Sections 34 and 36 of the Pensions Act. The Fiduciary Manager is therefore responsible for managing the sustainability of the portfolio and how Environmental, Social and Governance (“ESG”) factors are allowed for in the portfolio.

The Trustee’s view is that ESG factors can have a significant impact on investment returns, particularly over the long-term. As a result, the Trustee believes that the incorporation of ESG factors is in the best long-term financial interests of its members. The Trustee has appointed a Fiduciary Manager who shares this view and has fully embedded the consideration of ESG factors in its processes. The Trustee incorporates an assessment of the Fiduciary Manager’s performance in this area as part of its overall assessment of the Fiduciary Manager’s performance.

The Fiduciary Manager’s process for selecting, monitoring and de-selecting managers explicitly and formally includes an assessment of a manager’s approach to sustainable investments (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). Where ESG factors are particularly influential to outcomes, the Fiduciary Manager engages with investment managers to improve their processes.

The Trustee has identified climate change, biodiversity, diversity, and equity & inclusion as key areas of focus and priorities for voting and engagement for the Trustee. The Trustee considers that ESG risks, and in particular climate change, pose a financial risk to the Scheme and that focusing on these issues is ultimately consistent with the Trustee’s fiduciary duties and the financial security of its members.

The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Fiduciary Manager, and in turn to the Scheme’s investment managers. The day-to-day integration

of ESG considerations and stewardship activities (including consideration of all relevant matters, voting and engagement) are delegated to the Scheme's investment managers.

Through the engagement undertaken by the Fiduciary Manager, the Trustee expects investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates. The Fiduciary Manager considers the investment managers' policies and activities in relation to ESG and stewardship both at the appointment of a new manager and on an ongoing basis. The Fiduciary Manager engages with managers to improve their practices and may terminate a manager's appointment if they fail to demonstrate an acceptable level of practice in these areas. However, no managers were terminated on these grounds during the Year.

The Scheme is invested across a diverse range of asset classes which carry different ownership rights, for example fixed income whereby these holdings do not have voting rights attached. Therefore, voting information was only requested from the Scheme's equity managers as here there is a right to vote as an ultimate owner of a stock. Responses received are provided in the table below. Where managers provided multiple examples of votes", three of those that are deemed most significant and align with the key areas of focus and priorities for voting and engagement chosen by the Trustee are shown below.

Further information on the voting and engagement activities of the managers is provided in the table below. The Scheme's equity holdings are invested across the following pooled funds:

- Towers Watson Investment Management (TWIM) Global Equity Focus Fund - an active global equity fund managed by the Fiduciary Manager which invests in several underlying managers.
- Towers Watson Investment Management (TWIM) Core Diversified Fund - an active global multi-asset fund managed by the Fiduciary Manager which invests in several underlying managers.

Through the Scheme's investment in the Towers Watson Investment Management Core Diversified Fund (CDF), ESG is integrated in its investment processes and strategies through a Global Prime Real Estate strategy which has introduced climate filters as an explicit screen in the investment process following direct engagement with the manager. Additionally, the other notable investment within the CDF that incorporates climate in its strategy is the Climate Transition Index. The index seeks to reduce the negative financial impact to investors from declining valuations of companies adversely exposed to the climate transition, while capturing upside exposure from those listed companies that are positioned to benefit from the transition.

Through the Scheme's investment in the Towers Watson Global Equity Focus Fund (GEFF), ESG is integrated into its investment processes and strategies. GEFF incorporates sustainability considerations throughout its investment process, including manager research, selection, portfolio construction, and monitoring. Additionally, GEFF leverages the Global Equity Diversified Index (GEDI), providing low-cost, flexible implementation for investors to access smart beta and sustainability expertise. The GEDI integrates ESG considerations, Climate Transition Value at Risk (CTVaR), and decarbonisation pathways, ensuring alignment with long-term sustainability goals.

Voting table

The Trustee delegates the exercise of voting rights to its investment managers. Voting activity is undertaken in line with the voting policy of the investment manager. The Fiduciary Manager has assessed the investment manager's voting policy as part of its overall assessment of the investment manager's capabilities. The Fiduciary Manager considered the policy to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore in the best financial interests of the members. Additional oversight on the implementation of this policy is provided through the Fiduciary Manager's partnership with EOS at Federated Hermes (see below).

As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. The managers expect all underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. TWIM have appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of clients. In addition, EOS is expanding the remit of engagement activity they perform on TWIM's behalf beyond public equity markets, which the managers hope will enhance stewardship practices over time.

TWIM – Global Equity Focus Fund

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| Voting activity | <i>Number of votes eligible to cast:</i> | 3,184 |
| | <i>Percentage of eligible votes cast:</i> | 99.3% |
| | <i>Percentage of votes with management:</i> | 87.9% |
| | <i>Percentage of votes against management:</i> | 11.7% |
| | <i>Percentage of votes abstained from:</i> | 0.3% |
| Most significant votes cast: | <i>Company</i> | Eli Lilly and Company |
| | <i>Size of holdings</i> | 1.42% |
| | <i>Resolution</i> | Report on Effectiveness of Diversity, Equity, and Inclusion Efforts |
| | <i>Vote Cast</i> | For |
| | <i>Outcome</i> | Failed |
| | <i>Reason for identifying this vote as significant</i> | This voting example related back to the diversity, equity & inclusion priority which the Trustee has identified. |
| Most significant votes cast: | <i>Company</i> | Microsoft Corporation |
| | <i>Size of holdings</i> | 4.82% |
| | <i>Resolution</i> | Report on Risks of Using Artificial Intelligence and Machine Learning Tools for Oil and Gas Development and Production |
| | <i>Vote Cast</i> | "Against" the shareholder proposal (with Management) |
| | <i>Outcome</i> | Failed |
| | <i>Reason for identifying this vote as significant</i> | This voting example related back to the climate change priority which the Trustee has identified. |
| Use of proxy voting | The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services and EOS subscribes to ISS' voting research, which it uses as an input to its voting recommendations on behalf of clients, alongside research issued by other providers. The underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' | |

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| | shares. The underlying manager must provide an explanation and note their rationale when they choose to vote differently to the recommendation. |
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TWIM – Core Diversified Fund

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| Voting activity | <i>Number of votes eligible to cast:</i> | 38,815 |
| | <i>Percentage of eligible votes cast:</i> | 98.6% |
| | <i>Percentage of votes with management:</i> | 86.0% |
| | <i>Percentage of votes against management:</i> | 14.0% |
| | <i>Percentage of votes abstained from:</i> | 0.0% |
| Most significant votes cast | <i>Company</i> | Amazon.com, Inc. |
| | <i>Size of holdings</i> | 0.79% |
| | <i>Resolution</i> | Disclose All Material Scope 3 GHG Emissions |
| | <i>Vote Cast</i> | For |
| | <i>Outcome</i> | "For" the shareholder proposal (Against Management) |
| | <i>Reason for identifying this vote as significant</i> | This voting example related back to the climate change priority which the Trustee has identified. |
| Most significant votes cast | <i>Company</i> | Berkshire Hathaway Inc. |
| | <i>Size of holdings</i> | 0.30% |
| | <i>Resolution</i> | Report on Efforts to Measure, Disclose and Reduce GHG Emissions Associated with Underwriting, Insuring, and Investing |
| | <i>Vote Cast</i> | "For" the shareholder proposal (Against Management) |
| | <i>Outcome</i> | Failed |
| | <i>Reason for identifying this vote as significant</i> | This voting example related back to the climate change priority which the Trustee has identified. Given Warren Buffett's stature, his reluctance to be more assertive on this topic, even trailing industry peers, is a significant challenge to climate risk transparency and more broadly to Environmental stewardship. |

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| Most significant votes cast | <i>Company</i> | HCA Healthcare, Inc. |
| | <i>Size of holdings</i> | 0.21% |
| | <i>Resolution</i> | Report on Maternal Health Outcomes |
| | <i>Vote Cast</i> | "For" the shareholder proposal (Against Management) |
| | <i>Outcome</i> | Failed |
| | <i>Reason for identifying this vote as significant</i> | This voting example relates to the Trustee's priority on diversity, equity, and inclusion, supporting regular reporting to shareholders on HCA's progress in reducing maternal morbidities and eliminating racially and ethnically disparate pregnancy-related outcomes. |
| Most significant votes cast | <i>Company</i> | Walmart Inc. |
| | <i>Size of holdings</i> | 0.06% |
| | <i>Resolution</i> | Commission a Third Party Audit on Workplace Safety and Violence |
| | <i>Vote Cast</i> | "For" the shareholder proposal (Against Management) |
| | <i>Outcome</i> | Failed |
| | <i>Reason for identifying this vote as significant</i> | This voting example indirectly relates back to the climate change priority which the Trustee has identified, supporting greater management of ESG risks. |
| Use of proxy voting | The manager has engaged with Hermes Equity Ownership Services Limited (EOS) for proxy voting services. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendations. The underlying managers also use ISS to facilitate voting and provide research. The China equity manager within the fund uses Glass Lewis service where they have created a bespoke policy. | |

Industry-wide / public policy engagement:

As mentioned in the SIP, the Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) for several years to enhance its stewardship activities. One element of this partnership is undertaking public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is a risk related to climate change. The Fiduciary Manager represents client policies/sentiments to EOS via the Client Advisory Council, which its Head of Stewardship currently chairs. It applies EOS' services, from public policy engagement to corporate voting and engagement to several of its funds. Some highlights from EOS' activities over 2024:

- 994 companies engaged across regions on 4,267 issues and objectives
- 62 companies in their core programme featured engagements with the CEO or chair

- Making voting recommendations on 143,075 resolutions at 14,701 meetings, including recommended votes against 25,070 resolutions
- Participation in a range of global stewardship initiatives.

The Fiduciary Manager is also engaged in a number of industry-wide initiatives and collaborative engagements including:

- Signatory of the UK Stewardship Code
- Signatory of the Principles for Responsible Investment (PRI)
- ESG Data Convergence Initiative
- Member of the Institutional Investors Group on Climate Change (IIGCC)
- Asian Investors Group on Climate Change (AIGCC)
- Investment Consultants Sustainability Working Group
- The Diversity Project in the UK
- The Thinking Ahead Institute
- Supporter of the Transition Pathway Initiative

3. Conclusion

The Trustee considers that all policies and principles set out in the Scheme's Statement of Investment Principles were adhered to during the year. In particular, the Trustee is satisfied that ESG considerations and stewardship activities were effectively integrated within the fiduciary and investment manager processes.