

# The Wildlife Trusts Pension Scheme Implementation Statement - DB Section

Covering 1 April 2021 to 31 March 2022

## 1. Background

The Trustee of the Wildlife Trusts Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the Scheme’s Statement of Investment Principles (“SIP”) during the previous Scheme year, in relation to engagement and voting behaviour, either by or on behalf of the Trustee, or if a proxy voter was used.

The Statement sets out the how, and the extent to which, the Trustee policy in relation to exercising voting rights has been followed during the year by describing the voting behaviour on behalf of the Trustee of the Scheme.

This statement should be read in conjunction with the SIP and has been produced in accordance with **The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018** and the subsequent amendment in **The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019**.

A copy of the most recent SIPs can be found at:- <https://www.wildlifetrusts.org/sites/default/files/2020-10/Wildlife%20SIP%20September%202020%20Final.pdf>

## 2. Trustee’s Policy

This section sets out the policies in the SIP in force at the Scheme year end, relating to the following:

- Financially Material considerations
- Non-Financial matters
- Investment Manager Arrangements

### Financially Material Considerations

The Trustee believes its main duty, reflected in its investment objective, is to protect the financial interests of the Scheme’s members. The Trustee believes that ESG (Environmental, Social, Governance) considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty. Legislation requires that the Trustee forms a view of the length of time that it considers is needed for the funding of future benefits by the investments of the Scheme.

The Trustee recognises that this a DB Scheme which is closed to new entrants with an ageing membership. Despite this, the Trustee has formed the view that the time horizon of the Scheme is nonetheless long enough for these issues to have an impact on its investments.

The Trustee has elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustee will consider these policies in all future selections and will seek to deepen its understanding of the existing managers’ policies by reviewing these periodically. In cases where it is dissatisfied with any manager’s approach it will take this into account when reviewing them. It also wishes all its managers, and its investment advisor, to be signatories of the UN Principles of Responsible Investment, which is currently the case.

### Non-Financially Material Considerations

Whilst non-financial matters are not currently taken directly into account in its investments, as these are held in collective funds and not managed solely for the Scheme, there may be non-financial benefits arising from the Scheme's investment policy. The degree to which these benefits are sought and reported by the Scheme's managers is part of the decision-making process.

### **3. Voting and Engagement**

The Trustee believes that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustee is keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustee's behalf). The Trustee is also keen that their managers are signatories of the UK Stewardship Code. This is currently the case.

The Trustee will monitor the voting being carried out by their Investment Managers and custodians on their behalf. They will do this by receiving reports from their Investment Managers which should include details of any significant votes cast and proxy services that have been used.

The Trustee is aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end the Trustee dedicates time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustee expects the Scheme's investment managers to have effective ESG policies (including the application of voting rights) in place and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

### Investment Manager Arrangement

The Scheme's funds are:

- LGIM UK Equity Index
- LGIM World (ex-UK) Developed Equity Index Fund
- LGIM World Emerging Markets Equity Index Fund
- LGIM Over 15 Year Gilts Index Fund
- LGIM Active Corporate Bond - Over 10 Year - Fund
- LGIM Over 5 Year Index-Linked Gilts Index Fund
- Threadneedle Property Fund
- Schroder Life Diversified Growth Fund

The underlined funds do not hold physical equities and therefore do not have attaching voting rights. Voting information has been provided below for the other funds, which do have voting rights attached.

#### **4. Description of investment manager's voting processes**

##### **a. LGIM**

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. Their 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 they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their 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 their 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.

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. Their 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 they receive from ISS for UK companies when making specific voting decisions.

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

They 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 them to apply a qualitative overlay to their voting judgement. They 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 them of rejected votes which require further action.

It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any issues they have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

#### **4. Description of investment manager's voting processes (continued)**

##### **a. LGIM**

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of their formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

##### **b. Schroders**

As active owners, they 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.

They 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. Their 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, their Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

They 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 2020, they voted on approximately 99% of total resolutions, and instructed a vote against management at 36% of meetings. In total, they voted on 6,518 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 their Internet-based platform Proxy Exchange. Schroder's receives ISS's research on resolutions. This is complemented with analysis by their in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers. For their smallest holdings in the US, Hong Kong, Japan, Australia and New Zealand, ISS implements a custom Schroders voting policy for them, with only a few resolutions referred to Schroders for a final decision.

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."

**c. Threadneedle**

TPEN Property invests in UK commercial real estate only, and as such there are no “stocks” that require voting. Please see the attached for their Five Stages of Managing Real Estate Responsibly. <https://www.columbiathreadneedle.co.uk/en/inst/insights/five-stages-of-managing-real-estate-responsibly>

## 5. Summary of voting behaviour over the year

### a. LGIM

A summary of voting behaviour over the period is provided in the tables below.

<b>Summary Info</b>	
Manager name	Legal & General Investment Management
Fund name	UK Equity Index Fund
Approximate value of trustee's assets	c.£0.8m as at 31 March 2022
Number of meetings eligible to vote	772
Number of resolutions eligible to vote	10,813
% of resolutions voted	99.98%
% of resolutions voted with management	93.07%
% of resolutions voted against management	6.93%
% of resolutions abstained	0.00%
% of meetings with at least one vote against managements	43.58%
% of resolutions voted contrary to the proxy adviser recommendation	5.35%
<b>Summary Info</b>	
Manager name	Legal & General Investment Management
Fund name	World (ex UK) Developed Equity Index Fund
Approximate value of trustee's assets	c.£4.8m as at 31 March 2022
Number of meetings eligible to vote	2,292
Number of resolutions eligible to vote	27,779
% of resolutions voted	99.85%
% of resolutions voted with management	78.69%
% of resolutions voted against management	21.02%
% of resolutions abstained	0.29%
% of meetings with at least one vote against managements	80.31%
% of resolutions voted contrary to the proxy adviser recommendation	14.33%
<b>Summary Info</b>	
Manager name	Legal & General Investment Management
Fund name	World Emerging Markets Equity Index Fund
Approximate value of trustee's assets	c.£0.8m as at 31 March 2022
Number of meetings eligible to vote	4,087
Number of resolutions eligible to vote	34,237
% of resolutions voted	99.80%
% of resolutions voted with management	81.11%
% of resolutions voted against management	16.71%
% of resolutions abstained	2.18%
% of meetings with at least one vote against managements	49.35%
% of resolutions voted contrary to the proxy adviser recommendation	6.29%

## **b. Schroders**

Schroder Life has published voting records for many years and these are publicly available on their website however at the moment the new PLSA voting template requires detailed bespoke fund-level voting data that goes beyond their existing disclosures. At this point in time, they are reviewing the information they provide and are considering the best way to communicate this to their clients.

The Trustee was unable to include a summary of Schroder Life's voting behaviour however they will continue to work with their advisers and Schroder Life with the aim of providing more information in future statements.

## **6. Most Significant votes over the year**

### **a. LGIM**

Commentary on the most significant votes over the period from LGIM is set out below.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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 we 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.

### Most significant votes for the LGIM UK Equity Index Fund

Below are two examples of significant votes with more available on request.

#### Vote 1

Company name	Informa Plc
Date of vote	3-June-21
Summary of the resolution	Resolution 3, Re-elect Stephen Davidson as Director Resolution 5, Re-elect Mary McDowell as Director Resolution 7, Re-elect Helen Owers as Director Resolution 11, Approve Remuneration Report
How you voted	Against Resolutions 3, 5, 7, and 11 (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the 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.
Rationale for the voting decision	The company's prior three Remuneration Policy votes – in 2018, June 2020, and at a General Meeting that was called in December 2020 – each received high levels of dissent, with 35% or more of votes cast against. At the December 2020 meeting, the Remuneration Policy and the Equity Revitalisation Plan (EVP) received over 40% of votes against. The EVP was structured to award the CEO restricted shares to a value of 600% of salary. LGIM has noted our concerns with the company's remuneration practices for many years. Due to continued dissatisfaction, we again voted against the proposed Policy at the December 2020 meeting. However, despite significant shareholder dissent at the 2018 and 2020 meetings, the company implemented the awards under the plan, a few weeks after the December meeting. Additionally, the Remuneration Committee has adjusted the performance conditions for the FY2018 long-term incentive plan (LTIP) awards while the plan is running, resulting in awards vesting where they would otherwise have lapsed. Due to consistent problems with the implementation of the company's Remuneration Policy and the most recent events as described above, LGIM has voted against the Chair of the Remuneration Committee for the past three years. Given the company has implemented plans that received significant dissent from shareholders without addressing persistent concerns, LGIM has taken the decision to escalate our vote further to all incumbent Remuneration Committee members, namely Stephen Davidson (Remuneration Committee Chair), Mary McDowell and Helen Owers.
Outcome of the vote	Resolution 3 53.4% of shareholders supported the resolution. Resolution 5 80% of shareholders supported the resolution. Resolution 7 78.1% of shareholders supported the resolution. Resolution 11 38.3% of shareholders supported the resolution.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to seek to engage with the company and monitor progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM consider this vote to be significant as LGIM took the rare step of publicly pre-declaring it before the shareholder meeting. Publicly pre-declaring their vote intention is an important tool for our engagement activities. LGIM decide to pre-declare their vote intention for a number of reasons, including as part of their escalation strategy, where they consider the vote to be contentious, or as part of a specific engagement programme.



## Vote 2

Company name	Domino's Pizza Group Plc
Date of vote	22-April-21
Summary of the resolution	Resolution 5 Re-elect Matt Shattock as Director
How you voted	LGIM voted against the resolution (against management).
Where you voted against management, did you communicate your intent to the company ahead of the 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.
Rationale for the voting decision	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.
Outcome of the vote	91.8% of shareholder supported the resolution.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

**Most significant votes for the L&G World (ex-UK) Developed Equity Index Fund**

Below are two examples of significant votes with more available on request.

**Vote 1**

Company name	Amazon.com, Inc.
Date of vote	26-May-21
Summary of the resolution	Resolution 1a Elect Director Jeffrey P. Bezos
How you voted	LGIM voted against Resolution 1a
Where you voted against management, did you communicate your intent to the company ahead of the 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.
Rationale for the voting decision	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	95.1% of shareholders supported the resolution.
Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

## Vote 2

Company name	JPMorgan Chase & Co.
Date of vote	18-May-21
Summary of the resolution	Resolution 1c Elect Director Todd A. Combs
How you voted	LGIM voted against resolution 1c
Where you voted against management, did you communicate your intent to the company ahead of the 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.
Rationale for the voting decision	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.
Outcome of the vote	96.1% of shareholders supported the resolution.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

### **Most significant votes for the LGIM World Emerging Markets Equity Index**

Below are two examples of significant votes with more available on request.

#### **Vote 1**

Company name	Industrial & Commercial Bank of China Limited
Date of vote	21-June-21
Summary of the resolution	Resolution 1 Approve Work Report of the Board of Directors
How you voted	LGIM voted against resolution 1
Where you voted against management, did you communicate your intent to the company ahead of the 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.
Rationale for the voting decision	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure. Note that this company was also divested by LGIM across its Future World range of funds.
Outcome of the vote	99.8% of shareholder supported the resolution.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

**Vote 2**

Company name	Anhui Conch Cement Company Limited
Date of vote	28-May-21
Summary of the resolution	Resolution7 Elect Wang Cheng as Director
How you voted	LGIM voted against resolution 7
Where you voted against management, did you communicate your intent to the company ahead of the 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.
Rationale for the voting decision	The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.
Outcome of the vote	98.8% of shareholder supported the resolution.
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "significant"?	LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.

**b. Schroders**

Schroder Life consider "most significant" votes as those against company management.

They 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 they 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 concern with a company's performance they 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 they do not do this, they classify the vote as significant and will disclose the reason behind this to the company and the public.

The Trustee was unable to include specifics regarding the most significant votes cast within the Schroder Life Intermediated Diversified Growth Fund, however they will continue to work with their advisers and Schroder Life with the aim of providing more information in future statements.