

THE CITY AND GUILDS (1966) PENSION SCHEME

IMPLEMENTATION STATEMENT

YEAR ENDED 30 SEPTEMBER 2023

mechanics of liability hedging, the recapitalisation process and updated guidance from the regulator following the UK gilt crisis in September/October 2022.

During March 2023, the Trustee reviewed the Scheme's investment strategy. Following this review, the Trustee updated the Scheme's Strategic Asset Allocation and increased the target hedge ratio within the LDI mandate to 90% (of assets) for both interest rates and inflation. This was reflected in the Statement of Investment Principles adopted after Scheme year-end in December 2023. Implementation of this strategy was completed in December 2023.

Investment strategy

The Trustee's investment objectives are set out in the SIP.

The Scheme's investment objectives as at 30 September 2023 were as follows:

The acquisition of suitable assets of appropriate liquidity intended to generate income and capital growth appropriate to meet, together with contributions from the Institute, the cost of current and future benefits which the Scheme undertakes to provide as set out in the Trust Deed and Rules.

Target a return of Gilts+1.6% p.a. consistent with the 2020 actuarial valuation.

Look to generate this return as efficiently as possible given the governance constraints of the Scheme.

In seeking to achieve these objectives, the Trustee has agreed a Strategic Asset Allocation (SAA). In addition, the Trustee was targeting a 75% (of assets) hedge ratio for interest rates and inflation as at the Scheme year-end and the actual hedge ratios were in line with these targets at year-end. Post year-end (in the SIP adopted in December 2023) the Trustee updated its hedging policy to target a hedge ratio of 90% for both interest rates and inflation (also measured as a % of assets).

The table below sets out the SAA and control ranges that were in place as at the Scheme year-end, together with the actual asset allocation as at 30 September 2023. The Scheme's asset allocation was in-line with the asset allocation ranges set out in the Statement of Investment Principles. As at Scheme year-

THE CITY AND GUILDS (1966) PENSION SCHEME

IMPLEMENTATION STATEMENT

YEAR ENDED 30 SEPTEMBER 2023

Asset Class	Actual % of total assets*	Target % of total assets*	Ranges % of total assets	Performance index	benchmark
Total Return Seeking	47.8				

THE CITY AND GUILDS (1966) PENSION SCHEME
IMPLEMENTATION STATEMENT
YEAR ENDED 30 SEPTEMBER

THE CITY AND GUILDS (1966) PENSION SCHEME

THE CITY AND GUILDS (1966) PENSION SCHEME

IMPLEMENTATION STATEMENT

YEAR ENDED 30 SEPTEMBER 2023

Voting

The below table sets out the voting activity of the Scheme's equity and multi-asset investment managers, on behalf of the Trustee, over the year:

Asset class	Number of resolutions eligible to vote on	Proportion eligible votes voted	Of resolutions voted:*		
			For	Against	Abstained
Fulcrum DAR	14,455	100.0%	86.9%	11.2%	1.4%
TWIM Partners	25,856	93.7%	86.8%	12.9%	0.3%

**Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.*

THE CITY AND GUILDS (1966) PENSION SCHEME
IMPLEMENTATION STATEMENT
YEAR ENDED 30 SEPTEMBER 2023

Significant votes cast

Coverage in
portfolio

Company: Royal Bank Of Canada

Meeting date: 29 March 2023

Management resolution: Shareholder Proposal Regarding Say on Climate

How the manager voted: For

Rationale: This proposal requests that the Company establish an annual advisory vote policy regarding its environmental and climate change targets and action plan. Glass Lewis believes that unless there is evidence of egregious or illegal activity, the management of environmental and social issues associated with business operations are generally best left to management and directors who can be held accountable for failure to address relevant risks on these issues when they face re-election and recommend that

THE CITY AND GUILDS (1966) PENSION SCHEME
IMPLEMENTATION STATEMENT
YEAR ENDED 30 SEPTEMBER 2023

Company: Apple Inc.

Meeting date: 10 March 2023

Management resolution: Report on Median Gender/Racial Pay Gap

How the manager voted: For

Rationale: Shareholder proposal promotes better management of ESG opportunities and risks

TWIM
Partners

THE CITY AND GUILDS (1966) PENSION SCHEME

IMPLEMENTATION STATEMENT

YEAR ENDED 30 SEPTEMBER 2023

Engagement

The BlackRock Investment Stewardship team engages with public companies on behalf of all portfolio strategies at BlackRock. When engaging with a company BlackRock are focused on the long-term governance and business operational matters (including environmental and social considerations) that they believe are consistent with sustained financial performance. Each year BlackRock prioritises its engagement work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance for the Scheme. In 2023, the key focus for BlackRock was on board quality and effectiveness, strategy purpose and financial resilience, incentives aligned with value creation, climate and natural capital and company impacts on people.

Fulcrum is in general a top-down, global macro investor alongside a significant systematic business (in which the Scheme invests through the DAR mandate), investing across all asset classes. As single stock equities play a role in the DAR mandate, Fulcrum carefully monitors and engages with the issuers it invests in to guarantee suitable investment practices. This includes daily following of company announcements; meetings with executive management; or review of external research and company results. Shareholder engagement will usually be limited to the responsible exercise of voting rights. This is due primarily to Fulcrum's stance as a top-down macro investor and the often-insignificant holding of the issuer's outstanding shares or size of holding as it relates to the overall fund.

As a policy, Towers Watson Investment Management monitors the sustainable investment credentials of managers and reviews their policies and actions. Underlying investment managers are expected to undertake ESG integration and stewardship activities to the extent that it is practical. TWIM engages in a two-way dialogue with managers that can make improvements. As part of the ongoing research, areas of concern are highlighted to the manager alongside the rationale for concern. TWIM encourages the manager to resolve these issues within 12 months. Should there be little or no change, TWIM will attempt further engagement to understand the lack of progress and may take steps to review their rating for the strategy. Furthermore, the TWIM Partners Fund achieves the majority of its public equity exposure via the Towers Watson Global Equity Focus Fund (GEFF), where it has appointed EOS at Federated Hermes (EOS) to provide corporate engagement and voting recommendation services to enhance the efforts of the underlying managers. EOS directly engages with the underlying companies of the fund. EOS measures and monitors progress on all engagement, setting clear objectives and specific milestones for the most intensive engagements.