

# Presbyterian Church of Wales Pension Scheme

## Implementation Statement

### Scheme year ended 31 December 2020

This statement sets out the Trustees' approach and implementation of the ESG policies set out in the Statement of Investment Principles over the 12 month period to 31 December 2020.

### How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies to have been met in the following ways:

- At the Scheme year-end, the investment manager appointed to manage assets on behalf of the Scheme was Sarasin & Partners ("the manager"). The Trustees consider the performance of the funds and any significant developments at least once a year. The Trustees reviewed the ESG and stewardship considerations in relation to their manager in June 2019 and have agreed to carry out a monitoring exercise focusing on the manager's ESG practices once a year.
- The Scheme invests through a segregated account with the manager, where some holdings are directly held by the Scheme, but it also invests in pooled investment vehicles. The Trustees delegate responsibility for carrying out voting and engagement activities to the manager in its direct holdings, and this responsibility is further delegated to the underlying sub-managers for pooled investment vehicles. Investment rights (including voting rights) have been exercised by the manager in line with the managers' general policies on corporate governance. The Trustees also expect the (sub-)managers to have engaged with the companies in which they invest in relation to ESG matters.
- The Trustees carried out ESG monitoring for the period over the year to 30 September 2020, in addition to an initial review of these activities in June 2019 and were satisfied that the manager's policies were reasonable and that no remedial action was required at that time.
- The Trustees are comfortable with the manager's strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor. The Trustees annually receive and review voting data and engagement policies based on information provided by the manager to ensure alignment with their own policies. This exercise was undertaken in June 2019 and September 2020. No further action was taken following these discussions.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable that the actions of their manager are in alignment with the Scheme's stewardship policies.

## Voting data

The voting data collated for the Scheme is given over the year to 31 December 2020.

Information has been provided at a segregated account level.

Manager	Sarasin & Partners
Fund name	n/a
Structure	Segregated account
Ability to influence voting behaviour of manager	The segregated account follows the manager's voting policy, so there is limited scope for the Trustees to influence the manager's voting behaviour, but the Trustees can restrict certain investments.
Number of company meetings the manager was eligible to vote at over the year	49
Number of resolutions the manager was eligible to vote on over the year	735
Percentage of resolutions the manager voted on*	93.5%
Percentage of resolutions the manager abstained from**	3.8%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	63.6%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	32.6%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor (firm-level)***	29%

Source: Information provided by the investment manager.

\* The manager does not vote in jurisdictions where share blocking and power of attorney requirements apply. In addition, in four separate instances relating to the manager's holding in Credicorp, they elected not to vote as there was no option to vote against management. These examples were effectively against the re-election of directors, the remuneration packages of these directors and in protest of PWC as auditor. In every case, these decisions not to vote related to the manager's concerns on the company's consideration of climate change and alignment with the Paris agreement.

\*\* Includes abstentions and instances where the manager chose to withhold (typically where there was no alternative allowing the manager to vote against).

\*\*\* Representative - relates to Sarasin & Partners' overall voting record in 2020, not this specific portfolio. The manager overrode their own voting policy in 14% of resolutions.

The manager employs a proxy advisory firm, Institutional Shareholder Services (ISS), to implement their voting policy, but they do not use the default voting policy of ISS. The votes are monitored by the manager. The manager also monitors the performance of ISS. Analysts also actively engage with the voting process and investigate discrepancies with the third-party proxy voting service, ISS, when identified.

The manager pays for the use of ISS, MSCI ESG research, HOLT, Proxy Insight and expert network interviews as ESG-specialist service providers.

## Significant votes

The Trustees have delegated the task of defining what a "significant vote" is to the manager. A summary of the manager's key voting action is set out below.

A sample of votes from across the Scheme year at a segregated account level is shown below.

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Aramark	Amazon INC	EssilorLuxotica
<b>Date of vote</b>	January 2020	May 2020	June 2020
<b>Summary of the resolution</b>	Ratify KPMG LLP as Auditors	Report on Global Median Gender/Racial Pay Gap	Approve Compensation of the Chair and the Vice-Chair
<b>How the manager voted</b>	Abstain	For	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	n/a	Yes
<b>Rationale for the voting decision</b>	Last year Sarasin initiated an engagement with Aramark as they had significant concerns over the company's strategy, communication and executive remuneration. Sarasin wrote to the Chair twice and had a conversation with him, asking the Board to clarify to the market its growth driver, and to review its portfolios and reduce CEO pay. Sarasin was glad that the Chair was receptive to their feedback and the Board has since taken a number of shareholder-friendly actions: new directors with strong food experience were appointed, the CEO and CFO were both replaced and the CEO's remuneration was cut by about	Sarasin believe diversity is a very important subject in the technology sector as various algorithms and products could inherently create bias against race or gender because either the developers are biased or the data is biased. Sarasin are of the view that big technology companies such as Amazon have the duty and responsibility to promote diversity. One way Sarasin believe this can be done is to ensure any pay gaps due to race or gender are eliminated. While Amazon has been disclosing pay equity data since 2016, Sarasin encouraged the company to disclose median gender/racial pay gap figures as these numbers paint	Sarasin has been engaging with the company since the completion of the merger in October 2018 and the emergence of a governance deadlock at Board level. While the Chair and the Vice Chair had agreed a settlement at the AGM in 2019, the company has not made any noticeable improvement in governance since then. The company still lacks a permanent CEO, and there is no lead independent director to act as a communication channel for minority shareholders.  Sarasin has written to the Board four times and have received one reply, which Sarasin feel

	Vote 1	Vote 2	Vote 3
	<p>25%.The new CEO also gave a clear indication to the market what to expect of Aramark’s strategy and growth drivers.</p> <p>One remaining issue Sarasin asked the Board to consider was to change its auditor, who has served since 2002, a period which Sarasin consider too long and would threaten its independence. The Chair explained that given the current transition of the company, changing the auditor at this point may be too disruptive. Sarasin abstained on the re-appointment of the auditor, and encouraged the Board to look for a new auditor as soon as practicable.</p>	<p>a better picture on how employees of different gender and race have progressed within the organisation. While a global number is unable to provide complete picture, Sarasin believes the company can explain this number rather than avoid reporting on this number at all.</p>	<p>does not provide sufficient comfort that the Board is addressing their concerns. Before the AGM in 2020, Sarasin wrote to two French regulatory bodies – the Autorité des Marchés Financiers and the Haut Comité de Gouvernement d’Entreprise – raising their concern that the company’s current governance arrangements have impeded directors in carrying out their duties in the best interest of shareholders. Sarasin has not had a formal response yet.</p> <p>At the AGM Sarasin voted against the remuneration of both the Chair and the Vice-Chair, as a protest that the company has not been willing to engage with shareholders, as well as to reflect Sarasin’s ongoing concerns related to the company’s remuneration policy.</p>
<b>Outcome of the vote</b>	<p><b>Approved:</b> Percentage of votes cast for the resolution: 99% for, 1% against.</p>	<p><b>Defeated:</b> Percentage of votes cast for the resolution: 15.3% for, 84.7% against.</p>	<p><b>Approved:</b> Percentage of votes cast for approving compensation of the Chair: 85.8% for, 14.2% against. Percentage of votes cast for approving compensation of the Vice-Chair: 81% for, 19% against.</p>

## Fund level engagement

The manager may engage with its investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by the manager during the year to 31 December 2020.

Manager	Sarasin & Partners
Fund name	Segregated account
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes

Manager	Sarasin & Partners
Number of engagements undertaken on behalf of the holdings in this fund in the year	Information not provided
Number of engagements undertaken at a firm level in the year	186
Examples of engagements undertaken with holdings in the fund	<ul style="list-style-type: none"> <li>• Engagement with EssilorLuxotica to resolve governance concerns and internal management conflicts after a merger in 2019.</li> <li>• Engagement with Associated British Foods over its handling of the COVID-19 pandemic. Sarasin's concerns centred around 1) Primark's cancellation of all new garment orders and lack of commitment to pay for outstanding orders, 2) the possible withholding of rent payments from landlords, and 3) the health and safety of workers and customers during furlough and business reopening.</li> <li>• Engagement with Aramark around governance concerns. Sarasin commenced engagement on issues including auditor tenure, remuneration, combined CEO/Chair, strategy and communication. Sarasin also reached out to the company to highlight their expectations and understand the company's actions in the early stages of the pandemic, particularly with respect to the treatment of its workforce.</li> </ul>

Source: Information provided by the investment manager.