The Visa Europe Pension Plan (the "Plan")

Implementation Statement

Introduction

This is an annual Implementation Statement (the “Statement”) prepared by Visa Europe Pension Trustee Limited (the “Trustee“) which covers the Plan year from 1 October 2020 to 30 September 2021.

This Statement:

- sets out how, and the extent to which, in the opinion of the Trustee, the Statement of Investment Principles ("SIP") has been followed during the Plan year;
- describes any review of the SIP undertaken during the Plan year in accordance with regulation 2(1) of The Occupational Pension Schemes (Investment) Regulations 2005 (the “Investment Regulations”); and
- describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the Plan year and states any use of the services of a proxy voter during that year.

This Statement is split into the following sections:

- A summary of the changes made to the SIP over the year to 30 September 2021;
- Evidence of how the Trustee has fulfilled the objectives and policies included in the SIP over the year to 30 September 2021. This section has been split into:
  - objectives and policies that apply to the DB assets only;
  - objectives and policies that apply to the DC/AVC assets only; and
  - objectives and policies that apply jointly to the DB and DC/AVC assets.

Information on voting and engagement activity undertaken by the Plan's investment managers is included in Appendices 1 and 2 of this Statement.

Summary

The Trustee is satisfied that its policies in place, as detailed in the SIP, have been implemented and carried out effectively over the year to 30 September 2021.

In particular, the Trustee is satisfied that its investment managers are exercising their respective voting and engagement duties, where applicable, to a satisfactory level, and that the Trustee's stewardship policy is being appropriately implemented on its behalf.

Changes to the SIP over the year to 30 September 2021

The SIP was reviewed and updated over the Plan year following the DB and DC investment strategy reviews. The current SIP is effective from the 4 October 2021 and reflects the following changes made:

- updates made to the DB strategic allocation to reflect the agreed strategic amendments;
- updates made to the funds used in the Plan’s DC lifestyle options, including the primary default option, the Options Open Lifestyle;
- consolidation of the DC self-select fund range, including the addition of the Visa Bond Fund, Visa Cash Fund and Visa Responsible Investment Fund to the self-select range; and

- the creation of DC secondary defaults (the Visa Global Equity Fund, Visa Bond Fund and Visa Cash Fund);

The Trustee consulted with the sponsor when making these changes and obtained written advice from its investment adviser.

Meeting the objectives and policies outlined in the SIP

The Trustee outlines in its SIP several key objectives and policies. These objectives and policies are referred to throughout[1], together with an explanation of how these objectives and policies have been implemented and adhered to over the year to 30 September 2021.

DB Section

Investment Objectives

The Trustee has acquired and maintained suitable assets of appropriate liquidity which have a reasonable expectation of meeting the Plan's long-term liabilities. The Liability Driven Investment ("LDI") portfolio effectively mitigates interest rate and inflation risks and the variety of growth assets held are suitably diversified across managers, asset classes and markets. The Trustee receives quarterly updates on the funding position of the Plan, the progress against the long-term funding target and a measure of risk known as Value at Risk ("VaR").

Investment Strategy

The Plan's actual asset allocation is reviewed by the Trustee on at least a quarterly basis – via quarterly monitoring reports and ad-hoc asset updates – to determine whether any rebalancing is required. The Trustee's investment adviser provides advice on any potential rebalancing opportunities.

In July 2021, the Trustee (following consultation with its adviser and the sponsor) agreed to amend the Plan's strategic allocation to improve the efficiency of the portfolio following the results of the triennial investment strategy review. The amended strategic allocation targeted the same level of investment return as the previous allocation, but with reduced risk. The transition to bring the Plan's asset allocation towards the amended strategic allocation took place in early-November 2021.

Investment Risk

The SIP identifies three key investment risks – the investment strategy, potential employer failure and the investment managers – and details the policies implemented to mitigate these risks.

The Trustee reviews the Plan's investment strategy at least once every three years, with the next review due following the results of the 30 September 2023 actuarial valuation (having reviewed the strategy in 2021, following the results of the 30 September 2020 actuarial valuation). The LDI portfolio effectively mitigates the interest rate and inflation risk faced by the Plan and suitable diversification of growth assets helps to reduce risk further. The Trustee reviewed the Plan's Cashflow Management Policy in May 2021, ensuring that the formal process for sourcing the Plan's short-term cashflow requirements remained appropriate.

The Trustee receives updates from the sponsor and its covenant adviser regarding any developments in the employer covenant, as required. There were no significant changes in the strength of the employer's covenant over the year, therefore the Trustee has not been required to reconsider the appropriateness of the investment strategy.

[1] Wording taken from the Plan's SIP may have been summarised or shortened for the purposes of this document. The full SIP including exact policy and objective wording can be found on the Visa website here: https://www.visa.co.uk/about-visa/visa-in-europe.html#3

The Trustee's investment adviser regularly updates the Trustee on any matters of material significance that might affect the ability of the appointed investment managers to achieve their performance objectives. This is also reflected in the individual fund ratings the Trustee receives on a quarterly basis from its investment adviser. Any changes in ratings are highlighted to the Trustee as soon as practically possible. The Trustee also invites its investment managers to present updates at quarterly meetings according to the Plan's Manager Presentation Schedule, which was reviewed and amended in May 2021. In September 2021, the Trustee was notified of a change to the way by which its investment adviser rates the ESG capabilities of its investment managers. There were no other notable changes to fund ratings over the year.

The Trustee considers that the objectives and policies outlined in the DB Section of the SIP have been implemented and adhered to appropriately over the year to 30 September 2021.

DC/ AVC Section

The Defined Contribution ("DC") section of the Plan invests via an insurance policy held with Scottish Widows. The majority of the Additional Voluntary Contributions ("AVCs") are also invested via this policy. A legacy AVC policy remains in place with Zurich Assurance Limited although it is no longer open to new investments. Investment in the insurance contracts is under the control of the Trustee.

The core DC arrangement has a primary and secondary default option:

- **Primary Default option**
  - The Options Open Lifestyle is the primary default option for members of the Plan who do not make an active investment choice.
- **Secondary Default options**
  - A secondary default option was first created in April 2020 when the LGIM Managed Property Fund and Visa Property Funds ("Property Funds") were suspended and ceased accepting new contributions due to the Covid-19 pandemic. The Trustee selected the BlackRock Sterling Liquidity Fund to temporarily hold contributions intended for the Property Funds, as it was deemed the most suitable fund from the existing fund range at that time. The BlackRock Sterling Liquidity Fund was therefore considered a secondary default option following this action.
  - Further secondary default options were created in September and October 2021 when the self-select fund range was consolidated. Ten funds were closed (including the BlackRock Sterling Liquidity Fund) and assets mapped to either the Visa Cash, Visa Bond or Visa Global Equity Fund. Consequently, these three funds are now considered secondary default options. The Trustee believe this was the most appropriate course of action to support members in being invested in 'best-in-class' funds.

Full details can be found in the SIP.

The Trustee applies the policies set out in the SIP to all default arrangements. The full SIP including exact policy and objective wording can be found on the Visa website here.

Investment Objective

Over the year to 30 September 2021, the Trustee had to take specific action to ensure the investment objective continued to be met.

The Trustee, in conjunction with the investment adviser, carried out the triennial investment strategy review of the DC section which covered:

- membership analysis - segmenting the membership and determining projected fund values, to assess how members will take their benefits.
- a review of the lifestyle options – this included a review of the forward-looking risk and return characteristics of the asset classes used in the lifestyle options, to ensure that they remained appropriate for use by members.
- a review of the self-select fund range - to ensure that the type, number and appropriateness of the self-select funds offered as alternative options to the lifestyle options reflect the needs of the Plan's membership.

Following completion of the review, the Trustee concluded that a number of changes could be made to the Plan’s DC section to further improve the quality of the investment options available.

Full details on the changes made as a result of the investment strategy review can be found in the Default Arrangement section of the Chairman’s Statement found here under the UK Pension Scheme header.

Investment options

Reviewing the appropriateness of the investment options to ensure they remain appropriate for the broad range of the membership

- The Trustee takes advice from its DC investment adviser regarding the appropriateness of the investments for members, reviewing the performance of each individual fund option on at least a quarterly basis via reports received from its advisers. Further information on this performance review process can be found in the proceeding section.
- The Trustee reviews the investment options at least every three years. The last review was completed on 23 March 2021. As detailed above, the review included a review of the Plan's membership profile at that time and covered both the lifestyle and self-select options.
- A small amount of legacy AVC assets remain invested via Zurich in which all members remaining have some or all of their assets invested in the Zurich With Profits Fund. All other AVC arrangements were transferred into the core DC arrangement held with Scottish Widows in February 2020. Members invested in the Zurich With Profits Fund were not transferred without consent, or instruction, due to the unique structure and guarantees associated with a with-profits fund. As part of the production and completion of the Chairman’s Statement, the Trustee carried out a Value for Money assessment covering the Zurich AVC arrangement which assessed the costs and benefits associated with the legacy Zurich AVC arrangement. The Trustee concluded that whilst they believe that core DC arrangement held with Scottish Widows potentially offers better value, the Zurich AVC members did not choose to transfer their assets following a member communications exercise back in 2019. The Trustee therefore assume these members believe the structure of the with-profits arrangement offers inherent value and have maintained the Zurich AVC arrangement as is.

Providing suitable information on investment options so members can make appropriate investment decisions

- The Trustee has provided clear, regular communications to support members in making their decisions on the investment options available.
- This has included quarterly factsheets showing individual fund performance accessed via the Plan website, an annual benefit statement and specific 'at retirement' communications. Members can also view the Member Handbook, Investment Guide and other educational information via the member portal to support them with their investment decisions.

- Where deemed in members' best interests, the Trustee has also notified members in advance of planned changes to allow members time to consider their unique situation and seek financial advice if required. For example:
  - in June 2021, the Trustee wrote to all members to outline the new DC strategy. Members were informed of the Trustee's intention to implement the new strategy in stages; the changes to be made during each stage; an overview of the new fund's to be added to the range; the Trustee's rationale and reason for making these changes; and the actions available to members should they wish to make an alternative choice to the changes described.
  - in August 2021, the Trustee again wrote to all members to remind them of the stage two strategy changes. Members were reminded of; the changes made to date; the changes still to be made; the timeline of appropriate dates, including the blackout period dates when members would not be able to make investment switches; fund mapping for closing funds; and available actions.
  - Via the member portal, members were also provided with an FAQ document covering the DC strategy changes, electronic copies of the member communications shared and a standalone fund mapping document. Messages were also shared on the landing page of the microsite to keep members informed of any upcoming strategy changes and resulting portal restrictions.
- The Trustee has also notified members as soon as practically possible following changes made to the investment range which is out of Trustee control. For example:
  - in April 2021, Aviva announced they would be withdrawing the Aviva Property Fund from the market and quoted an initial timeline of up to two years to process disinvestment requests. In June 2021, the Trustee wrote to impacted members informing them of the update to manage expectations. The Trustee simultaneously worked with Scottish Widows to agree on a solution to offer more immediate liquidity. Scottish Widows offered closure of their wrapped version of the fund and subsequently members were written to again in August 2021 informing them of the update. Members were then disinvested from the Fund in September 2021 at the prevailing market price.
  - in June 2021, Scottish Widows informed the Trustee that JP Morgan would be withdrawing the JPM UK Specialist Equity Fund from the investment market from September 2021. Although the Trustee had already agreed to remove this Fund from the self-select range, the withdrawal date was earlier than the planned transition and the Trustee was unable to delay or stop the closure. The Trustee wrote to impacted members that same month to inform them of the change, the alternative investment options available, and the course of action that would be followed should no alternative investment option be made known.

Ongoing monitoring and review

The Trustee has received quarterly monitoring reports from its investment adviser covering the DC section funds. The reports cover short and long-term performance as well as risk-related analysis of member funds. As part of these quarterly reports, there is a "RAG" (Red, Amber, Green) status that helps identify funds that suffer from prolonged poor performance against benchmark/target. For funds that are awarded a red status based on performance, the Trustee discuss and agree on any necessary course of action. The outcome of this process could result in; a further review of the fund including peer group comparison; a meeting with the fund manager and potentially consideration of possible fund replacements.

Over the year to 30 September 2021, some of the active funds included in the Plan were flagged as 'red' through this reporting process due to underperformance. This included the JPM Specialist Equity Fund and the LGIM Managed Property Fund. The Trustee discussed these funds in detail and both were removed from the range on 1 September 2021 and 1 October 2021 respectively as part of the triennial investment strategy review. The LGIM Managed Property Fund was a constituent fund of the Visa Property Fund which therefore also flagged as 'red'. The Visa Property Fund was reviewed and the two underlying funds within the Visa Property Fund were replaced with a single actively managed fund offering a globally diversified portfolio of property assets. This change took place on the 29 June 2021 and is expected to enhance diversification and offer exposure to wider opportunity set for future returns.

Investment risk measurement and management

Manager risk: risk of fund managers not meeting their objectives

- The Trustee has received individual fund ratings from its investment adviser's research team on a quarterly basis indicating a Buy, Qualified or Sell rating. The fund ratings include consideration of managers not meeting their objectives. Any changes in ratings are highlighted to the Trustee as soon as practically possible and then discussed and action considered. Not all specific funds are rated by the investment adviser, but all funds are monitored against their objective on a quarterly basis.
- There were no research rating changes to any of the Plan's DC funds over the year however the Trustee do discuss the impact of any rating changes in detail with support from their investment adviser and agree necessary courses of action.
- Over the year to 30 September 2021, the Trustee had concerns over a number of the self-select funds. The full range was reviewed as part of the triennial strategy review and subsequently nine funds which the Trustee felt were not ‘best-in-class’ were closed to new contributions in August 2021. These funds (plus the Aviva Property Fund which was already closed to new contributions) were removed from the range in September and October 2021.

Risk of asset classes(s) not delivering the anticipated rate of return over the long term

- The Trustee has worked with its investment adviser to set broad expectations for returns of various asset classes. These expectations are laid out within the SIP. More specific return expectations are analysed and considered as part of the Plan's triennial investment strategy review although the Trustee's investment advisers will notify it of any major changes.
- The Trustee also monitors changes in projected member retirement outcomes. This analysis looks at factors such as actual fund performance and forward-looking return expectations and how this may impact members' benefits when they reach retirement age. Should there be any significant change in projected member outcomes, the Trustee may consider taking action, for example reviewing the investment strategy or communicating with members. This analysis is carried out at least annually.
- Members themselves also receive an annual benefit statement with a projected retirement outcome for their DC funds based on long term assumptions about future investment returns and inflation, allowing them to continue to make informed investment decisions.

Risk of the lifestyle strategies being unsuitable for the requirements of some members

- The Plan offers three lifestyle strategies targeting different ways members might take their retirement benefits: a flexible drawdown approach designed for members wishing to stay invested through retirement, annuity purchase or a cash lump sum withdrawal.
- The Trustee reviews the suitability of the lifestyle strategies at least once every three years, as part of the triennial investment strategy review or following a significant change in the membership profile of the Plan. This review includes analysing the Plan's membership profile, member choices and market trends. Over the Plan year, the Trustee undertook such a review and concluded that it would maintain the current three lifestyles and their overall targets but amended the underlying fund allocation to offer a wider opportunity set for future returns.
- The Trustee makes a range of alternative self-select funds available to members who opt not to invest in one of the lifestyles. These were also reviewed and updated as part of the review to improve the quality of funds available.

Operational risk: risk of fraud, poor advice or acts of negligence

- The Trustee has sought to minimise operational risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The Trustee carry out a triennial review of the security of the Plan's DC assets. The last review was completed in August 2020 and aimed to ensure the necessary safeguards were in place across the Plan's investment managers, custodians and investment platforms. The review concluded that the risk of potential loss caused by fraud or negligence was low. The next review is due to take place during 2023.
- The Trustee also has in place a set of objectives for its investment advisers. This is in line with regulatory requirements and consideration was given to a number of aspects including aligning objectives with the SIP, appropriate monitoring period and measurability (quantitative and qualitative). The Trustee reviews its investment advisers against these objectives annually. The review covering this Plan year took place in November 2020.

The Trustee considers that the objectives and policies outlined in the DC Section of the SIP have been implemented and adhered to appropriately over the year to 30 September 2021.

DB and DC/AVC Sections

The Trustee also has several joint policies in place covering both the DB and DC/AVC Sections. These objectives and policies are referred to throughout, together with an explanation of how these objectives and policies have been implemented and adhered to over the year to 30 September 2021.

Environmental, Social, and Governance ("ESG") considerations

The Trustee attended a training session in November 2020 on responsible investment, covering: updates on the current market and what responsible investment means in other asset classes outside of the typical equity focus; implementation approaches; the latest regulatory developments including an update on the Task Force on Climate-related Financial Disclosures ('TCFD') requirements; and implementing SIP polices.

The Trustee has also taken steps to enhance its responsible investing credentials in the DC section of the Plan.

- The Trustee offer exposure to emerging markets regions on an active basis, both via all three lifestyle options and the self-select range. The Trustee believe there is greater consideration of ESG factors within emerging market allocations through active investing and it offers greater oversight of investment in regions prone to ESG concerns.
- The Trustee launched two new white labelled funds in August 2021 for use as a self-select option with a specific responsible investment focus. The cash option, the Visa Cash Fund which is also used in all three lifestyle options, has been amended to an Environmentally Aware variant. The Trustee expectation is that risk adjusted returns remain unchanged, but the ESG credentials of the cash allocation are enhanced. The new Visa Responsible Investment Fund invests 50% in an actively managed impact fund with dual aims of providing above benchmark returns and enhancing the world in which we live. The Trustee met with the underlying impact manager to assess their ESG credentials in detail prior to implementation. The remaining 50% of the Fund's assets invest in an index tracking fund which tilts towards companies with strong ESG scores and excludes those that fail to meet minimum requirements. Members who wish to invest entirely in a responsible way can do so through this Fund.

The Trustee reviews the ESG ratings of the Plan's investment managers, provided by its investment adviser on a quarterly basis, to monitor the level of the Plan's investment managers' integration of ESG on a quarterly basis.

The Trustee has included ESG-related risks, including climate change, on the Plan's risk register as part of ongoing risk assessment and monitoring.

Members' views and non-financial factors

Where members make an active decision to share their views with the Trustee on ethical matters, social and environmental impact matters and present and future quality of life matters the Trustee will note and discuss these. For example, the Trustee implemented the Visa Responsible Investment Fund in the DC Section for members wo have a specific focus on ESG integration. The Trustee undertook training on responsible investment and met with underlying managers following an awareness and need for a fund with a specific ESG objective.

Arrangements with investment managers

These policies focus on initial appointment, ongoing monitoring and ensuring that the investment managers continue to be aligned with the Trustee's policies as outlined in the SIP, including those on non-financial matters.

The Trustee receives quarterly reports on each of its investment managers from its investment advisers which includes performance assessments versus agreed objectives and research ratings on various areas including risk management, and consideration of ESG issues.

The Trustee has a schedule in place which outlines the frequency of meetings for each manager within the Plan. The Investment Sub-Committee (“ISC”) meet with investment managers on a regular basis to provide an opportunity to engage with them on performance and strategy amongst other matters. The Trustee met with BlackRock, Invesco, DRC, ICG-Longbow, Baillie Gifford and Aegon over the Plan year.

In addition to this, the Trustee reviews the engagement activity carried out on its behalf by its managers and report back to members on this via the Implementation Statement.

Costs and transparency

For the DB Section, the costs and transparency policies in place include the appointment of a third-party specialist to assist in collating data on the costs and charges incurred on the Plan's DB investment funds. The Trustee reviews the costs and charged incurred on the Plan’s DB investments on an annual basis and uses the results of the annual review as a foundation for fee negotiations, where appropriate.

For the DC Section, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges deliver good value for members. This assessment forms part of the annual Chairman’s Statement and includes benchmarking against broader market practice, reviewing compliance with relevant regulatory guidance, including the Pensions Regulatory DC Code of Practice, and assessing performance against industry standards. The results of this assessment can be found in the Value for Members assessment section of the Chairman’s Statement found here under the UK Pension Scheme header.

Effective decision making

The Trustee receives regular investment training from its investment adviser and investment managers to support them with effective decision making. The Trustee outlines the training it has undertaken over the year, and how this has supported its decision making in the Trustee, Knowledge and Understanding section of the annual Chairman’s Statement. The latest version of the Chairman’s Statement is available here under the UK Pension Scheme header.

The Trustee also delegates some responsibilities of the Plan to specific sub-committees: the ISC and the Administration and Governance Sub-Committee (“AGSC”). The ISC and AGSC focus their attention on investment and administration/governance matters respectively and then report back to and make recommendations to the main board. This set-up allows for each item to be given an appropriate allocation of Trustee time leading to more effective decision making.

The Trustee considers that the objectives and policies outlined in the joint DB and DC/AVC Section of the SIP have been implemented and adhered to appropriately over the year to 30 September 2021.

Stewardship Policy

The Trustee outlines in its SIP several key objectives and policies on stewardship which apply to both the DB and DC sections of the Plan.

- The Trustee regularly reviews the continuing suitability of appointed investment managers. There is a policy in place for the ISC to meet with the Plan's investment managers within an appropriate timescale depending on the characteristics of the fund, for example, more regular meetings with active managers or with managers of funds included in the DC default arrangement. This provides an opportunity to engage with them on performance and strategy amongst other matters. Discussion on the integration of ESG factors is also included to ensure alignment with Trustee beliefs. Over the Plan year, the Trustee met with BlackRock, Invesco, DRC, ICG-Longbow, Baillie Gifford and Aegon.
- The Plan's investment adviser also provides ongoing monitoring of the investment managers, including, where applicable, assessing the extent of ESG integration. The Trustee is comfortable that all of the Plan's underlying equity and fixed income managers that are researched by the Trustee's advisers have been rated as 'Integrated' or above on the three-tier ESG ratings system (Limited, Integrated and Advanced). This means that the appointed investment managers (and the underlying managers in the case of any blended funds, e.g. the Visa Global Equity Fund) has taken appropriate steps to identify, evaluate and mitigate potential financially material ESG risks within the portfolio.

The Trustee has gathered and reviewed the engagement and voting activities of its DB and DC investment managers. This is set out in Appendices 1 and 2 of this Statement, covering the year to 30 September 2021.

The Trustee acknowledge that stewardship may be less applicable to certain asset classes, but generally would still expect to see policies and processes formalised by all of its managers over time. The Trustee will continue to use its influence to drive positive behaviour and change among the investment managers that it has appointed. For example, the Trustee recognises there is room for improvement in the disclosures received and will encourage managers to provide more transparency on fund level information, including more specific examples of engagement activity carried out in relation to the Plan's assets.

Overall, from the evidence provided, the Trustee is content at present with the stewardship carried out on its behalf by its asset managers. In addition, the Trustee is of the opinion, that they have implemented their policies appropriately in practice over the year.

Appendix 1 - Manager Voting and Engagement

The Plan invests in pooled funds across its DB and DC sections. This allows the Plan to benefit from economies of scale and lower fees. However, this means that the Trustee is unable to directly control the investment or engagement decisions regarding the companies invested in by each fund as it would if it were directly invested. Instead, this is at the discretion of the investment manager of the pooled fund. The Trustee is comfortable with this given the considerations and due diligence involved in the initial appointment of the respective managers to follow their respective investment mandates. While the Trustee cannot currently direct votes or engagement activities itself, it seeks to exert its influence as an asset owner through engaging with managers where concerns are identified through various monitoring exercises.

The Plan invests in a variety of funds across different asset classes and managers. The following sections outline voting behaviour and stewardship information, including examples of the most significant votes cast to illustrate some of the voting and engagement activity carried out on the Trustee's behalf, in line with its stewardship policy and expectations of appointed asset managers. A breakdown of specific voting statistics carried out by the equity and multi-asset fund managers used by the Plan can be found in Appendix 2.

Common DB/DC Managers

The DB and DC sections of the Plan share some common investment managers, as detailed below.

BlackRock – Voting activity

Within the default arrangement of the DC Section, the Plan invests in various BlackRock equity and fixed income funds. Over the majority of the Plan year, there were also default investments held in a BlackRock listed property fund, although these assets were disinvested during the Plan year in June 2021. BlackRock funds also make up a number of the DC self-select options available to members. The DB Section also holds fixed-income investments with BlackRock.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS) with input from investment colleagues as required. Votes are cast in accordance with BlackRock's Global Principles and custom market-specific voting guidelines. BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis but notes that this is just one among many inputs into its vote analysis process, including pre-vote engagements, internal research and situational factors at the company in question.

It periodically publishes "vote bulletins" setting out detailed explanations of key votes. These bulletins are intended to explain voting decisions, including the analysis underpinning it and relevant engagement history when applicable. It makes this information public shortly after the shareholder meeting, so clients and others can be aware of its vote determination when it is most relevant to them. It considers these vote bulletins to contain explanations of the most significant votes for the purposes of evolving regulatory requirements.

Voting Example: Delta Airlines Inc (June 2021)

An example of a significant vote is where BlackRock voted against a proposal to report on climate lobbying by Delta Air Lines Inc, a major United States airline. The shareholder proposal, requested that Delta conduct an evaluation and issue a report within the next year describing if, and how, Delta Air Lines' lobbying activities aligned with the Paris Climate Agreement's goal of limiting average global warming to well below 2 degrees Celsius, and how the company plans to mitigate risks presented by any such misalignment. The rationale behind BlackRock's vote against this proposal was that the company already meets BlackRock's expectations regarding its corporate political activities and lobbying disclosures including a clear disclosure of lobbying activities and trade association memberships. For example, the company reports the contributions made to trade associations with membership dues of $50,000 or greater in 2020. Ultimately, the vote was passed.

Further information can be found here: blk-vote-bulletin-delta-jun-2021.pdf (blackrock.com)

Blackrock – Engagement activity

BIS are also responsible for BlackRock's engagement activity. Through its stewardship activities BlackRock seeks to promote governance practices that help create long-term shareholder value for its clients, the vast majority of whom are investing for long-term goals such as retirement. It believes it has a responsibility to its clients to make sure companies are adequately managing and disclosing sustainability-related risks, and to hold them accountable if they are not.

BIS has five key engagement themes:

1. Board quality
2. Climate and natural capital
3. Strategy purpose and financial resilience
4. Incentives aligned with value creation
5. Company impacts on people

In the 12 months to June 2021, BlackRock made 2,150 board quality engagements, 2,330 climate and natural capital engagements and 1,350 engagements on company impacts on people. More information on BlackRock stewardship activity can be found in their Investment Stewardship Annual Report found here.

BlackRock's firm-wide engagement program also benefits investments in corporate bonds issued by companies (also held by the Plan). BlackRock Investment Stewardship ("BIS") is positioned as an investment function, which allows for the mutual exchange of views with active portfolio management teams across equity and credit. In addition, BlackRock's Global Fixed Income ("GFI") Responsible Investing ("GFI-RI") team may partner with the BIS team both to reflect ESG related topics from GFI investors as well to attend or host engagement meetings on certain highlighted ESG flagged holdings. An ESG flagged holding is one where BlackRock hold a significant exposure in GFI portfolios, and the issuer is flagged as low rated/controversial by external ESG rating providers or is highlighted by their credit research.

Engagement Example: Oxford Instruments

BIS engaged with British science-focussed manufacturing and research company, Oxford Instruments, on the lack of diversity on its board ahead of the company's AGM in September 2021. The company has yet to reach the Hampton-Alexander target to have 33% representation of women and missed the 2020 target timeframe.

BIS deems diverse and experienced board directors to be critical to the success of a company and long-term value creation. Oxford Instruments has since appointed an additional female board member as a Senior Independent Director in the 2021 AGM and stated that it intends to reach the target by its 2022 AGM. Oxford Instruments has also expressed its intention to work with consultants and search firms who have signed the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice in order to improve its recruitment of diverse executives and directors.

BIS intends to continue monitor the progress of the investee company as the company identifies and integrates new leadership in the months ahead.

Schroders – Voting activity

In the DC Section, Schroders is one of the underlying managers of the white labelled Visa Global Equity Fund used in all three DC lifestyle options, including the primary default option. The DB Section is also invested in the Visa Global Equity Fund, via a separate share class. Additionally, two Schroders equity funds are made available as a DC self-select option.

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 own 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. Further information can be found in the Environmental, Social and Governance Policy for Listed Assets found here.

On a quarterly basis, Schroders also produce sustainable investment reports at the firm level, and in each quarter over the year to 30 September 2021, the firm has voted on at least 96% of all possible resolutions. More information on voting and engagement statistics, including case studies can be found in these reports. The Q3 sustainable investment report can be found here.

Schroders state that they consider "most significant" votes as those against company management. It states that it is not afraid to oppose management if they believe that doing so is in the best interests of shareholders and its clients. While there are a number of case studies within the sustainability reports of votes and engagement at a firm level, Schroders are as yet unable to disclose examples specific to the funds that the Plan invests in.

The Trustee recognises that these disclosures are relatively new but do expect improved transparency at a fund level moving forward. The Trustee's investment advisers are actively engaging with Schroders regarding their transparency and the Trustee expects to report an improved position in the 2022 Statement.

Schroders - Engagement activity

Schroders' engagement activities are prioritised based on the materiality of its exposure to the individual companies, either by total size of assets invested on behalf of clients or by percentage of shares held.

As part of its analysis of companies, Schroders tracks areas of performance, including companies' management of key ESG areas. If it feels is does not have enough information on this or have identified gaps in companies' awareness or management of their ESG risks and opportunities, it establishes dialogue with that company. Schroders' equity research, fixed income research, ESG and data teams will work together to identify areas that warrant discussion with companies.

Schroders arrange meetings with any companies that it sees as ESG laggards and also focus on where it has significant stake in percentage or value terms. It also undertakes reactive engagement if there is a negative incident involving a company, in order to understand why it may have occurred, the actions the company is taking as a result, and what the current and future investment risks may be. Finally, to ensure that Schroders considers all potential ESG concerns, it examines the external ESG ratings for its portfolios on a quarterly basis. Companies with a downward trend in ratings may indicate potentially higher ESG risk and therefore be flagged up for further engagement.

Insight – Voting activity

The DC Section has assets invested in the Insight Broad Opportunities Fund. This fund is used within all three lifestyle arrangements, including the primary default option and is available as a self-select option. The DB Section was also invested in the same fund over the Plan year.

Insight is a founding signatory to the UN-supported Principles for Responsible Investment ("PRI"). Insight adheres to its own voting policy and retain 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 analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote. There may be occasions where Insight chooses to vote against the direction of Minerva, and these cases are documented along with rationale.

Where there are contentious issues, the proxy-voter will escalate these votes to Insight for further review and direction, and where Insight has a significant holding and intends to vote against company management, it will generally seek to open a dialogue with management about its voting intention.

Insight reviews its proxy policy at least annually.

Insight – Engagement Activity

Voting is part of Insight's engagement strategy. As a matter of policy, all Insight's credit analysts regularly meet with issuers to discuss ESG-related and non-ESG related issues. Each analyst identifies the engagement issues relevant for each specific issuer. Insight will use ESG ratings and its carbon model to engage so-called 'laggard' companies. If Insight do not receive a response from companies regarding engagement then it will lead on a wider collaborative initiative, via the PRI or by engaging with other investors, to achieve greater influence over the issuer.

These engagements inform the overall credit analyst views of the companies and provide a platform not only for both increased transparency around ESG issues, but also ongoing engagement to change company behaviour, where appropriate.

In 2020, 90% of Insight's 1,210 engagements included ESG issues.

Engagement Example: Greencoat UK Wind plc

Over 2020 and 2021, Insight engaged with Greencoat UK Wind plc. A report disclosed that a serious health and safety incident had occurred in June 2020 at an underlying wind farm and Insight engaged to discuss the details of the incident and what remedial actions were planned including preventative actions to minimise chance of recurrence.

In 2020 the company reviewed relevant systems and procedures to ensure that relevant enhancements are actioned. The company subsequently shared relevant learnings from the incident across its portfolio and at appropriate industry forums thus helping minimise the potential for similar incidents elsewhere. The engagement continued in 2021 where these conclusions were reviewed and reiterated by the Company's board.

As a result of the engagement, Insight is satisfied that the matter had been dealt with appropriately and the position continues to remain a key part of its renewable energy exposures.

LGIM – Engagement Approach in Real Estate

In the DC Section, the LGIM Managed Property Fund formed 75% of the Visa Property Fund used in the DC primary default option over the Plan year. However, this holding was disinvested in June 2021. The LGIM Managed Property Fund was also available as a DC self-select option until October 2021. The DB Section retained its investment in the Fund over the year.

LGIM Real Assets (which the property fund is a part of) has a dedicated ESG team, led by the LGIM RA (Real Assets) Head of ESG who reports into the Director of Strategy & ESG. The team has a dedicated Sustainability Manager who supports ESG integration efforts across the Real Estate platform.

To communicate LGIM RA ESG objectives, policy and strategy to all key stakeholders and in order to make them aware of initiatives and support them in engaging with the material issues, LGIM engage with key industry bodies, occupiers and investors.

LGIM RA is also an active participant in a number of key industry organisations working to promote and progress best practice. In 2019, LGIM scaled up its ambition to deliver buildings that are Paris-aligned, becoming a signatory to the Better Building Partnership Climate Change Commitment and pledging to achieve net zero carbon for its real estate portfolio by 2050 or sooner.

Further information can be found here: Responsible investment policy & framework for real estate equity 2021 (legalandgeneral.com)

DC Only Managers

This section covers managers in place across the DC section of the Plan only.

Invesco – Engagement Approach in Real Estate

Over the Plan year, the DC Section made investments in the Invesco Global Real Estate Fund via the Visa Property Fund which is used in all three lifestyles, including the primary default arrangement and is available as a standalone self-select option.

At the issuer level, Invesco primarily seek to address problematic areas or opportunities for improvement from an ESG perspective. When engaging with other stakeholders, such as regulators or industry bodies, the goal is more towards creating an inducive environment that would allow for optimal ESG outcomes in an efficient and fair manner, such as alignment with existing frameworks and reduced reporting burden.

While Invesco's engagement activity is based on the premise of a company's continual improvement, it is in a process of setting up an engagement reporting template that tracks engagement outcomes on a yearly basis based on a clearly defined ESG objectives and goals. It is developing an escalation engagement framework to guide stewardship processes and achievements. For example, in 2022 it will be developing a Net-Zero engagement framework that will guide climate related engagements.

Engagement Example (Firm level)

The following example relates to engagement carried out by Invesco at a firm level and does not specifically apply to the holdings in the Invesco Global Real Estate Fund held by the Plan. The Trustee recognises that these disclosures are relatively new but does expect improved transparency at a fund level moving forward. That said, the example provided gives the Trustee comfort that Insight is acting as a responsible steward of assets.

Invesco engaged with Bank of America Corp over the period regarding racial equity audits. Earlier in 2021, it discussed with the company the AGM shareholder proposals that had been put forward, especially the one on Racial Equity Audit, which received 26 percent approval from shareholders.

The company reached out to Invesco for a post-proxy call to provide an update on their ESG practices where it reiterated its commitment to support communities, and strengthen diversity and inclusion efforts, which are evident through the progress it has made to hire diverse senior management talent, currently at 50 percent of the management team. The issue at stake, however, is the third-party independent audit on diversity and racial equity issues, and Invesco team reiterated the reputational aspect of such disclosures. Invesco stressed that there are no downsides to committing to such audit and are expecting the Racial Equity Audit shareholder proposal to be filed again in 2022.

Baillie Gifford & Co. ("Baillie Gifford") – Voting activity

Baillie Gifford is a new manager employed by the Trustee over the Plan year, as part of the new Visa Responsible Investment Fund within the DC Section. The Visa Responsible Investment Fund is offered as a standalone self-select fund only and does not form part of the default arrangements.

Baillie Gifford's governance and sustainability team oversees its voting analysis and execution in conjunction with its investment managers. It utilises research from proxy voting advisers, ISS and Glass Lewis, for information purposes only and does not delegate any of its stewardship activities or rely upon its proxy advisers' recommendations when deciding how to vote. All voting decisions are made in-house in line with its policy.

Baillie Gifford analyses all meetings in-house in line with its governance and sustainability principles and guidelines. Baillie Gifford endeavours to vote every one of its clients' holdings in all markets.

Voting Example: Abiomed

In August 2021, Baillie Gifford voted against an executive compensation resolution of a medical device company, Abiomed. Baillie Gifford opposed to the executive compensation due to concerns with oneoff equity awards granted during the year. Ahead of voting, Baillie Gifford had a call with the company to discuss the executive compensation resolution. Following discussions with the company and internally, Baillie Gifford took the decision to oppose the resolution and following the submission of its votes, Baillie Gifford communicated this to the company. Baillie Gifford continues to engage with the company on compensation and other ESG issues.

Baillie Gifford – Engagement activity

As an active manager, Baillie Gifford states that it engages through regular meetings with management of portfolio companies to monitor performance, with many of these meetings being attended by its governance and sustainability team. Baillie Gifford states that its strategy is to steer change is through active engagement rather than immediate disinvestment. This may take the form of approaching the company with their concerns, meetings with management, or voting against management. It states that disinvestment or a reduction in holdings may occur if the company continually falls short of ESG practices and goals.

Prior to taking any voting action, Baillie Gifford usually address specific governance and sustainability concerns by engaging directly with the company. What it engages on is informed by its own research. It will vary between geographic regions, industry sectors and between individual companies, but will typically cover areas set out within these guidelines. When appropriate, Baillie Gifford engage collaboratively with other shareholders through a range of industry organisations and associations.

Further information can be found here: Governance and Sustainability - 2021 Principles and Guidelines (bailliegifford.com)

Engagement Example: DexCom Inc

In March 2021, the team at Baillie Gifford engaged with DexCom Inc, a company which develops, manufactures and distributes glucose monitoring devices. Despite the benefits that DexCom Inc. is bringing to its users and society at large, Baillie Gifford was left with some questions about the company's culture, notably on what it perceived as undue focus on short-term share price and an aversion to experimenting with new ideas. Following on from the engagement, Baillie Gifford state it remains encouraged by the vast opportunity for the company to roll out its glucose monitoring devices to assist more diabetes patients, as well as other population cohorts. Therefore, the team at Baillie Gifford offered support for Dexcom to experiment and acknowledged that inevitably this may lead to some failures along the way. Baillie Gifford will continue to monitor and learn more about the cultural aspects of the business and remains excited about the company's long-term growth prospects and societal benefits.

DC Self-Select Funds

As with the funds covered above, the Trustee, via the investment adviser, has requested stewardship information from all the managers and considers that, from the information received and the information available publicly, the managers are carrying out their stewardship responsibilities in a manner that is consistent with the Trustee's stewardship policy and expectations.

All the managers are signatories to the UN Principles for Responsible Investment (PRI) and the UK Stewardship Code. All the equity and multi-asset funds within the self-select range, for which fund level data was received, voted on more than 92% of resolutions and were all prepared to vote against management recommendations where deemed appropriate. A full breakdown of the voting statistics of the self-select fund managers can be found in Appendix 2.

DB Only Managers

This section covers three additional managers where stewardship responsibilities are applicable, held by the DB Section only. The information provided in this section is at firm level, rather than individual fund level.

T. Rowe Price – Engagement Approach

The DB Section is invested in the T. Rowe Price Global Dynamic Bond Fund.

T. Rowe Price states that it integrates ESG issues into its investment processes. Its engagement program is driven by its portfolio managers and is usually focused on matters material to the investment case. T. Rowe Price's portfolio managers are supported by industry-focused analysts and in-house specialists in corporate governance and sustainability.

When engaging with companies, T. Rowe Price state that its approach is typically to identify specific factors through its research which could have a negative impact on performance, rather than focusing on broad themes and engaging with multiple companies on the same issue. It will sometimes ask companies to make specific changes or seek more information on an ESG issue to ensure investment decisions are well informed.

Further detail on T. Rowe Price's engagement policy can be found here: https://www.troweprice.com/content/dam/trowecorp/Pdfs/CCON0074905%20T.%20Rowe%20Price%20Engagement%20policy%200221%20SCR.pdf

Engagement Example – Ambev

In late 2021, T. Rowe engaged with Ambev, a Brazilian brewer, regarding human and labour rights related to Venezuelan migrants employed by the carrier, found to be sleeping in trucks equipped like motor homes. T. Rowe's engagement sought to develop a better understanding of the controversy, whether the incident is indicative of underlying organisational or cultural issues at the company and the actions that management have taken in response to the event.

Ambev indicated that the carrier involved in the controversy represents less than 1% of its transportation in Brazil and that it had launched a full investigation into the incident. Ambev said that company policy is to terminate relationships where an ethical breach has occurred, and it is extremely strict on this. Legally, Ambev was able to terminate the supplier's contract immediately because it had in place the correct suppliers' policies and codes.

Despite being confident in its existing procedures, Ambev is making its supply chain risk management more robust. The company has enlisted several consultants to support this process and help embed more data analytics and enhanced auditing, as well as to refine its risk methodology.

The engagement met T. Rowe's objective and informed its investment research. T. Rowe believes Ambev acted quickly and responsibly in relation to the incident. It also sees that the company is researching and investing in ways to make supply chain management more robust and mitigate the risk of future controversies.

T. Rowe continue to invest in the company.

ICG–Longbow – Engagement Approach

The DB Section is invested in the ICG-Longbow Real Estate Debt Fund V.

ICG-Longbow is the real estate division of Intermediate Capital Group PLC. ICG's Real Estate investment team states that it regularly engages with its issuers pro-actively on industry wide ESG trends. Given the more specialised nature of the ICG Real Estate strategy, ICG has a bespoke ESG survey that it issues for real estate portfolio companies.

In strategies where the nature of the real estate strategy limits its ability to influence management, ICG seeks to monitor ESG risks and engage with management if feasible. ICG also uses a Green Loan Framework ("GLF"), which aims to facilitate and support environmentally sustainable economic activity through the loan market, to help prioritise engagements. The GLF sets out ways to manage energy intensity and greenhouse gas ("GHG") emission and includes a rigorous third-party audit. ICG's team works with an external adviser to review the selection and evaluation criteria for eligible investments as well as an assessment of the GLF's alignment with the fund and ICG's environmental objectives.

Further information on ICG's responsible investment policy including how they engage and monitor ESG risk can be found here: https://www.icgam.com/~/media/Files/I/ICGAM-V2/responsible-investing-documents/2021-icg-responsible-investing-policy-2.pdf

DRC Savills Investment Management LLP ("DRC") – Engagement Approach

The DB Section is invested in the DRC UK Whole Loan Fund.

DRC engages with borrowers from the initial screening stage and through the ongoing lifecycle of the investments. It requests detailed information on borrowers' ESG intentions with the asset. It also appoints a third-party consultant - Nova Consulting - who provide an independent report on the environmental aspects of loan and then go on to engage with each borrower to discuss the capex program and the size of the capex budget in order to achieve certain requirements for the asset. The requirements discussed include i) Carbon Emissions and GHG, ii) Building Certification, iii) waste and Water Pollution and iv) Building Certification. When the investment has closed a Project Monitor is appointed who manages the ongoing reporting and comparison of actual works versus the budget. The Asset Management team then monitor all loans and discuss underlying investment performance with the borrowers.

Appendix 2 – Summary of Manager Voting of the year to 30 September 2021

The table below sets out the statistics on how the Plan's equity and multi-asset fund managers have cast their votes over the year to 30 September 2021.

1. Funds were disinvested over the Plan year.
2. Funds were added part way through the Plan year.
3. Funds were disinvested following Plan year end.

All information below reflects the voting carried out over the full 12-month period but the Trustee is comfortable that the information provided is reflective of the actual voting carried out for the periods that that the Plan was actually invested in the respective strategies.

Section	Manager	Fund	Use of proxy voting services	Number of votes eligible to cast	% of eligible votes cast over the year to 30 Sept 2020	% votes cast against management	% votes abstained
DB and DC	BlackRock	Aquila MSCI World Index	Yes - subscribe to research from several proxy advisory firms, however, such third-party research is one among many inputs used in BlackRock's vote analysis process	13,228	99.0%	8.0%	0.0%
	BlackRock	Global Developed Fundamental Weighted Index		8,703	100.0%	7.0%	0.0%
	BlackRock	Global Minimum Volatility Index		4,741	99.0%	5.0%	0.0%
	Insight	Broad Opportunities Fund	Yes – Minerva Analytics. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.	142	99.3%	0.7%	0.0%

DC	BlackRock	iShares Global Property Securities Equity Index[1]	Yes – as above.	3,625	99.0%	5.0%	0.0%
	BlackRock	Aquila Life World (ex UK) Equity Index		23,290	99.0%	7.0%	0.0%
	HSBC	Islamic Fund	Yes - ISS	1,661	93.2%	10.3%	0.0%
	JP Morgan	UK Specialist Equity Fund[1]	Yes - ISS	1,971	98.6%	1.0%	0.5%
	LGIM	Ethical Fund[3]	Yes – ISS platform used but all voting decisions are made by LGIM with no outsourcing of strategic decisions. ISS recommendations are used only to augment LGIM's own research.	13,980	100.0%	16.1%	0.2%
	LGIM	UK Equity Fund		8,169	100.0%	7.6%	0.0%
	LGIM	Future World Global Equity Index[2]		39,993	99.9%	16.7%	0.9%
	MFS	Global Equity Fund[3]	Yes – ISS perform proxy-related activities and also provide research and vote	1,444	100.0%	6.8%	0.0%

		recommendation along with Glass Lewis & Co. MFS will then analyse all proxy voting issues independently.				
Schroder	Global Emerging Markets Fund	Yes – receive research from ISS and IVIS for general meetings but is only used as one component in the overall voting decision analysis.	1,791	97.4%	7.7%	5.6%
Schroder	Global Equity Fund		2,239	92.6%	7.3%	0.0%
Baillie Gifford	Positive Change Fund[2]	No	341	93.8%	16.7%	0.3%
Threadneedle	Managed Equity Focused Fund	Yes – for research services only, Glass Lewis & Co and ISS.	*Data not provided by manager*			