Petty, Wood & Company Limited Retirement Benefits Scheme

Implementation Statement

December 2022

1. Introduction

This Implementation Statement explains how the Trustees acted on the principles set out by their Statement of Investment Principles and provides the information that is required to be disclosed in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) 2019 Regulations. The statement covers the period 1 June 2021 to 31 May 2022.

2. Decision Making Process

The Trustees

The Trustees have met twice in the last 12 months and at each meeting have discussed investment strategy and performance at length. This has been minuted.

3. Investment Strategy

At each Trustee meeting the Investment Strategy was reviewed and discussed. No changes to investment strategy or the investment manager were made in during the year.

No significant votes were cast on behalf of the Trustees during the year and there was no use of proxy voter services. Details of the votes cast on behalf of the Trustees are set out in appendix 1 which shows extracts from reports provided by BMO (annual report) and Newton (quarterly reports) – our fund providers.

4. Corporate Governance

Trustees' policy: *The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles, the day to day application of voting rights will be carried out by the Investment Managers. Consequently, the Trustees expect the Scheme's Investment Managers to adopt a voting policy that is in accordance with best industry practice.*

There were no changes to the Trustees' policy, nor any departures from their policy, during the year. In particular, all voting activities have been delegated to the Investment Managers as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Investment Managers did not make Trustees aware of any voting activity that was in breach of best industry practice during the year.

5. Socially Responsible Investment

The Trustees do not impose social, environmental or ethical considerations on the Investment Managers in relation to the selection, retention and realisation of investments as they believe these might conflict with their overriding responsibilities to the Scheme beneficiaries.

8. Incentivisation of Investment Managers

Investment Managers continue to be remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

9. Fee Structures

The Investment Managers continue to be paid a management fee on the basis of assets under management.

The Investment Consultant continues to be paid on a project basis.

For and behalf of the Trustees of the Petty, Wood & Company Limited Retirement Benefits Scheme

28/2/23

Date

Signed

6. Environmental, social and governance (ESG) investment considerations

Financial factors relating to ESG

Trustees' policy: *When considering investment decisions/setting investment strategy, we take into account all factors that are financially material to the performance of an investment including but not limited to ESG considerations. Before we carry out any investment strategy review we first ensure our training and knowledge, and the reports received from the Investment Manager on stewardship activities, scenario analysis and impact on asset allocation are adequate. The Statement of Investment Principles sets down how we operate and is our over-riding guidance. We seek professional advice in investment strategy and expect the Investment Consultant to include ESG considerations, such as climate change over the time horizon of the investment, within their recommendations. If any ESG considerations impact our ability to meet our investment objectives they are fully discussed and deliberated on by the Trustees and conclusions made thereon.*

There were no changes to the Trustees' policy, nor any departures from their policy, during the year.
The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).
The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations and in particular with regards to the selection, retention, and realisation of the underlying investments held.

No Investment Strategy review was carried out in the year.

Non-financial factors

Trustees' policy: *There is no legal requirement for trustees to take non-financial factors into account, but we may do so if we have good reason to consider members have a contrary view; we are satisfied that any new investment does not present a risk of significant financial detriment; and the costs involved with making the changes are justified. To date we have not received any communications from members setting out ethical concerns about some individual investments held within the scheme's portfolio. Based on this we have no reason to think that members share a particular view and will therefore not be taking non-financial factors into account. Should any element of that change in the future then we will review our policy accordingly.*

There were no changes to the Trustees' policy, nor any departures from their policy, during the year.
The Trustees have not received any communications from members setting out ethical concerns about some individual investments held within the scheme's portfolio during the year.

7. Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

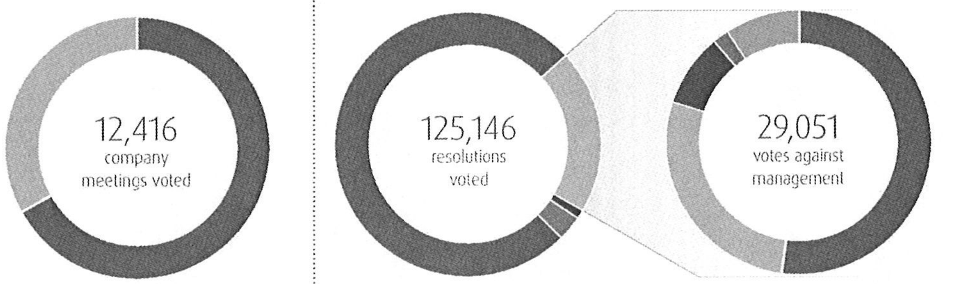
Appendix 1

Investment votes carried out during the year:
BMO

At a glance: our RI team voting in 2021

125,146	23.2%	627	169
resolutions voted	of all resolutions where we voted against management	engagements on corporate governance issues	governance-related milestones achieved

Meetings with at least one vote against management | **How we voted in 2021** | **Votes against management by issue**



Meetings with at least one vote against management	
At least one vote against management	67%
Voted with management	33%

How we voted in 2021	
With management	75%
Against management	20%
Abstain	1%
Withhold	4%

Votes against management by issue	
Directors & Board	53%
Remuneration	28%
Capital Related	9%
Shareholder Proposals	2%
Other	9%

On 60%

of all resolutions related to pay we voted against management. Executive remuneration continued to be the most contentious issue dividing investors and management. The most common reasons relate to poor disclosure, misalignment with investors and excessive quantum.

On 23%

of resolutions related to directors and the board we voted against management. This is consistent with prior, but is a disappointing outcome reflecting the slow pace of improvement in board composition & effectiveness across markets.

We voted in **64 markets** and voted **96% of our eligible ballots**. Unvoted ballots may typically be due to companies or custodians imposing additional onerous requirements (for example, the need for signed powers of attorney in the Swedish market, or paperwork that needs to be signed by beneficial owners).

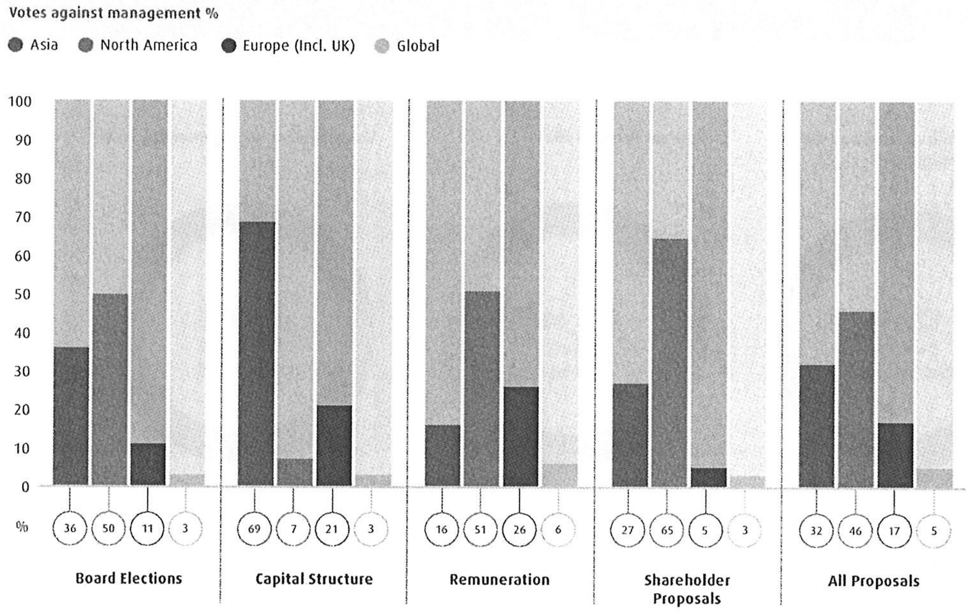
BMO Global Asset Management | Responsible Investment Solutions

Votes against management

Achieving best practice in corporate governance is a dynamic process between the board, management and shareholders. We encourage companies to engage in the process of shaping and meeting standards of best practice as these evolve across different regions.

Regional charts

Votes by region



Source: BMO Global Asset Management, as at 31 Dec 2021

During 2021, we voted against at least one management proposal at 67% of shareholder meetings. This compared to 69% of meetings in 2020. One of the most contentious voting issues remained remuneration. Either by voting against or abstaining, BMO GAM did not support 60% (2020: 52%) of all management resolutions relating to pay, often due to either poor disclosure or a misalignment of pay with long-term performance. In the case of concerns relating to decision-making on company boards, lack of genuinely independent directors or directors overcommitted through other directorships, BMO GAM cast votes against 23% (2020: 25%) of those standing for election.

Significant votes and outcomes and the Shareholder Rights Directive II

We have selected significant votes from our voting record, consistent with the Shareholder Rights Directive II. Our methodology for selection is based on characteristics of our global voting universe, including aggregate size of holdings in the company, number of clients holding the stock, significance of the voting issue for a company or in the relevant market, impact on shareholder value and materiality of the vote to engagement outcomes.

We have also tracked the outcomes of these votes (where possible, detailed below) and have found that in most instances, the issues we had identified also represented a concern for many other investors. Across these meetings and other high votes against management in our portfolio (for example, over 20%), we expect companies to engage with investors and disclose how they are addressing the concerns raised.

Daimler AG, AGM 31 March 2021

Daimler has reached agreements with various US authorities to settle claims regarding alleged illegal diesel vehicle emission control systems, but remains subject to investigations by the US Department of Justice, and Canadian, German and EU authorities. Given that the outcome of these remains unclear, we voted against the discharges of the Management and Supervisory board as a precaution and to signal concern about the potential impact on the company if further compliance and governance filings were uncovered. Although the proposals received widespread support at the AGM, we considered it important to raise our significant ongoing concerns through our vote. The discharge of the Management and Supervisory boards received approximately 98% and 95% support, respectively.

Outcome: Given the high level of support from other shareholders, the company has responded specifically to this vote. However, we will continue to monitor the company on these issues and may consider further action through voting where appropriate.

Starbucks Corporation, AGM 19 March 2021

We voted against the say-on-pay proposal due to concerns over Starbucks's decision to grant a retention award to their CEO in late 2019. We considered the potential cash payout too high and it was the second additional retention award to the CEO in the past two years. The proposal failed to pass, only receiving 48% support - rare for a company of this size.

Outcome: As a result of the vote and subsequent engagement, Starbucks made significant changes to executive pay for fiscal year 2022 and beyond as detailed in their proxy filings for 2022. We will evaluate these changes for the upcoming 2022 AGM.

Toshiba Corp, Special Meeting 18 March 2021

Two institutional shareholders proposed separate resolutions at a special meeting. The first related to an independent audit of voting processes by the board; the second to strategic investment policies, including capital strategies. The June 2020 AGM is shrouded in controversy due to failure to count ballots and the board investigation carried out considered to be weak. We supported the proposal seeking to appoint three independent attorneys to investigate if the June meeting was conducted in a fair and impartial manner. The resolution was passed by shareholders, with support of 58%.

Outcome: As a result, three independent attorneys were appointed to investigate the status of the operations and released their report on June 10, 2021.

Toshiba, AGM 25 June 2021

At the March special meeting, a shareholder proposal sought the appointment of independent auditors to review the voting processes relating to the 2020 AGM. This report was released prior to the 2021 AGM and was damning of management's handling of proxy votes and the board's reaction allegations. At the AGM we voted against the board chairman and the remaining member of the audit committee that had not resigned.

Outcome: Both were voted off the board. We will continue to monitor board oversight and the upcoming AGM.

Exxon Mobil Corp, AGM 25 May 2021

Exxon had been unresponsive to shareholder engagement on climate, prompting us to vote against directors on the board for 3 successive years since 2019. In late 2020, we co-filed a shareholder proposal to ask the company to report if, and how, Exxon's lobbying activities align with the goal of limiting global warming to well below 2 degrees. Following group and individual meetings, Exxon published its first "Lobbying Principles", which noted that all lobbying activities were in alignment with the Paris Agreement, but the report was not robust and lacked substance compared with some of its peers. We are pleased that 63.8% of Exxon's shareholders voted in favour of our climate lobbying proposal. We also supported the director candidates proposed by activist Engine No. 1, who were elected to the board in a shareholder vote to bolster the company's approach to reducing emissions and managing energy transition.

Outcome: In January 2022, the company announced its ambition to achieve net zero GHG emissions for operated assets by 2050 and published its report Advancing Climate Solutions - 2022 Progress Report. We will evaluate the robustness of this report for the upcoming 2022 AGM.

WM Morrison, AGM 10 June 2021

The pandemic heightened the focus on executive pay outcomes globally. The remuneration committee exercised discretion by adjusting bonus awards upwards to take into account the costs of COVID-19. This resulted in the FY2020/21 bonus awards being paid in full. We voted against this decision along with over 70% of shareholders at the AGM. The company is going private after an offer from Market Bidco Limited was approved in October of 2021.

Wizz Air Holdings plc, AGM 27 July 2021

We voted against the proposed value creation plan, which would result in an award equivalent to £50m to the CEO subject to performance conditions, overly weighted towards share price increases, rather than metrics, which are not as highly influenced by external factors. This would result in a pay out of around £100m. We considered the award to be excessive considering levels of pay at peer companies. Approximately 32% of votes cast did not support the resolution.

Outcome: Despite the high level of opposition, Wizz Air stated it was "wholly satisfied that the adoption of the Value Creation Plan...are in the best interests of the Company, its shareholders and other stakeholders." We will assess the impact of the value creation plan via the remuneration report at the upcoming 2022 AGM.

AGL Energy Ltd, AGM 22 Sept 2021

AGL Energy Limited provides energy and other services to residential, small and large business, and wholesale customers in Australia. At the 2021 AGM, two shareholder proposals made it onto the agenda. Having considered the proposals, we elected to support one of the resolutions that related to the setting of Paris-aligned emission goals and the implementation of climate targets in executive compensation structures for the company. The resolution, filed by the Australasian Centre for Corporate Responsibility (ACCR), was supported by approximately 53% of votes cast.

Outcome: The company has committed to detailing its decarbonisation roadmap during the fourth quarter of fiscal year 2022 and intends to put its climate reporting to a non-binding advisory vote of shareholders at the next AGM.

Electronic Arts Inc - AGM 12 Aug 2021

The company had its say-on-pay resolution voted down in 2020. with only 25.9% support. Despite positive changes to the pay structure of the executives, we did not consider there to have been sufficient progress to warrant support of the pay resolution this year. We were particularly concerned by the enhanced equity award to the CEO of US$30m and maximum annual incentive pay out of US$5m. Approximately 56% of shareholders voted against the resolution.

Outcome: We are awaiting the company's reaction in the proxy filings for the 2022 AGM and will assess the robustness of the company's response.

Shell plc: Special Meeting - 10 December 2021

Shell sought shareholder approval to simplify its structure by having only one type of issued share and aligning Shell's tax residence with its country of incorporation in the UK. The company has provided a rationale, which explains the benefits of the simplification of its share structure. Whilst initially expected to be controversial, the benefits, including those relating to implementing its climate change strategy, led to us supporting the proposals. Ultimately, the resolution was comfortably supported by investors.

Shell plc: AGM - 18 May 2021

At its AGM, Shell put its Energy Transition Strategy to shareholder approval. We welcomed Shell's leadership in setting a net zero target for 2050 covering its complete value chain, as well as in formally asking shareholder advice on its transition plan. We had concerns over the fact that most of the emission reductions would have to come from customers and Shell offsetting emissions, rather than fully aligning the core business model; total fossil fuel production looked flat or slightly increasing over the next decade, and the transition plan indicated that the company's shift in fossil fuel production (decrease of oil, increase of gas production) would not have a material impact on Shell's CO2 intensity. We, therefore, did not support the strategy as outlined by the company. Given that "Say-on-Climate" proposals are still new and infrequent agenda items globally, we consider the 11% vote against proposal the proposal to be a meaningful indicator of shareholder concern.

Microsoft Corporation: Annual Meeting - 30 November 2021

Microsoft has seen a number of shareholder resolutions at recent shareholder meetings. However, the 2021 AGM saw five proposals make it to the ballot. One proposal sought a board report assessing the effectiveness of the company's workplace sexual harassment policies. Having reviewed content of the proposal, the response by the company and our engagement with the company, we chose to support the shareholder proposal. Approximately 78% of shareholders supported request for improved reporting.

Outcome: In response, the company commissioned an external third-party review of its harassment and discrimination policies.

Shanghai International Airport Co. Ltd. Special Meeting - 16 December 2021

The proposed acquisition of aviation assets from Shanghai Airport Group (the Company's parent as a related party) did not raise governance concerns. We agreed the acquisition would positively impact competitiveness and profitability, and that the acquisition price was fair. Consideration was to be paid in both stock and cash. However, the issue price of the cash component represented a 19.77% discount, which we deemed excessive. We supported the overall transaction but voted against the resolution relating to the cash component. The cash component proposals received approximately 94% support.

Shanghai International Airport, China

Fixed income assets

Bondholder meetings are less frequent in comparison to shareholder meetings but are often the result of a significant corporate event. We will vote bondholder meetings if the fund manager considers it to be appropriate to do so. The opportunity for investors to meet issuers around new issuance also gives some leverage for engagement.

In our experience, long-term creditors and shareholders have similar, but not identical, interests with regard to ESG issues. In particular, corporate bondholders have a strong interest in robust governance of ESG risks as a dimension of overall enterprise risk management. Therefore, in our engagement on behalf of bondholders, we foremost encourage companies to manage these risks actively to protect their underlying credit quality and financial strength.

We believe that active consideration of creditors' interests in company engagement helps investors to address the issue of short-termism, which is a concern in many corners. Namely, by taking a "universal investor" approach to a company that encompasses both debt and equity perspectives, unduly risky behaviour that promotes short term gains for shareholders – at the expense of creditors – might be discouraged. At the same time, investors should encourage a more balanced, sustainable corporate strategy and financial policy that is better positioned to stand the test of time.

Seeking amendments to terms and conditions in indentures or contracts: From our experience, such opportunities rarely exist within public fixed income markets because they are from regular issuers with standard terms from well-established issuance programmes. The exceptions will tend to be in high yield and emerging markets, where investors are involved earlier in the process to gauge demand and discuss terms. Our approach would be to attend roadshows or to provide feedback regarding our interest to the lead managers, and where applicable we would make suggestions for amendments, such as change of control, leverage limits etc.

Impairment rights: In the rare event of a company defaulting, we will look to join other investors to negotiate an outcome that is in the best interest of our clients.

Reviewing prospectus and transaction documents: As part of the credit research process, assessing terms and conditions relating to issues and issuers from prospectuses and transaction documents forms part of our credit assessment and helps us to understand fair value across different issuers and securities.

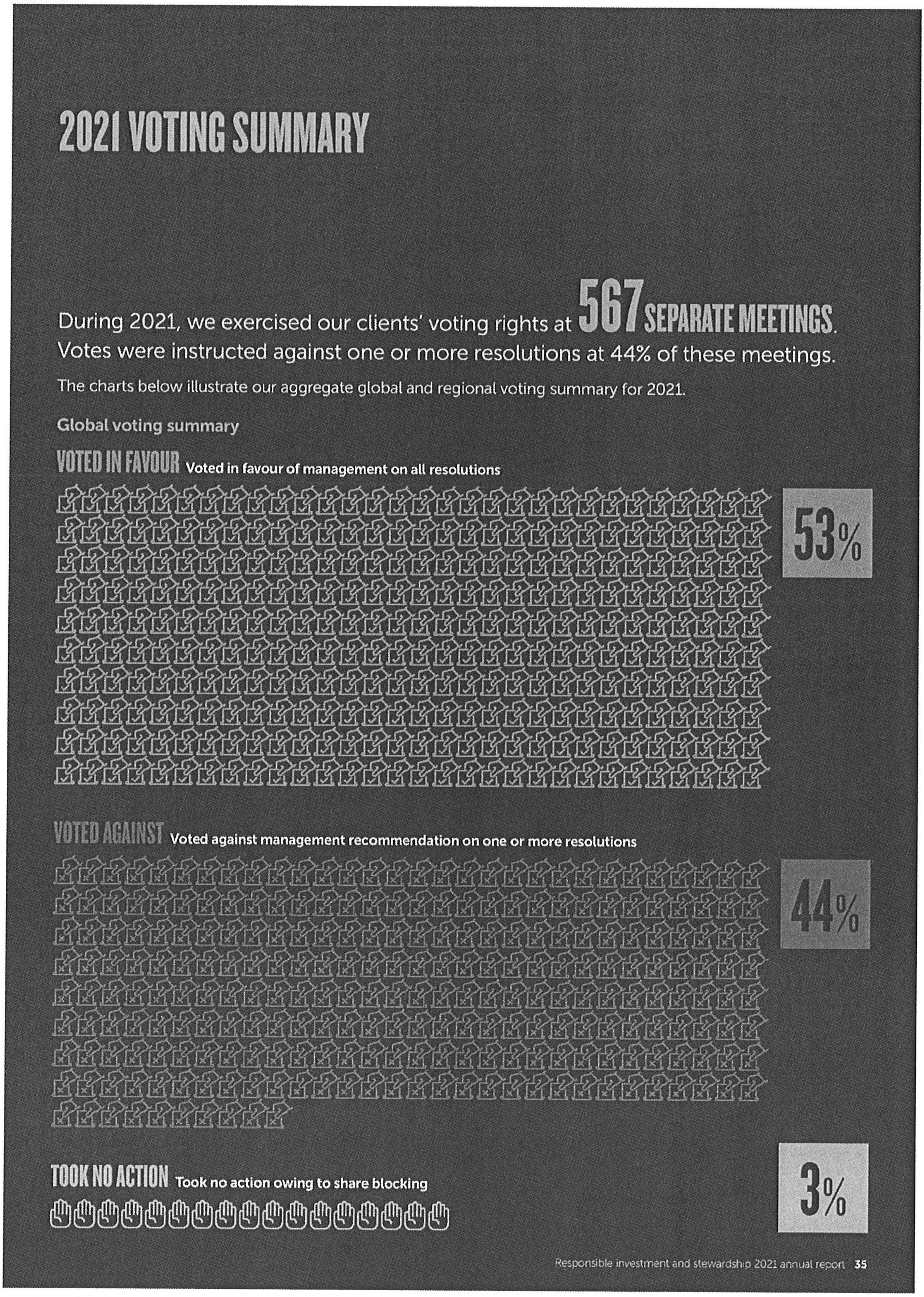
Managing stock lending/recalls for voting

We operate a stock lending programme for certain funds, as we consider this to be an important factor in preserving the liquidity of markets and in facilitating hedging strategies; it also provides investors with an additional return.

For those fund managers wishing to be involved in stock lending, we accommodate this on a fund-by-fund basis. Likewise, we can exclude funds or individual stocks from the lending programme as required. Stock may be lent within an agreed threshold thereby ensuring that a vote is cast in line with our voting policy and any concerns are expressed directly through a letter to the company if necessary.

Within BMO GAM, where significant voting issues arise, we may recommend stopping any further lending of stock, and, if necessary, will seek, on a reasonable-efforts basis, to recall all lent stock over the voting period. Examples of when this may occur are on votes of strategic importance, situations where we cannot make an informed voting decision, where a vote is considered to be close and controversial and we disagree with managements approach, an activist situation or where an issue does not meet our voting policy or environmental policies.

Newton:



2021 VOTING SUMMARY

During 2021, we exercised our clients' voting rights at 567 SEPARATE MEETINGS. Votes were instructed against one or more resolutions at 44% of these meetings.

The charts below illustrate our aggregate global and regional voting summary for 2021.

Global voting summary

VOTED IN FAVOUR Voted in favour of management on all resolutions

53%

VOTED AGAINST Voted against management recommendation on one or more resolutions

44%

TOOK NO ACTION Took no action owing to share blocking

3%

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Voting profile
2021 voting summary

> "Resolutions relating to board structure accounted for the majority of our votes against management recommendations. These extended to an insufficient balance of independence on boards, including the presence of long-serving directors, insufficient gender diversity, and concerns with individual directors' external commitments."

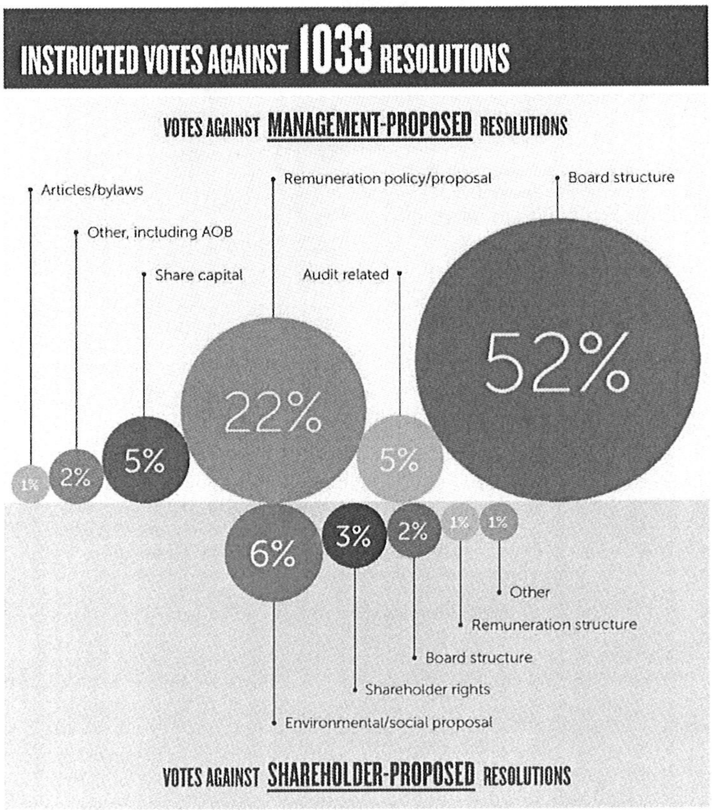
Votes against management

In 2021, we instructed votes against management recommendations in relation to a total of 1,033 separate resolutions. The individual rationale for each of these voting decisions is included in the relevant quarterly reports published throughout the year.

Resolutions relating to board structure accounted for the majority of our votes against management recommendations. These extended to an insufficient balance of independence on boards, including the presence of long-serving directors, insufficient gender diversity, and concerns with individual directors' external commitments. In some cases, this resulted in votes against the specific director, and in others it resulted in votes against nomination committee members.

Other notable areas where we voted against resolutions included concerns surrounding executive pay, which also led to votes against the re-election of remuneration committee members, and potential shareholder dilution where companies made proposals to issue new shares without first offering these to existing shareholders.

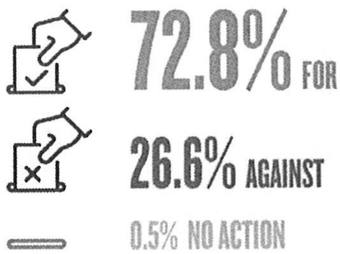
Resolutions voted against management



Shareholder proposals

Like all our voting decisions, each decision on shareholder-proposed resolutions is taken on a case-by-case basis. We supported 73% of the 184 shareholder-led proposals during 2021. These included resolutions relating to environmental and social matters, improvements to shareholders' rights, and director elections.

Total shareholder proposals in 2021 (184 proposals)



During 2021, shareholder-proposed resolutions relating to environmental matters received significant interest from a wide variety of stakeholders.

Our active thematic investment approach meant that we were not invested in many of the companies where shareholder resolutions were proposed at their shareholder meetings.

In addition, where we were invested in these companies, often we had engaged with the company ahead of the meeting. We supported 85% of the 20 shareholder proposals on environmental matters.

Environmental shareholder proposals (20 proposals)

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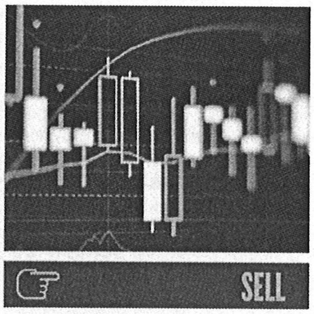
EQUITY-INCOME PORTFOLIOS

WHERE VOTING HAS TRANSLATED INTO INVESTMENT DECISIONS

US TECHNOLOGY COMPANY – TEXAS INSTRUMENTS



Voting is a factor in our investment decisions. For example, one feature of technology company Texas Instruments has always been the high number of options issued. This has a direct effect on the returns to shareholders through an increase in the share count. When used as payment for the management team, this can result in skewed incentives since options mean that management shares in the upside but not in the downside of the share-price performance.

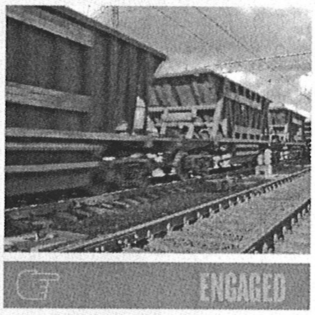
We therefore voted against the use of options for management. We also voted against the reappointment of the auditor given its 69-year uninterrupted service.

Ultimately, these factors contributed to our decision to sell the shares completely during 2021.

CASE STUDY

VOTING AS AN ENGAGEMENT OUTCOME

UK MATERIALS COMPANY – BHP



We voted in favour of three shareholder resolutions at the company's 2021 AGM, two of which related to climate-change considerations and disclosures. The third resolution sought to improve shareholders' ability to file shareholder resolutions.

As a signatory to Climate Action 100+, we have been engaging with BHP on its management of climate risk for over three years, reinforcing our own one-on-one multi-year engagement efforts. We noted the company's significant improvements to managing climate change over this period.

With the spin-off of petroleum assets, the strategic focus on 'future-facing commodities' and the investments into decarbonisation research and development, the company is better positioning itself for the long term. In addition, the company has studiously engaged with shareholders on its approach to this subject and has market-leading disclosures.

While welcoming these improvements, we continued to have concerns surrounding a lack of clarity on whether the company's environmental plan meets the emissions requirements for a 1.5-degree decarbonisation pathway. The Scope 1 and 2 carbon reduction target of 30% by 2030, from a 2018 baseline, is below the 42% required under the Science Based Targets initiative. We recognised that this was a challenging target but, in our view, a company like BHP, with the resources and expertise that it has, should be able to set targets that meet this type of criteria.

We would also like BHP to strengthen its steel decarbonisation plans, which we believe require urgent attention. We plan to continue engaging with the company in this area to understand better the bottlenecks that it faces and to help support it as it seeks potential solutions.

Finally, we voted against the company's Climate Transition Action Plan. We were concerned that if we supported the plan the company would conclude that the strategy was complete and that there was no need to continue to improve. At present, given the vast differences between the theoretical changes that need to be happening based on independent climate-change reports and the reality of current government and corporate strategy, we feel it is prudent to support proposals for more action and disclosure.

CASE STUDY