

# **WCF Ltd Staff Retirement Benefits Scheme**

## **Engagement Policy Implementation Statement for the year ending 31 March 2022**

### **Introduction**

This statement sets out how, and the extent to which, the Stewardship Policy and related policies on Environmental, Social and Governance (ESG) factors and Climate Change set out in the Statement of Investment Principles (SIP) have been followed during the year to 31 March 2022.

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.

### **Investment objectives of the Scheme**

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustee's primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the WCF Limited Pension scheme ("the Scheme").

The objectives set out above provide a framework for the Trustee when making investment decisions.

### **Policy on ESG, Stewardship and Climate Change**

The Scheme's SIP includes details of the Trustee's policies on ESG factors, including stewardship and Climate Change. The policies in question were last approved on 22 November 2019.

As recorded in that SIP, The Trustee believes that ESG factors can influence the return and risk outcomes for the Scheme. It therefore believes that ESG factors should be taken into account in the management of the Scheme assets. The Trustee expects its investment managers to take account of financially material considerations including ESG factors as part of their investment analysis and decision making process.

The Trustee keeps its policies under regular review with the SIP subject to review at least triennially.

This statement also describes the voting behaviour by, or on behalf of, the Trustee.

### **Scheme Investment Structure**

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 its investment managers make decisions based on assessments about the financial performance, and that they engage 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.

### **Trustee Engagement**

The Trustee recognises that investment managers' ability to influence the companies in which they invest will depend on the nature of the investment. The Trustee does not have the opportunity to influence the investment managers' actions in relation to ESG factors directly. Instead, the Trustee has defined policies in relation to ESG and will both select and monitor investment managers with regard to these policies.

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 investment managers are expected to provide regular reports for the Trustee detailing their voting activity.

As all of the investments are held in pooled vehicles, the Trustee does not envisage being directly involved with peer to peer engagement in investee companies.

## Voting Activity

As noted earlier, the Scheme has no direct relationship with the investee companies it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustee has not been asked to vote on any specific matters over the Scheme year.

Nevertheless, this Statement sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e. all funds which include equity holdings) in which the Scheme's assets are ultimately invested.

## Investment manager engagement policies

The Scheme's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how the investment managers engage 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.

Links to the investment manager's engagement policy or suitable alternative is provided in the Appendix.

These policies are publicly available on the investment manager's websites.

## Exercising rights and responsibilities

The latest available information provided by the investment managers (where relevant for equity investments) are as follows:

Voting behaviour					
Investment manager	Period	%n of votes cast	% of votes against	Proxy voter used?	Significant vote examples
BlackRock Investment Management	01/07/2021 – 30/06/2022	100%	10.0%	ISS <sup>1</sup> for voting, and executions	At Amazon.com, Inc. (Amazon), BIS supported a shareholder proposal that requested that the board issue a report "describing how the company could reduce its plastics use." <sup>2</sup> POSCO International Corporation (POSCO Intl), South Korea's

					largest steelmaker, POSCO, in an effort to understand the company's management of palm oil-related risks BIS did not support the re-election of the incumbent directors on the ballot. While recognizing the company's efforts and progress to date, we believed the company can further improve the management of environmental and social risks associated with the production of palm oil
Schroder Investment Management	31/03/2020-31/03/2021	99.4%	9.0%	ISS <sup>1</sup> for voting, recommendations and executions, IVIS <sup>2</sup> for recommendations only	Tesco – Vote against executive pay award and remuneration focus on earnings per share.
Insight Investments	01/01/2021-31/12/2021	100%	7.0%	Minerva Analytics for proxy voting services	Objective: To raise awareness with the bank's management about our concerns, particularly climate risk, and governance issues including entrenched directors and gender balance at the board level. – Activity: In Q2 2021, we engaged with the bank to discuss its weak Prime corporate and climate risk ESG ratings (5 – the worst possible). It was a useful meeting, as the bank highlighted activity on environmental issues, and flagged that an ESG data provider (which informs our Prime ratings) is collecting erroneous data. We took the opportunity to raise our concern that while the bank's board is majority independent, many directors are entrenched, and none are female. – Outcome: We

continue to hold the bank's debt, and will monitor for progress, looking to engage again in 2022

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## Notes

1. *Institutional Shareholder Services*
2. *Institutional Voting Information Service*

## **Trustee's assessment**

The Trustee has considered the environmental, social and governance rating for each fund/investment manager provided by the investment consultant, which includes consideration of voting and/or engagement activities. This also includes those funds that do not hold listed equities.

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. The Trustee expects improvements in disclosures over time in line with increasing expectations on investment managers and the opportunity they have to influence positive outcomes through their voting engagement and activity

Based on the activity over the year by the Trustee and its advisers the Trustee is of the view that the policy has been implemented effectively in practice. The Trustee notes that its investment managers were able to provide evidence of voting activity although there were some areas of concern over the information available and provided by Insight. The Trustee's investment adviser, Buck Consulting, will continue to engage with Insight to encourage better practices and disclosure of activity.

## **Adopted by the Trustee**

**October 2022**

## Appendix

Links to the engagement policies and annual disclosure statements for the investment managers can be found here:

<b>Investment manager</b>	<b>Engagement policy</b>	<b>Annual disclosure statement</b>
BlackRock Investment Management	<a href="https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf">https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf</a>	<a href="https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf">https://www.blackrock.com/corporate/literature/publication/2022-investment-stewardship-voting-spotlight.pdf</a>
Schroder Investment Management	<a href="https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf">https://www.schroders.com/en/sysglobalassets/global-assets/english/campaign/sustainability/integrity-documents/schroders-esg-policy.pdf</a>	<a href="https://www.schroders.com/en/sysglobalassets/digital/global/corporate-responsibility/esg/2021/march-2021.pdf">https://www.schroders.com/en/sysglobalassets/digital/global/corporate-responsibility/esg/2021/march-2021.pdf</a>
Insight Investments	<a href="https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-eu-responsible-investment-annual-report-2021.pdf">https://www.insightinvestment.com/globalassets/documents/responsible-investment/responsible-investment-reports/uk-eu-responsible-investment-annual-report-2021.pdf</a>	<a href="https://www.insightinvestment.com/uk-stewardship-code-report-2021.pdf">uk-stewardship-code-report-2021.pdf (insightinvestment.com)</a>