# WCF Ltd Staff Retirement Benefits Scheme

# Engagement Policy Implementation Statement for the year ending 31 March 2025

### 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 dated April 2024) on the exercise of rights (including voting rights) attaching to the investments, and engagement activities have been followed during the year ending 31 March 2025.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 short-term money market instruments, gilt and liability-driven investments. 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 Investment | 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 as at 31 March 2025, 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 Bond Fund 2021-2025 | Insight Maturing Buy & Maintain Bond Fund 2026-2030 | Insight Maturing Buy & Maintain Bond Fund 2031-2035 |
|---|---|---|---|
| Period | 01/04/2024 - 31/03/2025 | 01/04/2024 - 31/03/2025 | 01/04/2024 - 31/03/2025 |
| Engagement definition | Philosophically, financial materiality has always been at the core of why we have engaged with institutions. A financially material factor is one that is deemed relevant and likely to have a positive or negative impact on the financial value of that investment. It is a core part of our process to engage with issuers on such factors which include, but are not limited to, strategy, capital allocation and competitive positioning. ESG factors can also drive engagement where our analysts believe them to have financial relevance. In this sense they are part of the mosaic of factors that should be considered for effective financial analysis.<br><br>Increasingly, however, our clients would like us to use our influence, which is generated by their capital, to go beyond engaging solely on financially material issues and to seek, where possible, to mitigate potential externalities by engendering more sustainable practices. In most circumstances more sustainable behaviours are fully aligned to better long-term risk/return profiles of investments and therefore we also engage on ESG issues where we think we can influence improved behaviour, providing it is not detrimental to the return potential of the investment we make. These two rationales drive why we engage and lead, broadly, to conducting two types of engagement:<br><br>1. Fundamental engagements – focus on financial materiality and business fundamentals. Typically, these engagements may include ESG issues where they are deemed to be relevant to the investment case, but they do not necessarily involve a longer-term, structured programme.<br><br>2. ESG engagements – focus on addressing an issuer's performance or impact relating to one or more ESG issues. Typically, such engagements will be longer term, structured around measurable objectives, and may be influenced by our thematic priorities as a firm.<br><br>Classical financial analysis organically leads to fundamental engagements as analysts seek to gain full understanding of all the risk factors that may impact an investment. However, systematic analysis of ESG factors requires the consideration of additional data and themes which may be outside of an analyst's normal investigative | | |

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| | skillset. To help frame the nature of an engagement we look to categorise ESG themes to understand if they fall under a standard fundamental engagement process or if they would benefit from a specific ESG engagement. | | |
| Number of companies engaged with over the year | 21 | 78 | 49 |
| Number of engagements over the year | 33 | 125 | 76 |

| Engagement | Insight Maturing Buy & Maintain Bond Fund 2036-2040 | Insight Maturing Buy & Maintain Bond Fund 2041-2045 | Insight Maturing Buy & Maintain Bond Fund 2046-2050 |
|---|---|---|---|
| Period | 01/04/2024 - 31/03/2025 | 01/04/2024 - 31/03/2025 | 01/04/2024 - 31/03/2025 |
| Engagement definition | Philosophically, financial materiality has always been at the core of why we have engaged with institutions. A financially material factor is one that is deemed relevant and likely to have a positive or negative impact on the financial value of that investment. It is a core part of our process to engage with issuers on such factors which include, but are not limited to, strategy, capital allocation and competitive positioning. ESG factors can also drive engagement where our analysts believe them to have financial relevance. In this sense they are part of the mosaic of factors that should be considered for effective financial analysis.<br><br>Increasingly, however, our clients would like us to use our influence, which is generated by their capital, to go beyond engaging solely on financially material issues and to seek, where possible, to mitigate potential externalities by engendering more sustainable practices. In most circumstances more sustainable behaviours are fully aligned to better long-term risk/return profiles of investments and therefore we also engage on ESG issues where we think we can influence improved behaviour, providing it is not detrimental to the return potential of the investment we make. These two rationales drive why we engage and lead, broadly, to conducting two types of engagement:<br><br>1. Fundamental engagements – focus on financial materiality and business fundamentals. Typically, these engagements may include ESG issues where they are deemed to be relevant to the investment case, but they do not necessarily involve a longer-term, structured programme. | | |

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| | 2. ESG engagements – focus on addressing an issuer’s performance or impact relating to one or more ESG issues. Typically, such engagements will be longer term, structured around measurable objectives, and may be influenced by our thematic priorities as a firm.<br><br>Classical financial analysis organically leads to fundamental engagements as analysts seek to gain full understanding of all the risk factors that may impact an investment. However, systematic analysis of ESG factors requires the consideration of additional data and themes which may be outside of an analyst’s normal investigative skillset. To help frame the nature of an engagement we look to categorise ESG themes to understand if they fall under a standard fundamental engagement process or if they would benefit from a specific ESG engagement. | | |
| Number of companies engaged with over the year | 32 | 25 | 25 |
| Number of engagements over the year | 47 | 36 | 38 |

**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 |
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| Insight Investment | https://www.insightinvestment.com/investing-responsibly/<br><br>https://www.insightinvestment.com/globalassets/documents/responsible-investment/stewardship-code/uk-eu--stewardship-code-report-2025.pdf |

Information on a selection of the most significant engagement case studies for Insight Investment as a company for the funds containing public bonds as at 31 March 2025 is shown below:

| Insight - Firm-level | Case Study 1 | Case Study 2 | Case Study 3 |
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| Name of entity engaged with | Volkswagen AG | The Toronto-Dominion Bank | Wells Fargo & Co |
| Topic | Environment - Climate change<br><br>Social - Human and labor rights<br><br>Social - Conduct, culture and ethics | Others - Governance Controversy | Environment - Natural Resource use/impact<br><br>Environment - Climate change |
| Rationale | Volkswagen is a global automobile manufacture. Insight engaged with this issuer on ESG factors several times over recent years due to weak ESG performance which has led to a restriction on the issuer in Responsible Horizons funds.<br><br>Most pertinent to this engagement, is Insight's previous | The Toronto-Dominion Bank is a Canadian multinational banking and financial services corporation.<br><br>This engagement was organised to discuss a governance controversy the issuer faced in 2024, related to an anti-money laundering (AML) violation.<br><br>In 2024, the US Department of Justice | Wells Fargo is one of the largest US banks and diversified community-based financial services company, with a significant global presence.<br><br>The issuer responded to Insight's initial counterparty questionnaire in 2022 but was unresponsive to its request for more detailed engagement. The bank did not |

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| | discussions with the issuer about a controversy related to a plant operated with a local partner under a joint venture in the Xinjiang region of China.<br><br>The plant allegedly used the forced labour of ethnic minorities through a coercive state sponsored labour-transfer programme. As a result, the issuer was flagged by a ratings company as a violation of United Nations Global Compact (UNGC) principles. An audit was conducted and a summary report was released by the issuer in December 2023 which found no evidence of forced labour. As a result, the external ratings agency subsequently removed the red flag. The issuer has since sold the plant in Xinjiang, however human rights is still an area of concern given the company's supply chain and weak reporting on the topic.<br><br>The issuer has a high number of direct suppliers and a fifth of these suppliers are considered to operate in high-risk regions so are further assessed via questionnaires and | and other regulators opened several different AML violations related to laundering money gained through illicit means as well as bribery issues. For investors, the AML controversy in the US is concerning, given the US market is key for the bank's growth. In addition, the US Office of the Comptroller of the Currency (OCC) placed a limit on the issuer's maximum capitalisation.<br><br>The AML controversy caused a slight deterioration in the issuer's governance controversy score, but did not cause it to materially weaken. However, the issuer scored poorly on several questions in Insight's counterparty sustainability questionnaire, thus Insight engaged to ask for additional detail.<br><br>This engagement is aligned to SDG 8 Decent work and economic growth. | respond to Insight's 2024 questionnaire and was unresponsive, initially, to its engagement requests. Insight escalated this when issuer's Insight Prime ESG rating was downgraded to the worst in class rating.<br><br>Following the Insight Prime ESG rating downgrade, Insight held two engagements with the issuer, one in late 2024 and the other occurring in Q1 2025. The focus of the first engagement was to discuss the issues with the bank's poor Prime ESG rating. The objective of the Q1 2025 engagement was to gain clarity on some of the issuer's actions that indicate it is deprioritising environmental and social risk management. For example, the issuer withdrew from the Net Zero Banking Alliance (NZBA). Its environmental and social impact frameworks reference the Equator Principles, from which the issuer also withdrew in early 2024.<br><br>This engagement is aligned to SDG 13 Climate Action. |

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| | risk audits. The issuer also appears to only have a reactive process to putting in measures for indirect suppliers, to respond to risks or breaches. This falls short of Insight's understanding of the EU's Corporate Sustainability Due Diligence Directive (CSDDD). Therefore, Insight wanted to engage with the issuer again to understand how it plans to evolve its approach for due diligence.<br><br>This engagement is aligned to SDG 8 Decent work and economic growth, SDG 10 Reduced inequalities. | | |
| What the investment manager has done | Insight asked the issuer about how it's managing its suppliers operating in high-risk regions. The issuer only highlighted a focus on human rights compliance and awareness that human rights violations are pervasive within its supply chain.<br><br>Insight queried whether the issuer would consider including metrics on indirect suppliers within its human rights reporting framework for direct suppliers. The issuer | Insight asked the issuer about progress made in its AML procedures developed in light of the AML controversy. The issuer supplied details about the progress made to date.<br><br>For example, the issuer overhauled its AML programme's leadership and talent, including the appointment of a new US Head of Financial Crime Risk Management and a new AML Officer, both of whom have proven leadership and | Regarding the withdrawal from the NZBA, Insight asked the issuer for its rationale and to clarify the impact on its decarbonisation strategy. The issuer offered that it originally joined the NZBA to share ideas with its peers on the development of decarbonisation models and strategies. The issuer stated membership provided marginal benefits at the beginning, but it did not take long for antitrust lawyers to prevent |

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| | responded that it has a dedicated officer and function to conduct deep dives into parts of its supply chain that may be sensitive to human rights violations.<br><br>Finally, Insight asked the issuer whether it intends to increase its coverage and assessments of its direct suppliers with self-assessment questionnaires and auditing coverage. The issuer highlighted it has instituted specific KPIs related to responsible and sustainable supply chains. 79% of its issuers are rated positively, representing 79% of its total procurement volume, with a target of greater than 95% by 2040. | experience. The issuer has added 40 new leaders and over 700 new AML specialists.<br><br>The issuer also strengthened its oversight structure and accountability across all three lines of defence, starting with front line defences and carrying through to risk management and audit teams. The issuer also responded that it has established a dedicated committee in its US boards for AML oversight. In addition, the issuer revealed it has introduced new standards, processes and stronger training across its operations to better prevent, detect and measure financial crime risk, as well as improve escalation. | communication between banks around this type of collaboration and several environmental finance forums became subject to greater scrutiny in the US. In addition, the issuer stated 17 State Attorney Generals have pursued the bank and other financial institutions for their work with NZBA and deemed it collusive. The issuer mentioned high legal expense causing the issuer to struggle with balancing legal battles and supporting communities.<br><br>On its environmental and social impact framework and the Equator Principles, Insight asked the issuer if its environmental and social risk management due diligence approach remains in line with the standards of the Equator Principles. The issuer stated it believes its current approach aligns with the same standard. While the references to the Equator Principles are no longer mentioned on its websites, the issuer stated it has preserved all the people and due diligence requirements within its process involved with aligning |

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| | | | to those principles and do not envision this changing. The issuer stated it follows the risk management aspects of the Equator Principles highly. |
| Outcomes and next steps | Given the continued concern regarding the company's human rights due diligence practices, Insight retained its restriction on the issuer in Responsible Horizons funds.<br><br>Insight communicated to the issuer its view on best practice relating to the human rights issues and will monitor for any updates to the issuer's approach. | Despite the various controls implemented, Insight think some of the coercive action taken by US regulators is likely to remain in place for a long time. The bank's expenses have soared due to increased spending on staff and risk and control infrastructure, and it must now retain independent compliance monitors and spend to enhance its compliance programme as part of a multiyear remediation agreement.<br><br>Given the severity of the controversy, Insight escalated the issue and downgraded the issuer's impact bond framework to Red, meaning it is uninvestible in Responsible Horizons funds. | The engagement with the issuer allowed Insight to gain access to senior stakeholders in the bank's ESG programme. Despite the withdrawal from the Equator Principles and NZBA, the message from the engagement was that the bank's ambition remains unchanged. However, inconsistent messaging from different members of the ESG team was noted (across the two engagements conducted in 2024 and 2025).<br><br>These inconsistencies led Insight to send the issuer a list of recommendations it expects the bank to implement during the next year which would help demonstrate its continued commitment to sustainability.<br><br>Restrictions on the issuer remain given the worst in class Insight Prime ESG rating. |