

Wadworth & Company Limited Pension Scheme Implementation Statement for the year ended 30 September 2020

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Wadworth & Co. Ltd 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 30 September 2020 (“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 updated their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers’ own equivalent policies. The Trustees’ new policy was documented in the updated Statement of Investment Principles (SIP) dated September 2020.

The previous version of the SIP had been in existence since July 2019 meaning this version was relevant during the reporting year.

The Trustees’ updated 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 this updated 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, there have been no such manager selection exercises.

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 performance on a bi-annual basis.

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. Equities form part of the strategy for the Schroders Diversified Growth Fund and Invesco Global Targeted Returns Fund in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

Schroders Investment Managed Limited

Voting Information
Schroders Diversified Growth Fund
The fund manager has not provided a stewardship code data at present.
The manager voted on 93.7% of resolutions of which they were eligible out of 38,754 eligible votes.
Investment Manager Client Consultation Policy on Voting
In order to maintain the necessary flexibility to meet client needs, local offices at Schroders may determine a voting policy regarding the securities for which they are responsible, subject to agreement with clients as appropriate, and/or addressing local market issues. Clients in the UK will need to contact their usual client services person(s) on whether this is available for the type of investment(s) they hold with Schroders.
Investment Manager Process to determine how to Vote
Schroders evaluate voting issues 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 Schroders deem to be the interests of their clients. Schroders utilise company engagement, internal research, investor views and governance expertise to confirm their intention. Further information can be found in their Environmental, Social and Governance Policy for Listed Assets policy: https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf

How does this manager determine what constitutes a 'Significant' Vote?

Schroders consider "most significant" votes as those against company management.

Schroders are not afraid to oppose management if they believe that doing so is in the best interests of shareholders and their clients. For example, if Schroders believe a proposal diminishes shareholder rights or if remuneration incentives are not aligned with the company's long-term performance and creation of shareholder value. Such votes against will typically follow an engagement and they will inform the company of their intention to vote against before the meeting, along with their rationale. Where there have been ongoing and significant areas of concerns with a company's performance, Schroders may choose to vote against individuals on the board.

However, as active fund managers they usually look to support the management of the companies that they invest in. Where Schroders do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

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

Schroders receive research from both ISS and the Investment Association's Institutional Voting Information Services (IVIS) for upcoming general meetings, however this is only one component that feeds into their voting decisions. In addition to relying on their policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

It is important to stress that Schroders own research is also integral to their final voting decision; this will be conducted by both their financial and ESG analysts. For contentious issues, their Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders continue to review their voting practices and policies during their ongoing dialogue with their portfolio managers. This has led Schroders to raise the bar on what they consider 'good governance practice.'

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Brambles Limited	Elect George El-Zoghbi as Director	Against Management	Voted against Company Management

Member of remuneration committee - concerns over executive compensation measures.			
Barratt Developments Plc	Authorise EU Political Donations and Expenditure	Against Management	Voted against Company Management
The use of political donations in 2019.			
Paychex, Inc	Elect Director Joseph M. Tucci	Against Management	Voted against Company Management
Concerns about lack of independence due to extensive tenure and role as lead independent director.			
Eutelsat Communications SA	Approve Remuneration Policy of CEO	Against Management	Voted against Company Management
Lack of disclosure around new CSR target in the bonus and the LTIP.			
Bovis Homes Group Plc	Authorise Issue of Equity Pursuant to the Acquisition	Against Management	Voted against Company Management
Acquisition involves significant dilution to non-participating shareholders.			

Invesco Fund Managers Limited

Voting Information

Invesco Global Targeted Returns Fund

The fund manager has not provided a stewardship code data at present.

The manager voted on 98.4% of resolutions of which they were eligible out of 4,904 eligible votes.

Investment Manager Client Consultation Policy on Voting

Invesco has adopted a clear and considered stewardship policy aligned with its responsibility as a shareholder on behalf of all its investors. For more information regarding Invesco stewardship and engagement activities please refer to Invesco 2019 Environmental, Social and Governance Investment Stewardship Report by visiting Invesco website:

<https://www.invesco.com/corporate/about-us/esg>. The proxy voting process at Invesco, which is driven by investment professionals, focuses on maximising long-term value for our clients, protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. All of Invesco activities are aimed at enhancing and protecting the value of our investments for Invesco clients. Invesco takes a nuanced approach to voting, therefore, many matters to be voted upon are reviewed on a case by case basis as each investment team makes independent voting decisions based on criteria that may be important to their investment approach. Invesco's proxy voting process is designed to ensure that proxy votes are cast in accordance with the best interests of all clients.

Investment Manager Process to determine how to Vote

Invesco views proxy voting as an integral part of its investment management responsibilities. The proxy voting process at Invesco focuses on protecting clients' rights and promoting governance structures and practices that reinforce the accountability of corporate management and boards of directors to shareholders. Voting matters are assessed on a case-by-case basis by Invesco's respective investment professionals considering the unique circumstances affecting companies, regional best practices and our goal of maximising long-term value creation for our clients. The voting decision lies with Invesco asset managers with input and support from our Global ESG team and Proxy Operations functions. Invesco portfolio managers review voting items based on their individual merits and retain full discretion on vote execution conducted through our proprietary proxy voting platform. Invesco proprietary voting platform facilitates implementation of voting decisions and rationales across global investment teams. Invesco proxy voting philosophy, governance structure and process are designed to ensure that proxy votes are cast in accordance with clients' best interests.

How does this manager determine what constitutes a 'Significant' Vote?

Invesco's investor-led proxy voting approach ensures that each meeting is voted in the firm's clients' best interests and each proposal, both management and shareholder, is considered in light of the risk and materiality to the portfolios. As part of the firm's Shareholder Rights Directive II implementation, the following criteria are used when determining whether a voting item is significant; (i) materiality of the position, (ii) the content of the resolution and (iii) inclusion on Invesco's ESG watchlist.

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

Invesco may supplement its internal research with information from third parties, such as proxy advisory firms. Globally Invesco leverages research from Institutional Shareholder Services Inc. ("ISS") and Glass Lewis ("GL") and Invesco use the Investment Association IVIS in the UK for research for UK securities. Invesco generally retains full and independent discretion with respect to proxy voting decisions. ISS and GL both provide research reports, including vote recommendations, to Invesco and its asset managers. Invesco also retains ISS to assist with receipt of proxy ballots and vote execution for use through Invesco proprietary voting platform as well as ISS vote disclosure services in Canada, the UK and Europe.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
AerCap Holdings NV	Authorise Board to Exclude Pre-emptive Rights from Share Issuances Under Item 9.a	In line with Management Recommendations	Pass
A vote FOR this proposal is warranted because it is in line with commonly used safeguards regarding volume and duration.			
ASM International NV	Authorise Board to Exclude Pre-emptive Rights from Share Issuances	In line with Management Recommendations	Pass
A vote FOR this proposal is warranted because it is in line with commonly used safeguards regarding volume and duration.			
Edenred SA	Approve Issuance of Equity or Equity-Linked Securities for Qualified Investors, up to Aggregate Nominal Amount of EUR 24,320,485	In line with Management Recommendations	Pass
Votes FOR the authorizations under Item 18 is warranted as their proposed volumes respect the recommended guidelines for issuances with and without pre-emptive rights.			
Intertrust NV	Authorise Board to Exclude Pre-emptive Rights from Share Issuances Under Item 8.a	In line with Management Recommendations	Pass
A vote FOR this proposal is warranted because it is in line with commonly used safeguards regarding volume and duration.			
Signify NV	Authorise Board to Exclude Pre-emptive Rights from Share Issuances	In line with Management Recommendations	Pass
A vote FOR this proposal is warranted because it is in line with commonly used safeguards regarding volume and duration.			