WCF Ltd Staff Retirement Benefits Scheme

Engagement Policy Implementation Statement for the year ending 31 March 2024

Introduction

The Trustee of the WCF Ltd Staff Retirement Benefits Scheme (the ‘Scheme’) has a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustee can promote an investment’s long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

This statement sets out how, and the extent to which, in the opinion of the Trustee, the policies (set out in the Statement of Investment Principles) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 March 2024.This statement also describes the voting behaviour by, or on behalf of, the Trustee including the most significant votes cast during the year, and whether a proxy voter has been used.

The Trustee, in conjunction with its investment consultant, appoints its investment managers and chooses the specific pooled funds to use in order to meet specific policies. It expects that the investment manager makes decisions based on assessments about the financial performance, and that it engages with issuers of debt or equity to improve their performance (and thereby the Scheme’s performance) over an appropriate time horizon.

The Trustee has decided not to take non-financial matters into account when considering its policy objectives.

Stewardship - monitoring and engagement

The Trustee recognises that an investment manager’s ability to influence the companies in which it invests will depend on the nature of the investment.

The Trustee acknowledges that the concept of stewardship may be less applicable to some of its assets, particularly for liability-driven investments which were sold during the year and index-linked gilts. As such the Scheme’s investments in these asset classes are not covered by this engagement policy implementation statement.

The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment manager is expected to provide regular reports for the Trustee detailing their voting activity.

The Trustee’s policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustee seeks to appoint managers that have strong stewardship policies and processes and are supportive of its investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020. Details of the signatory status of each investment manager is shown below:

Investment manager	UN PRI Signatory	UK Stewardship Code Signatory
Insight	Yes	Yes

The Trustee reviews each investment manager prior to appointment and monitors them on an ongoing basis through the regular review of the manager's voting and engagement policies, its investment consultant's ESG rating, and a review of each manager's voting and engagement behaviour.

The Trustee will seek to appoint investment managers that take a responsible and sustainable investment approach to investment and have identified the following priorities for monitoring and engagement with each investment manager:

- Climate change and environmental impact
- Corporate governance, including board composition, executive remuneration
- Diversity, Equity and Inclusion.

The Trustee believes that monitoring and engaging on these stewardship priorities will result in better long-term returns for the Scheme and better outcomes for Scheme members.

The Trustee will engage with a manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the manager's own policies, or if the manager's policies diverge significantly from any stewardship policies identified by the Trustee from time to time.

If the Trustee finds any manager's policies or behaviour unacceptable, it may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer-to-peer engagement in investee companies.

Investment manager engagement policies

The Scheme's investment manager is expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental, and corporate governance aspects.

The Trustee is comfortable that these policies are broadly in line with the Scheme's chosen stewardship approach and that they do not diverge significantly from any key stewardship priorities identified for the Scheme.

A link to the investment manager's engagement policy is provided in the Appendix.

The policy is publicly available on the investment manager's websites.

The latest available engagement information provided by the investment manager is as follows:

Engagement	Insight Maturing Buy & Maintain Credit Funds 2021-2025	Insight Maturing Buy & Maintain Credit Funds 2026-2030	Insight Maturing Buy & Maintain Credit Funds 2031-2035
Period	01/04/2023-31/03/2024	01/04/2023-31/03/2024	01/04/2023-31/03/2024
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	29	51	37
Number of engagements over the year	67	102	71

Engagement	Insight Maturing Buy & Maintain Credit Funds 2036-2040	Insight Maturing Buy & Maintain Credit Funds 2041-2045	Insight Maturing Buy & Maintain Credit Funds 2046-2050
Period	01/04/2023-31/03/2024	01/04/2023-31/03/2024	01/04/2023-31/03/2024
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.		
Number of companies engaged with over the year	28	34	29
Number of engagements over the year	53	72	51

Exercising rights and responsibilities

The Trustee recognises that different investment managers should not be expected to exercise stewardship in an identical way, or to the same intensity.

The investment manager is expected to disclose annually a general description of their voting behaviour, an explanation of the most significant votes cast and report on the use of proxy voting advisers.

The Trustee has been provided with details of what the investment manager considers to be the most significant votes. The Trustee has not influenced the manager's definitions of significant votes but has reviewed these and are satisfied that they are all reasonable and appropriate.

The investment manager uses proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.

The Trustee does not carry out a detailed review of the votes cast by or on behalf of their investment managers but relies on the requirement for their investment managers to provide a high-level analysis of their voting behaviour.

The Trustee considers the proportion of votes cast, and the proportion of votes against management to be an important (but not the only) consideration of investor behaviour.

Trustee's assessment

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, by continuing to delegate to each investment manager, the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

The Trustee has undertaken a review of the investment manager's engagement policy including its policies in relation to financially material considerations and has found them to be acceptable at the current time.

The Trustee has considered the environmental, social and governance rating for each fund/investment manager provided by the investment consultant.

The Trustee may also consider reports provided by other external ratings providers.

Where an investment manager has received a relatively low rating from the investment consultant or from other external rating providers, the Trustee will consider whether to engage with the investment manager.

The Trustee has reviewed the investment managers' policies relating to engagement and voting and how they have been implemented and have found them to be acceptable at the current time.

The Trustee recognises that engagement and voting policies, practices, and reporting, will continue to evolve over time and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

Appendix

A link to the engagement policy for the investment managers can be found here:

Investment manager	Engagement policy
Insight Investment	https://www.insightinvestment.com/investing-responsibly/

Information on the most significant engagement case studies for Insight as a company for the funds containing public bonds as at 31 March 2024 is shown below:

Insight - Firm-level	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	NatWest Group plc	Heathrow Funding Ltd	Equinor Asa
Topic	Environment - Climate change Social - Human and labour rights	Environment - Climate change	Environment - Climate change
Rationale	The issuer is a major retail and commercial bank with operations in the UK. Their services include current accounts, credit cards, loans, overdrafts, mortgages, home and life insurance and investing for retail customers. They registered an increase in climate and sustainable funding and financing year-on-year from £24.5bn (2022) to £29.3bn (2023). This engagement is aligned to SDG10 reduced inequalities	The issuer is a UK airport, offering facility maintenance, baggage handling, air traffic control, on board catering and aircraft fuelling services. Insight previously engaged with the issuer to better understand its decarbonisation strategy. The company is targeting net zero by 2050. The 2 main challenges the issuer faces are: The degree of the issuer's influence on airlines to decarbonise their fleet its net zero	The issuer is an energy company, one of the largest oil and gas operator in northern Europe, and one of the world's largest offshore operators. Insight engaged with the issuer after MSCI changed its definition of unconventional oil and gas exposure to exclude drilling in areas of the Arctic which were ice-free throughout the year, e.g. the Barents Sea. The issuer has a number of sites in this region.

	and SDG13 climate action.	plan relies on technology which is costly and/or unproven (e.g. sustainable aviation fuel (SAF), hydrogen etc.) This engagement is aligned to SDG13 climate action.	Insight do not agree with MSCI's change in definition due to increased probability of pollution and the impact of spills in Arctic assets. Furthermore, the issuer's water disclosures were weak, and the company failed to disclose data for the water-related Principal Adverse Impacts (PAI) indicator. The issuer publishes basic water-related metrics such as regular discharges of oil to the sea and the withdrawal and consumption of freshwater in 2022. This engagement is aligned to SDG13 climate action.
What the investment manager has done	The issuer maintains a leading position in financing environmental impact but it has had a number of governance controversies, including the recent departure of its CEO and Chairman due to the de-banking scandal. The issuer's continued investment to maintain its leadership position in climate strategy is contingent on the new CEO's position on ESG, which remains unclear. Its focus on ESG was in part	In a previous engagement with the issuer in 2022 they were not aware of Carbon Disclosure Project (CDP). Insight were pleased that corporate has since started reporting to CDP however Heathrow Funding opted to do a private submission where a score has not been assigned. This means that the data doesn't feed through to Insight's models. The last time the investment manager met with the	On its transition strategy, the issuer reported good progress against its energy transition plan, with Scope 1 and Scope 2 emissions significantly below the industry average. The company has also increased its low carbon capex from 14% to 20%. The issuer's 2030 absolute emissions reduction target is focused on Scope 1 and Scope 2 emissions. The issuer has only set an

	accelerated by its former CEO and saw strong targets being set, reporting of financed emissions for its material sectors and strong fossil fuel financing policies being introduced in its transition into a leaders in low carbon opportunities. It also provided an estimate of its facilitated emissions for the first time. The issuer retains a dark green rating for its green bonds under Insight's proprietary impact bond assessment framework due to strong ESG performance with well-defined use-of-proceeds categories that are likely to have a positive impact. There are plans to allocated 50% of the net proceeds to refinancing existing mortgages with the remaining 50% allocated to financing new mortgage products over the next 12 months. Human rights is an increasing area of focus for the issuer as evidenced by its publishing of its salient human rights issues as part of its UN Guiding Principles Reporting responsibilities.	issuer they asked them to get their decarbonisation targets approved by Science-Based Targets initiative (SBTi) due to the materiality of the airlines industry to carbon emissions. In 2023, Heathrow Funding's target was approved by SBTi: The issuer commits to reduce absolute scope 1, 2 and scope 3 GHG emissions by 46.2% by 2030 from a 2019 base year. Regarding its ESG reporting Insight fed back that Heathrow's sustainability reporting is strong. The company has set targets against the key focus areas of the sustainability strategy and the report is balanced. Insight highlighted a number of areas for improvement, including submitting a public disclosure to CDP. The investment manager also noted some of the issuer's targets don't appear to be very ambitious. For example, Heathrow's target for SAF to be used in airlines operating at the airport by 2030 is only 1% more than the UK government's ambition. Regarding climate	intensity-based Scope 3 emissions reduction target as it believes that an absolute reduction target will have unintended consequences by encouraging assets to be sold, which has no impact on global emissions. The issuer stated it is not considering changes to its renewables capex despite peers recently changing their strategy due to weaker than expected returns from renewables. On unconventional oil and gas exposure, Insight asked the issuer if it has had any oil spills in the Arctic or Barents Sea. The issuer responded that there were 10 minor spills last year, but none were in the Barents Sea. The issuer also confirmed the remote location of its unconventional oil and natural gas sites in the Barents Sea presents a challenge for spills, due to access issues associated with the clean up. However, the issuer did flag that it is collaborating with operators in the area to run drills to minimise any impact. There is also a large site coming

	The issuer expects to improve on its score under the next Banktrack global human rights assessment in 2024 from their current 4.5/14 (“Follower” rating). Of 50 banks assessed, 28 are followers, 12 are front runners with scores between 7-9, with no leaders. The issuer has a special focus on modern slavery and has been accredited as a global living wage employer. During 2023, it developed a standalone Environmental, Social and Ethical (ESE) Human Rights Risk Acceptance Criteria (RAC) which applies requirements around human rights due diligence to additional sectors with heighted human rights risk not already covered by an ESE RAC. This includes a sustainability questionnaire, escalation process, considers supply chain, European regulation CSDDD and identification of best practice examples. The issuer remains committed to SBTi and will re-submit their target and strategy in 2025. They remain engaged with SBTi	lobbying and trade associations, Insight highlighted that it would be beneficial to see what the issuer is doing to influence the UK government into supporting SAF as a more material part of fuel supply. Insight also flagged biodiversity as an emerging risk area, where Heathrow should respond to the TNFD recommendations by assessing nature impacts and dependencies and highlight how they are addressing these risks.	online in the Barents Sea which will be a producing 150,000 bpd at peak. Due to the size of the site, the new site will be a centre for emergency response. On water disclosure, Insight highlighted the issuer’s lack of response to the CDP water questionnaire and the lack of disclosure in the water-related PAI Indicator on water pollution could lead to its exclusion from Insight’s Article 8/9 funds.

	despite uncertainty with sector guidance that is causing challenges for explaining their plans for achieving decarbonisation targets by 2030. Work continues on carbon pathway models. They are cognisant of Scope 3 finance emissions that are likely to increase for activities enabling the net zero transition. This is driving their purchase of carbon offsets and credits and training of frontline bankers and relationship managers via a partnership with Edinburgh University and sectoral deep dives. They also engage with politicians, civil service and other banks on the transition, offer green mortgages but recognise the limitations of current metrics (e.g., EPCs). They have also appointed their first Head of Nature but is not ready to report against TNFD. Their Dutch subsidiary is leading the research on the LEAP approach and ENCORE tool.		
Outcomes and next steps	Insight continue to monitor the issuer against the targets and plans they discussed.	The issuer evidenced good progress since their last engagement, and Insight were pleased to see that Heathrow has an SBTi-	Insight decided not to adopt MSCI's change in definition in unconventional oil and gas exposure due to the increased risk

	Insight reissued the counterparty engagement programme questionnaire in early 2024 which explores these themes in more detail.	approved decarbonisation target. Insight understand that there are limitations to how much influence the issuer has with the fuel used by airlines but emphasise the unique position the issuer has to encourage and incentivise positive change in the industry. Insight will continue to monitor the progress of the airport's decarbonisation trajectory.	associated with oil spills. Although Insight kept the previous definition of unconventional oil and gas, the investment manager was pleased to see that the issuer recently dropped below the 5% revenue threshold, meaning it is no longer excluded.