XPS Investment

Wadworth & Company Limited Pension Scheme Implementation Statement for the year ended 31 December 2022

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Wadworth & Company Limited Pension Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31 December 2022 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

The Trustees' policy in relation to ESG and voting issues is documented in the Statement of Investment Principles (SIP) dated May 2021. There have been no updates made to the SIP during the current reporting year.

The Trustees' policy

The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

Manager selection exercises

One of the main ways in which the policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. During the reporting year, the Trustees received formal advice from XPS with regards to recommending a buyout-aware strategy following the significant improvement in funding made by the Scheme. As such, the Scheme began implementing the buyout-aware strategy with Schroders Investment Management Limited post reporting year.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

The Trustees generally meet two times a year to discuss the investment matters and receive investment monitoring reports from XPS on a bi-annual basis, which details information such as performance.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to UK and overseas markets. Investments in equities will also form part of the strategy for the diversified growth fund. A summary of the voting behaviour and most significant votes cast by each of the investment manager organisations for the relevant funds is shown below.

During the reporting period, the Scheme had primary exposure to equities through two equity funds, LGIM UK Equity Index Fund, LGIM World (ex UK) Equity Index Fund – GBP Hedged Index Fund, and one diversified growth fund; Schroders Diversified Growth Fund.

Please note that the information on the managers' voting activity has been provided by the investment managers, and this is reflected in the use of "we" throughout. Any opinions contained within do not necessarily reflect the views of the Trustees.

Legal and General Investment Management

Investment Manager Client Consultation Policy on Voting
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all their clients. LGIM's voting policies are reviewed annually and take into account feedback from their clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.
Investment Manager Process to determine how to Vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.
How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure they continue to help their clients in fulfilling their reporting obligations. LGIM also believe public transparency of their vote activity is critical for their clients and interested parties to hold them to account.

For many years, LGIM has regularly produced case studies and/or summaries of LGIM's vote positions to clients for what they deemed were 'material votes'. LGIM are evolving their approach in line with the new regulation and are committed to provide their clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

• High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;

• Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;

• Sanction vote as a result of a direct or collaborative engagement;

• Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provide information on significant votes in the format of detailed case studies in their quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. LGIM also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on their website at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

Does the manager utilise a Proxy Voting System? If so, please detail.

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 they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Fund Information
LGIM UK Equity Index Fund

The manager voted on 99.9% of resolutions of which they were eligible out of 10,854 eligible votes.			
Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Royal Dutch Shell Plc	Resolution 20 - Approve the Shell Energy Transition Progress Update	Against	Vote passed
A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.			
BP Plc	Resolution 3 - Approve Net Zero - From Ambition to Action Report	For	Vote passed
A vote for is applied, though not without reservations. While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.			
Rio Tinto Plc	Resolution 17 - Approve Climate Action Plan	Against	Vote passed
LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while they acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.			
Glencore Plc	Resolution 13 - Approve Climate Progress Report	Against	Vote passed

A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While they note the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, LGIM remain concerned over the company's activities around thermal coal and lobbying, which they deem inconsistent with the required ambition to stay within the 1.5°C trajectory. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.			
Anglo American Plc	Resolution 19 - Approve Climate Change Report	Against	Vote passed
LGIM recognise the substantial progress the company has made in climate reporting, primarily on transparency and the expansion of GHG emissions reduction targets (including the ambition to work to decarbonise its value chain), as well as the importance of the company's products in enabling the low-carbon transition. However, LGIM remain concerned that the company's interim operational emissions targets (to 2030) are insufficiently ambitious to be considered aligned with the 1.5C trajectory. LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.			

Fund Information			
LGIM World (ex UK) Equity Index Fund – GBP Hedged			
The manager voted on 99.8% of resolutions of which they were eligible out of 35,672 eligible votes.			
Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Apple Inc.	Resolution 9 - Report on Civil Rights Audit	For	Vote passed
LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.			
Amazon.com, Inc.	Resolution 1f - Elect Director Daniel P. Huttenlocher	Against	Vote passed
The director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.			
Alphabet Inc.	Resolution 7 - Report on Physical Risks of Climate Change	For	Vote did not pass

LGIM expects companies to be taking sufficient action on the key issue of climate change.			
Meta Platforms, Inc.	Resolution 5 - Require Independent Board Chair	For	Vote did not pass
LGIM expects companies to establish the role of independent Board Chair.			
NVIDIA Corporation	Resolution 1g - Elect Director Harvey C. Jones	Against	Vote passed
LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			

Schroders Investment Management Limited

Investment Manager Client Consultation Policy on Voting
The corporate governance analysts input votes based on their proprietary research in line with Schroders' house voting policy and do not take voting instruction from their clients. Schroders report transparently on their voting decisions with rationales on their website.
Investment Manager Process to determine how to Vote
As active owners, Schroders recognise their responsibility to make considered use of voting rights. They therefore vote on all resolutions at all AGMs/EGMs globally unless they are restricted from doing so (e.g. as a result of share blocking). They aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with their published ESG policy. The overriding principle governing their voting is to act in the best interests of their clients. Where proposals are not consistent with the interests of shareholders and their clients, they are not afraid to vote against resolutions. They may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues. Schroders evaluate voting resolutions arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. Their Corporate Governance specialists assess each proposal, applying their voting policy and guidelines (as outlined in their Environmental, Social and Governance Policy) to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Schroders' specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Their own research is also integral to their process; this will be conducted by both their financial and Sustainable Investment analysts. For contentious issues, Schroders' Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. Schroders also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders. In 2022, Schroders voted on approximately 7600 meetings and 96% of total resolutions and instructed a vote against the board at over 50% of meetings. Institutional Shareholder Services (ISS) act as their one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with their own bespoke guidelines, in addition, they receive ISS's Benchmark research. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. ISS automatically votes all their holdings of which they own less than 0.5% (voting rights) excluding merger, acquisition and shareholder resolutions. This ensures consistency in their voting decisions as well as creating a more formalised approach to their voting process.
How does this manager determine what constitutes a 'Significant' Vote?
Schroders believe that all votes against management should be classified as a significant vote. However, they believe resolutions related to certain topics carry particular significance. They therefore rank the significance of their votes against management, firstly by management say on climate votes, secondly environmental and social shareholder resolutions, thirdly any shareholder resolutions and finally by the size of their holding.
Does the manager utilise a Proxy Voting System? If so, please detail.

Institutional Shareholder Services (ISS) act as their one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with their own bespoke guidelines, in addition, they receive ISS's Benchmark research. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

<table>
<tr><th colspan="4">Voting Information</th></tr>
<tr><td colspan="4">Schroders Diversified Growth Fund</td></tr>
<tr><td colspan="4">The manager voted on 95.7% of resolutions of which they were eligible out of 15,081 eligible votes.</td></tr>
<tr><th colspan="4">Top 5 Significant Votes during the Period</th></tr>
<tr><th>Company</th><th>Voting Subject</th><th>How did the Investment Manager Vote?</th><th>Result</th></tr>
<tr><td>Charter Communications, Inc.</td><td>Disclose Climate Action Plan and GHG Emissions Reduction Targets</td><td>For</td><td>Vote did not pass</td></tr>
<tr><td colspan="4">The company is asked to publish a climate action plan and GHG emissions reduction targets. Schroders are keen to see the company develop its strategies, disclosures and targets relating to emissions reductions, and are concerned about the risks associated with delayed action on climate change.</td></tr>
<tr><td>Canadian Pacific Railway Limited</td><td>Management Advisory Vote on Climate Change</td><td>Against</td><td>Vote passed</td></tr>
<tr><td colspan="4">Whilst Schroders recognise the good progress the company has made so far, there is no firm commitment to transition to Net Zero by 2050, and there are no Scope 3 targets in place.</td></tr>
<tr><td>Repsol SA</td><td>Advisory Vote on Company's Climate Strategy</td><td>Against</td><td>Vote passed</td></tr>
<tr><td colspan="4">Insufficient reporting and targets on scope 3; on whether targets extend to equity interests; and short-term targets are not aligned to 1.5c.</td></tr>
<tr><td>TotalEnergies SE</td><td>Approve Company's Sustainability and Climate Transition Plan</td><td>Against</td><td>Vote passed</td></tr>
<tr><td colspan="4">The company is seeking approval for its sustainability and climate transition plan. Whilst the company has set a net zero by 2050 target covering scope 1 and 2 emissions, their scope 3 reductions are limited to Europe and overall targets are not verified. At present, the company's plan does not meet the goal of limiting global warming to 1.5 degrees.</td></tr>
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Alphabet Inc.	Report on Physical Risks of Climate Change	For	Vote did not pass
The company is asked to report on the physical risks of climate change. Schroders feel that shareholders would benefit from increased disclosure regarding how the company is assessing and managing its climate change risks.			