Visa UK Pension Plan

Engagement Policy Implementation Statement ("EPIS")

Introduction

This statement sets out the actions undertaken by the Trustees of the Visa UK Pension Plan (the "Plan"), their service providers and investment managers, to implement the stewardship policy as set out in the Statement of Investment Principles ("SIP") and includes voting and engagement information that has been gathered from the managers.

Over the year to 30 September 2020, the Trustees and their investment adviser discussed the Responsible Investment ("RI") regulatory requirements and the Environmental, Social and Governance ("ESG") ratings process carried out by the investment adviser. This supported the Trustees in their development of new SIP policies in 2019 relating to financially material ESG considerations, stewardship and non-financial matters.

This statement covers activities over the period 1 October 2019 to 30 September 2020, and therefore refers to the SIP that was in place for the majority of that period (dated September 2019). The updates made to the SIP in September 2020, to fulfil additional regulatory requirements regarding stewardship and arrangements with investment managers, will be reflected in the 2020/21 statement.

The Trustee’ Stewardship Policy

The relevant extracts of the SIP, covering the Trustees' voting and engagement and stewardship policies, are as follows:

"The Trustees expect the Plan’s investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments.

The Trustees expect the Plan’s investment managers to use their influence as major institutional investors to carry out the Trustees’ rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustees regularly review the continuing suitability of the appointed managers and takes advice from their investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. The Trustees will engage with their investment managers where necessary for more information."

This document sets out the actions undertaken by the Trustees, service providers and investment managers to implement the stewardship policy as set out above, as well as including voting and engagement information that has been gathered from the respective investment managers.
Overview & Investment strategy

The Plan invests in a range of assets, including equity funds, diversified growth funds and government bonds.

Whilst the equity and diversified growth funds are able to proactively engage with underlying companies to ensure that the Trustees’ stewardship policies are continued to be upheld, the Trustees do not expect BlackRock – in its capacity as the investment manager of the Plan's portfolio of gilts, gilt based financial instruments, short term money market instruments and derivatives – to engage with the UK Government in respect of the gilt holdings and recognise that engagement in relation to short term financial instruments is unlikely to be possible. Nonetheless, the Trustees acknowledge that BlackRock, as a large institutional asset manager, holds an important position of influence as a major investor. The Trustees expects it to engage with the companies it invests in, in general, to enhance the value of assets in the economy.

The Trustees welcome BlackRock being a signatory to the Principles for Responsible Investment (PRI) and acknowledge that such commitments will promote positive steps in safeguarding capital over the long-term. The Trustees are content that BlackRock is operating in line with the Trustees’ stewardship policy.

Scheme activity over the year

Responsible Investment training

In March 2020, the Trustees attended a training session on Responsible Investment, which detailed the new regulatory requirements on stewardship and costs and the required changes ahead of the 1 October 2020 deadline. This training session assisted the Trustees in drafting a regulatory compliant SIP well in advance of the deadline, with assistance from their investment adviser.

Manager presentations

Over the year, the Trustees attended a number of joint training sessions with the Trustee of the Visa Europe Pension Plan, at which investment managers were invited to present on a number of funds. The Trustees engaged with the managers on a number of areas, including their performance, strategy, risk and corporate governance, and highlighted their expectation that these areas continue to be managed appropriately on the Plan’s behalf.

Ongoing manager monitoring

The Trustees discuss a quarterly investment report at each Trustees’ meeting. Where available, this report includes ESG ratings on the equity, diversified growth and cash funds the Plan is invested in. These ESG ratings reflect analysis carried out by the Plan’s investment adviser, that assesses the Plan’s investment managers on the quality of ESG integration as well as the features and impact of their respective Stewardship programs.

The Trustees noted the development and finalisation of the new ESG ratings assigned to the Plan’s DGF mandates, Schroders Diversified Growth Fund and Insight Broad Opportunities Fund, in Q1 2020.
Voting and Engagement – Equity

Over the year, the Plan was invested in the LGIM All World Equity Index.

LGIM All World Equity Index

Summary Voting Statistics

<table>
<thead>
<tr>
<th>% resolutions voted</th>
<th>1 October 2019 – 30 September 2020</th>
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<tbody>
<tr>
<td>% resolutions voted against management</td>
<td>18.9%</td>
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Voting Policy Summary

All voting decisions are made by LGIM’s Investment Stewardship team 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 voting decision process, thereby sending consistent messages to companies.

In relation to the All World Equity Index, over the year to 30 September 2020, LGIM were eligible to vote on 30,816 resolutions; of this amount LGIM voted 99.5% of the time and of those votes, LGIM voted against management 18.9% of the time. 12.8% of the time the vote was contrary to the recommendation of the proxy adviser. LGIM uses Institutional Shareholder Services’ (“ISS”) ‘ProxyExchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The LGIM Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports received from ISS for UK companies when making specific voting decisions.

LGIM supported and was a co-filer in the shareholder proposal put forward by Climate Action 100+ for BP to publish a strategy consistent with the Paris Agreement. LGIM worked with the board of BP to secure its support for the motion. At the company’s annual general meeting, the proposal was passed with overwhelming approval from shareholders. LGIM have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. The company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from its oil and gas production extracts, and a 50% reduction in the carbon intensity of all the products it sells, all by 2050 or sooner.
Engagement Summary

LGIM is currently working on reporting developments that should allow it to provide more targeted strategy level engagement information.

However, this is not due to be available before 2021. As a result, LGIM is unable to provide information about voting and engagement at an individual fund level and therefore provided the following information at the aggregate firm level.

LGIM does not outsource its engagement activities. It has a six-step approach to engagement activities which includes:

1. Identifying the most material issues and focus on specific ESG themes they are able to address.
2. Identify and set long-term goals for the engagement, which often may take many years to occur.
3. Formulate an engagement strategy, including prioritising engagement in companies where they have the biggest holdings, which poses the greatest risk and opportunities to market performance.
4. Track progress of the engagement activity to assist evaluation of stewardship approaches and performance.
5. Regularly reviewing the progress, impact and success of engagement and amend the engagement strategy if required.
6. Consistent and regular reporting to clients on the engagement outcomes and detailing case studies.

LGIM's engagement policy aims to encourage companies to adopt sustainable business models. Engagement at LGIM covers governance in its broadest sense looking at all material issues including regulation, listing rules, mergers and acquisitions, corporate strategy, and capital and financial management. LGIM's top five engagement topics with companies are on climate change, remuneration, diversity, board composition and strategy.

Voting and Engagement – Diversified Growth

Over the year, the Plan was invested in the following Diversified Growth funds:

- Schroders Diversified Growth Fund
- Insight Broad Opportunities Fund

Schroders Diversified Growth Fund

Voting Policy Summary

Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote 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 to each agenda item. In applying the policy, they consider a range of factors, including the circumstances of each company, performance, governance, strategy and personnel.
Voting and Engagement – Diversified Growth (continued)

Voting Policy Summary (continued)

All proxy vote instructions in all markets are submitted using the ISS global voting platform. ISS carry out the individual processing of vote instructions with the custodians and/or company/company agents. For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders have implemented a custom policy that reflects the views of their ESG policy and is administered by their proxy voting provider. They vote on both shareholder and management resolutions. They may attend annual or extraordinary general meetings to submit their votes in person.

Schroders’ preference is to support or oppose management and only use an abstention sparingly. They may abstain where mitigating circumstances apply, for example where a company has taken some steps to address shareholder issues.

One example of a vote against management was in October 2019 regarding The Citadel Group Limited where the resolution was to approve the issuance of up to 10% of the company’s issued capital. Schroders believed a vote against this resolution was warranted because the company had not provided specific reasons for seeking the authority and its immediate need for such additional authority could not be established due to the lack of disclosure on the expected cash outflows.

Engagement Summary

Schroders generally engage for one of three reasons:

1. To seek improvement in performance and processes in order to enhance and protect the value of our investments
2. To monitor developments in ESG practices, business strategy and financial performance within a company
3. To enhance our analysis of a company’s risks and opportunities

Their mechanisms for engagement varies but typically involves actions such as phone calls, written correspondence, one to one meetings with company representatives and voting. Engagements are prioritised based on the materiality of the issues and size of Schroders’ exposure.

Insight Broad Opportunities Fund

Summary Voting Statistics

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<tbody>
<tr>
<td>No. of resolutions voted</td>
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**Voting and Engagement – Diversified Growth (continued)**

**Voting Policy Summary**

Insight retains the services of Minerva Analytics for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva Analytics provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of markets, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. Where contentious issues are identified, these are escalated to Insight for further review and direction.

The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an oversight function on behalf of all shareholders. This generally limits contentious issues that can arise with other listed entities.

This governance framework includes setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework.

**Engagement Summary**

The strategy adopts a global macro approach and uses derivatives, market index-based securities, direct holdings and pooled funds for implementation. As Insight make significant use of derivative instruments in the strategy, they have long been proponents of the development of these markets to help enhance responsible investment.

The strategy seeks to apply responsible investment across all asset classes. Some assets have more ability to apply responsible investment, for example direct company holdings. In other areas, such as exchange-traded derivatives, where this is less applicable, Insight actively pursue the development of instruments, for example ESG screened derivatives.

The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. Insight exercise their stewardship role through engagement and voting on their shareholdings. Insight engage with investee management and company boards typically to discuss governance, strategy and other relevant issues.
Summary

The Trustees believe that the Plan’s fund managers appear to be exercising their respective voting and engagement abilities in a thoughtful, responsible manner and that the Trustees’ stewardship policy is being appropriately implemented on their behalf.

The Trustees recognise that they have responsibility as a large institutional investor to encourage and promote high standards of stewardship in relation to the assets that the Plan invests in.

The Trustees will continue to use their influence to drive positive behaviour and change among the managers they have employed to invest the assets of the Plan, and with other third parties that the Trustees rely on, such as their investment adviser.