

# VWRI UK Pension Scheme

## 2022 SIP Implementation Statement

### Introduction

Under regulatory requirements, the Trustee is required to produce an annual Implementation Statement setting out:

- a) How voting and engagement policies set out in the Statement of Investment Principles ("SIP") in respect of the Scheme year from 1<sup>st</sup> January 2022 to 31<sup>st</sup> December 2022 have been followed; and
- b) A description of any voting behaviour by or on behalf of the Trustee during the Scheme year.

From 1<sup>st</sup> October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This statement aims to consider this guidance as the Trustee moves towards meeting the DWP's updated stewardship expectations.

### Summary of recent SIP updates

There have been no changes to the SIP over the reporting period. The SIP was last reviewed in 2020.

### Significance of Stewardship in the Appointment and Monitoring of Investment Managers

When selecting and monitoring the Scheme's investment managers, the Trustee considers managers' ESG and Stewardship capabilities. This information is provided by the Scheme's investment consultant.

The Trustee monitors and engages with the Scheme's investment managers (via the Scheme's investment consultant) on an ongoing basis.

### Summary of the Scheme's Engagement Policy

The Trustee believes that good stewardship is an important part of general scheme governance. Stewardship refers to the responsible allocation and management of capital to create long-term value and sustainable benefits for the economy, the environment and society.

Included below is a summary of the Trustee's Engagement Policy (last updated in August 2020):

- Direct engagement with underlying companies (as well as other relevant persons) of which the Trustee owns shares and debt is carried out by the Scheme's investment managers. The Trustee requires their investment managers to practice good stewardship. This includes monitoring, engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to affect the best possible long-term outcomes.
- The Trustee's investment advisors assess the ability of each investment manager in engaging with underlying companies to promote the long-term success of the investments, and reports

to the Trustee on an annual basis covering how the investment managers have acted in line with this policy. When selecting, monitoring and de-selecting asset managers, stewardship is factored into the decision-making process to the appropriate level for the specific asset class in question.

- Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Scheme's equity investments, which are exercised by the asset managers of the Scheme. The Trustee monitors and discloses the voting records of its managers on an annual basis.

The Trustee delegates responsibility for engaging with individual issuers to the Scheme's investment managers. Three examples of this activity are provided in Appendix A.

As part of moving towards the new DWP stewardship expectations, the Trustee plans to consider how best to assess the engagement activities of the Scheme's managers and how best to then engage with the managers where necessary. The Trustee may also set new expectations for the Scheme's managers' engagement activities to ensure they are of sufficient quality.

## Voting Behaviour

The Trustee's ability to influence investment managers' voting and stewardship activities will depend on the nature of the investments held. The use of voting rights is most likely to be financially material in the sections of the portfolios where physical equities are held. This includes the LGIM equity funds and the equity holdings within the Amundi and Man funds. As the holdings are made via pooled funds, where the investment manager is responsible for voting and engagement on the underlying assets rather than the Trustee, the Trustee's ability to influence voting activities undertaken is limited. However, the Trustee does take stewardship into account in selecting, monitoring, and retaining its investment managers.

Over the period, voting activities by Amundi, LGIM, and Man were undertaken with due consideration to investors' best interests considered on a fund-wide basis and in accordance with the voting procedures set out in each manager's voting policy. The Trustee is not aware of any material departures from the managers' stated voting policies. Given the nature of these mandates and the fact that voting activities were undertaken in line with the managers' voting policies, the Trustee is comfortable the voting policies for the Scheme have been adequately followed over the period. A summary of Amundi, LGIM and Man's voting behaviour is shown in the Appendix below, including their use of proxy voting.

The assets underlying the LGIM Pooled LDI fund consist of gilts and gilt-based derivatives and the assets underlying the LGIM Buy and Maintain Credit fund consist of corporate bonds. Therefore, the investment manager does not have voting rights for these particular funds. Given its governance structure, the Scheme relies on its managers to use their discretion with regards to voting.

However, given the new guidance, the Trustee plans to consider how best to assess the voting activity of the Scheme's managers and how best to then engage with the managers where necessary. The Trustee also plans to create its own definition of what it considers to be a significant vote which will be used in the next Implementation Statement.

## Looking Ahead

It is the Trustee's belief that the policies set out in the SIP regarding the exercise of rights attaching to investments and the undertaking of engagement activities in respect of the investments has been followed over 2022.

Over 2023, the Trustee plans to consider how best to meet the DWP's new expectations on stewardship and move to take more ownership of stewardship, as the new guidance expects. Changes to the Trustee's approach will be taken with regard to the Scheme's governance constraints and the in the best interest of the Scheme's members.

## Appendix A – Summary of Engagement Activity

Below the Trustee provides examples of the engagement activity conducted on their behalf by the Scheme's Buy & Maintain Credit fund manager, LGIM.

**References to "we", "us" and "our" in these sections refer to the relevant investment manager, rather than the Trustee.**

**Company:** Hormel Foods

**Focus of engagement:** Deforestation

**Details of engagement:** We met with Hormel Foods as part of our direct engagement under our Climate Impact Pledge. Among the topics discussed, we focussed on deforestation: LGIM considers it is critical for food sector companies to ensure that they have a formal policy and procedures in place to ensure their business does not negatively impact natural forests and the ecosystem. Hormel, however, falls below our minimum standards regarding its deforestation programme (and other areas related to carbon emissions).

**Outcome of engagement:** Hormel has made some progress towards its net zero targets and sustainable product sourcing. However, the company still lacks scope 3 upstream agricultural emissions targets and has no deforestation policy. The company therefore remains on our Climate Impact Pledge divestment list (for relevant funds) and we will continue to engage with them to encourage them to meet our minimum expectations.

**Company:** Philip Morris

**Focus of engagement:** Diversification of business away from tobacco

**Details of engagement:** We have consistently engaged with PMI Board to account on the execution of their global transition strategy, including Beyond Nicotine and moving forward Smoke-Free Future.

**Outcome of engagement:** During Q3 PMI launched its Business Transformation Linked Financing Framework: a headline target of >50% net revenue from reduced risk products by 2025, board level commitment, concrete KPIs for reporting and executive compensation, debt issuance linked to these material KPIs and continued integrated sustainability reporting.

We continue to encourage the firm to broaden the business and to diversify its interests away from tobacco.

## Appendix B – Summary of Managers' Voting Record

The Trustee's investment advisor circulated voting information collection templates to the Scheme's relevant investment managers for the period in consideration, who then directly filled these in (unless explicitly stated otherwise). **References to "we", "us" and "our" in these sections refer to the relevant investment manager, rather than the Trustee.** Under the 'Most significant vote(s)' section for each manager below, of the managers that completed this, only a maximum sample of three significant votes for this Implementation Statement have been included per manager.

### Amundi

Key Voting Statistics	
Value of Trustee assets as at 31 December 2022	£5,244,210.60
Number of equity holdings at period end	65
Number of meetings eligible to vote	57
Number of resolutions eligible to vote	896
% of resolutions voted	100%
% of resolutions voted with management	81%
% of resolutions voted against management	19%
% of resolutions abstained	0%
% of meetings with at least one vote against management	75%
% of resolutions where manager voted contrary to recommendation of proxy adviser	N/A
Any use of proxy voting services during the period?	Amundi uses its firm wide Proxy Voting Policy, please refer to policy <a href="#">here</a> . The team uses the ISS Proxy exchange platform to send its voting instructions.

### **Most significant votes**

As determined at Amundi level:

A selection of the most important environmental and social shareholder proposals.

Emblematic votes, as encountered by the voting analysts from time to time (linked for example to controversies that have been highly mediatized).

Below are details of 3 of Amundi's most significant votes during the relevant reporting period.

<b>Company name</b>	<b>Caterpillar Inc.</b>
Approx. size of fund's holding at date of vote	0.45%
Summary of resolution	Report on Long-Term Greenhouse Gas Targets Aligned with Paris Agreement.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	N/A
Brief rationale for voting decision	Additional information on meeting Paris Agreement goals would be useful to shareholders to assess potential risks and increase their understanding on how the company is managing its transition.
Outcome of vote	Rejected
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be "significant"?	See Amundi's above criteria for a significant vote.

<b>Company name</b>	<b>AT&amp;T</b>
Approx. size of fund's holding at date of vote	0.40%
Summary of resolution	Consider Pay Disparity Between Executives and Other Employees.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	N/A
Brief rationale for voting decision	Amundi considers that social cohesion represents a systemic risk for companies, as well as an opportunity for those who wish to integrate it in a positive way, in particular through controls of the wage balance within the framework of compensation policies. We therefore consider that this proposal has merit.
Outcome of vote	Rejected

On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be “significant”?	See Amundi’s above criteria for a significant vote.
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<b>Company name</b>	<b>Starbucks Corporation</b>
Approx. size of fund’s holding at date of vote	0.35%
Summary of resolution	Report on Prevention of Harassment and Discrimination in the Workplace.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	N/A
Brief rationale for voting decision	Prevention of harassment and discrimination is an essential component of workplace safety that all employees are entitled to and that the Company must ensure is in place. The suggested report would enable shareholders to assess how the Company has progressed on managing the subject and the risks involved. The proposal therefore has merit.
Outcome of vote	Rejected
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be “significant”?	See Amundi’s above criteria for a significant vote.

## Legal & General Investment Management (LGIM)

Given the LGIM World Developed Equity Index fund and the LGIM World Developed Equity Index – GBP Hedged fund contain the same underlying holdings and voting rights, they have been grouped together in the below table.

<b>Key Voting Statistics</b>	
Value of Trustee assets as at 31 December 2022	GBP-unhedged: £3,615,791.75 GBP-hedged: £3,777,995.14 Total: £7,393,786.89
Number of equity holdings at period end	2,193
Number of meetings eligible to vote	2,486
Number of resolutions eligible to vote	31,781
% of resolutions voted	99.77%
% of resolutions voted with management	78.65%
% of resolutions voted against management	21.17%
% of resolutions abstained	0.18%

% of meetings with at least one vote against management	79.57%
% of resolutions where manager voted contrary to recommendation of proxy adviser	14.39%
Any use of proxy voting services during the period?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.

### **Most significant votes**

Below are details of 3 of LGIM's most significant votes during the relevant reporting period.

<b>Company name</b>	<b>Apple Inc.</b>
Approx. size of fund's holding at date of vote	4.12% / 4.28% Hedged vs Unhedged.
Summary of resolution	Resolution 9 - Report on Civil Rights Audit.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Brief rationale for voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.
Outcome of vote	53.6% of shareholders supported the resolution.
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be "significant"?	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.

<b>Company name</b>	<b>Amazon.com, Inc.</b>
Approx. size of fund's holding at date of vote	1.89% / 1.90% Hedged vs Unhedged.
Summary of resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher
How manager voted	AGAINST

Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Brief rationale for voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
Outcome of vote	93.3% of shareholders supported the resolution.
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be “significant”?	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.

<b>Company name</b>	<b>Alphabet Inc.</b>
Approx. size of fund’s holding at date of vote	1.17% / 1.23% Hedged vs Unhedged.
Summary of resolution	Resolution 7 - Report on Physical Risks of Climate Change.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Brief rationale for voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of vote	17.7% of shareholders supported the resolution.
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be “significant”?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

## Man

Key Voting Statistics	
Value of Trustee assets as at 31 December 2022	£10,943,330.71
Number of equity holdings at period end	1,527
Number of meetings eligible to vote	698
Number of resolutions eligible to vote	8,054
% of resolutions voted	99.75%
% of resolutions voted with management	85.47%
% of resolutions voted against management	14.08%
% of resolutions abstained	0.44%
% of meetings with at least one vote against management	4.47%
% of resolutions where manager voted contrary to recommendation of proxy adviser	6.85%
Any use of proxy voting services during the period?	<p>Man Group appointed Glass Lewis as its proxy service provider. We use Glass Lewis's voting platform 'Viewpoint' to vote our shares electronically, receive research reports and custom voting recommendations. We have monitoring controls in place to ensure that the recommendations provided are in accordance with our ESG Voting Policy and that our votes are timely and effectively instructed. Specifically, our voting framework employs screening to identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, we also have in place electronic alerts to inform us of votes against our policy, votes that need manual input and rejected votes that require further action.</p>

### **Most significant votes**

As per Man's policies on disclosing voting information on their underlying companies, they have anonymised the company name and kept confidential the size of each holding and the outcome of each vote.

Below are details of 3 of Man's most significant votes during the relevant reporting period.

<b>Company name</b>	<b>Anonymised 1</b>
Is this one of your top 5 (or 10) holdings?	Anonymised.
Summary of resolution	Shareholder Proposal Regarding External Public Health Costs Created by the Sale of Tobacco Products.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	No.
Brief rationale for voting decision	Favor review/end of tobacco/alcohol business.
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be "significant"?	Our proxy voting framework comprises a bespoke screening system that identifies 'high-value meetings'. This screening combines the ESG rating from a third-party provider with an internal metric on deemed importance of the meeting. If a company falls below a certain threshold score in any ESG area and / or is considered materially important based on the % of shares outstanding held by Man or fund's AUM, the meeting will be flagged to the Stewardship Team and be considered 'high-value'. In addition to this, all meetings with shareholder proposals are also flagged to the Stewardship Team and reviewed prior to voting.

<b>Company name</b>	<b>Anonymised 2</b>
Is this one of your top 5 (or 10) holdings?	Anonymised.
Summary of resolution	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	No.
Brief rationale for voting decision	Favor increased environmental reporting/responsibility.

On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be “significant”?	Our proxy voting framework comprises a bespoke screening system that identifies ‘high-value meetings’. This screening combines the ESG rating from a third-party provider with an internal metric on deemed importance of the meeting. If a company falls below a certain threshold score in any ESG area and / or is considered materially important based on the % of shares outstanding held by Man or fund’s AUM, the meeting will be flagged to the Stewardship Team and be considered ‘high-value’. In addition to this, all meetings with shareholder proposals are also flagged to the Stewardship Team and reviewed prior to voting.
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Company name	Anonymised 3
Is this one of your top 5 (or 10) holdings?	Anonymised.
Summary of resolution	Shareholder Proposal Regarding Independent Chair.
How manager voted	FOR
Where manager voted against management, did the manager communicate intent to company ahead of vote?	No.
Brief rationale for voting decision	An independent chair is better able to oversee the executives of a company and set a pro-shareholder agenda.
On which criteria – with reference to PLSA guidance – has the manager assessed this vote to be “significant”?	Our proxy voting framework comprises a bespoke screening system that identifies ‘high-value meetings’. This screening combines the ESG rating from a third-party provider with an internal metric on deemed importance of the meeting. If a company falls below a certain threshold score in any ESG area and / or is considered materially important based on the % of shares outstanding held by Man or fund’s AUM, the meeting will be flagged to the Stewardship Team and be considered ‘high-value’. In addition to this, all meetings with shareholder proposals are also flagged to the Stewardship Team and reviewed prior to voting.