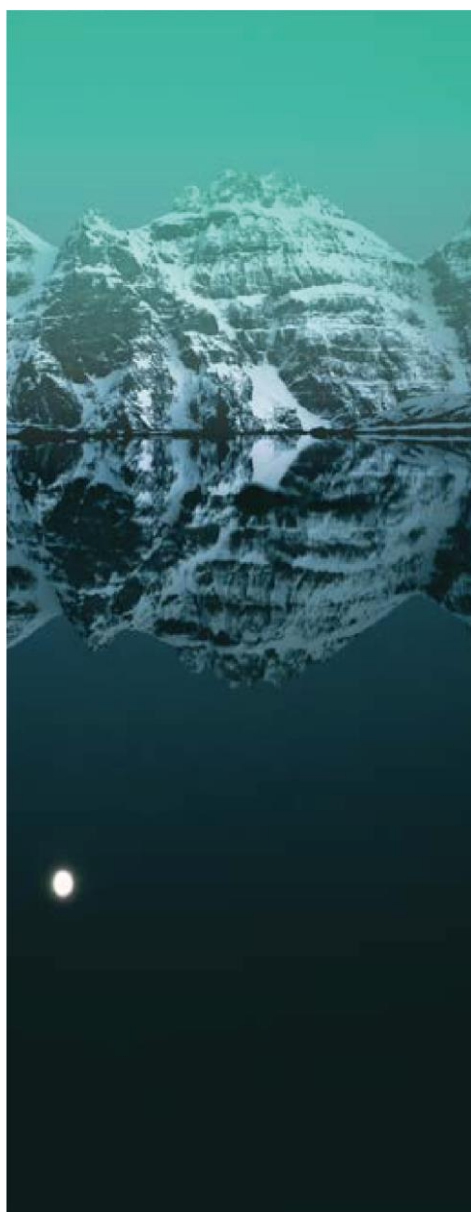


Godwin Pumps Limited Pension Scheme

Implementation Statement



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Introduction

This Implementation Statement ('Statement') is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. The Trustees of the Godwin Pumps Limited Pension Scheme (the 'Scheme') have prepared this Statement to provide stakeholders with a transparent and accurate review of how they have acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles (the "SIP") during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies ("Stewardship Policy") during the year; and
- Specifically, how the Scheme's investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustees to cover the accounting year, 1 May 2023 to 30 April 2024. However, due to how the data and information is collated from our service providers (in calendar quarters), the statistics and examples provided span the period 1 April 2023 to 31 March 2024.

The Statement is publicly available at <https://www.xylem.com/en-uk/about-xylem/defined-benefit-pension-schemes/>.

Executive summary

The day to day management of the Scheme's assets is delegated to Cardano Risk Management Limited (the "Fiduciary Manager"). In advance of the appointment, the Trustees took steps to ensure that the management of the Scheme's assets and the Fiduciary Manager's policies were aligned with the Trustees' own policies. The Trustees continue to monitor the Fiduciary Manager, as part of our regular interactions with them.

We monitor the voting and engagement activity of the Scheme's investment managers, and, through the Fiduciary Manager, challenge their decisions.

The Trustees focus their efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustees are comfortable that our Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers, and we receive a summary of the Fiduciary Manager's overall assessments once a quarter.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on any shares which are owned by the Scheme and engaging with the management of any companies or properties where an investment has been made.

1.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“The Trustees’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Scheme’s investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.”

Engagement

The Fiduciary Manager is responsible on an ongoing basis for engaging with our investment managers. For managers where it is expected to have a meaningful impact, the Fiduciary Manager monitors voting records and the level of engagement with underlying investments.

The Trustees have selected three stewardship priorities for investment manager engagement in order to improve alignment against our policies as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind, aiming to improve sustainability within the portfolio and have a direct real world impact to our members’ current and future landscape. The Trustees’ three stewardship priorities are:

- Climate Crisis
- Environmental Impact
- Human Rights

The Fiduciary Manager incorporates these themes into their voting practices and monitors manager disclosures to ensure alignment against our priorities. We have reported on this activity in this year’s Implementation Statement.

1.3. How have we implemented our Stewardship Policy?

Fund structuring

The Trustees hold investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustees and the Sponsor.

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Where investments are made in pooled funds the Trustees follow the voting and engagement policies of the investment managers of the pooled funds. However, the Trustees remain responsible for ensuring that the investment managers our Fiduciary Manager appoints act consistently with the Scheme's Stewardship Policy.

For example, in 2023 our Fiduciary Manager replaced some of our equity market exposures with a global fund that included explicit sustainability (as well as financial) performance targets. This enhanced the level of engagement possible with the companies we invest in and more actively aligned these efforts to our specific priorities.

External engagements

The Trustees assess that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. The Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, some of which are noted below.



Engagement beliefs

The development of engagement beliefs is an important responsibility for the Trustees. We have delegated the day-to-day implementation of our beliefs to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with our own. The beliefs driving the Fiduciary Manager's approach to engagement are as follows.

Quality over quantity

- The Fiduciary Manager is interested in a few meaningful quality engagements, with strong reporting (rather than, being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

- The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

- The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

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- Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

- Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

- The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

- The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. The Fiduciary Manager monitors our investment managers on an ongoing basis; ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach. The Fiduciary Manager closely monitors investment managers who do not meet our stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustees monitor voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. We categorise our managers according to how material voting and engagement is in their mandate. The Trustees focus their efforts on any managers where voting and engagement is material.

Compliance statement

To the best of our knowledge, the Trustees have complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Scheme and given the use of pooled funds, there is limited scope for the Trustees to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustees.

2.1. How did our managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations.

Cardano Global Sustainable Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1,104
Number of resolutions the manager was eligible to vote on over the year	12,589
% of eligible resolutions the manager voted on	99%
% of votes with management	83%
% of votes against management	17%
% of resolutions the manager abstained from	0%
% of resolutions linked to theme of Climate Crisis	0.1%
% of resolutions linked to theme of Environmental Impact	N/A*
% of resolutions linked to theme of Human Rights	0.1%

*No resolution on these themes were presented to the vote

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Scheme's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
Cardano	We have selected Glass Lewis as a proxy provider to deliver vote recommendation and execution services. Glass Lewis applies the custom voting policy of Cardano and an audit process is in place with Glass Lewis to ensure the policy is applied correctly.

2.3 Examples of significant votes

When collating voting statistics for our managers, we also asked our managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

Cardano Global Sustainable Equity Fund

Company Name	Summary of the resolution	How the manager voted	Outcome/next steps	Relevant engagement themes
Amazon	Shareholder resolution asking Amazon to commission an independent report to assess how the company's practices fit with its's Freedom of Association and collective bargaining as guaranteed by the ILO Declaration on Fundamental Principles and Rights at Work and UN Universal Declaration of Human Rights	Co-filed the resolution and supported it at the meeting	The shareholder resolution gathered 36% of support but did not pass	Human Rights

Company Name	Summary of the resolution	How the manager voted	Outcome/ next steps	Relevant engagement themes
Procter & Gamble	Re-election of board chair Jon Moeller, lead director Joseph Jimenez, the chair of the governance and public responsibility committee, Angela Braly; and director, Patricia Woertz, at the October 2023	Against – The rationale for the vote was that P&G should be making stronger commitments to achieving deforestation-free supply chains. Although for palm oil sourcing, there is a grievance mechanism in place and the use of satellite imagery, we found that the level of detail provided on how these risks are handled on the ground is lacking. At P&G's peers there is more responsibility and	Majority voted For all three directors were re-elected. Procter & Gamble remains in Cardano's engagement program on deforestation.	Biodiversity

AGM	<p>accountability taken for thorough engagement throughout the supply chain and a more deliberate and holistic approach to building a sustainable supply chain. P&G scaled back its commitment in its deforestation policy to not buy wood pulp from degraded forests. . Although it states that it makes up for this with new trees planted, removing old forest has a significant biodiversity impact that can't be replaced with reforestation efforts. These votes were applied to communicate our expectations for stronger leadership in this area.</p>
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Company Name	Summary of the resolution	How the manager voted	Outcome / next steps	Relevant engagement themes
Nordea Bank Abp	Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement	For – Cardano see banks and the financial sector as having a key role in the transition and supporting a resolution which encourages the company to align its business strategy to the Paris Agreement is important to achieve this.	Majority voted against Cardano will continue to support shareholder resolutions on the topic	Climate Crisis

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order to create a positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Scheme's investment managers where engagement should be a material activity in the management of the assets.

Cardano Global Sustainable Equity Fund

Key points	Engagement activity
<p>Engagement Theme: Living Wages</p> <p>Industry: Retail</p> <p>Outcome:</p> <ul style="list-style-type: none"> During engagement discussions, Sainsbury's announced a rise in its hourly rates for London based employees and all direct employees were receiving, at a minimum, the real living wage for the year 	<p>Cardano co-filed a resolution to encourage Sainsbury's to pay their employees a real living wage. The resolution was co-filed with the ShareAction Good Work Coalition, which engages companies to push for better working practices,</p> <p>There is a strong business case to say that companies with strong labour rights, policies and practices, including provision of a real living wage have a competitive advantage to attract and keep skilled employees.</p> <p>The resolution gathered 17% of shareholder support at the AGM and the announcement to pay all direct Sainsbury's employees a real living wage meant a pay rise for around 19,000 workers.</p>

Wellington

Key points	Engagement activity
<p>Engagement Theme: Climate Change</p> <p>Industry: Agriculture</p> <p>Outcome:</p> <ul style="list-style-type: none"> Wellington will continue to meet with the company regularly to measure their development in ESG initiatives 	<p>Wellington continued to engage with a holding company who are one of the largest protein producers in the world, headquartered in Brazil, and recently noted at the top levels of management a focus on environmental, social and governance factors. Given the nature of the business and its geographical location, some of the most pressing issues in this space relate to deforestation of the Amazon and governance issues related to previous corruption issues.</p> <p>One aspect of addressing and moving forward with this issue is through tracking suppliers. Currently, the company track 100% of direct suppliers, and are aiming to track all indirect suppliers by 2025.</p>



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Cardano | 9th floor, 6 Bevis Marks, London EC3A 7BA
T: +44 (0)20 3170 5910 | E: info@cardano.com | W: cardano.com

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