

Engagement Policy Implementation Statement

The Visa UK Pension Plan (the “Plan”)

The Engagement Policy Implementation Statement (“EPIS”) has been prepared by the Trustees and covers the Plan year from 1 October 2021 to 30 September 2022.

Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the “Regulations”). The Regulations require that the Trustees produce an annual statement which outlines the following:

- Explain how and the extent to which the Trustees have followed their engagement policy which is set out in the Statement of Investment Principles (“SIP”); and
- Describe the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the Plan year and state any use of third-party provider of proxy voting services.

Executive summary

Based on the activity over the year by the Trustees and the Plan’s investment managers, the Trustees believe that their stewardship policy has been implemented effectively. The Trustees note that all the Plan’s investment managers were able to disclose adequate evidence of voting and engagement activity.

The Trustees expect improvements in disclosures over time, in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Plan through considered voting and engagement. In particular, the Trustees expect improvements from LGIM, on its reporting of fund-level engagement examples, and Insight, on its reporting of votes which are deemed significant. The Trustees’ investment adviser, Aon Investments Limited (“Aon”), will engage with LGIM and Insight to encourage improvements in their disclosures.

The Trustees’ Stewardship Policy

The below bullet points summarise the Trustees’ Stewardship Policy (as detailed in the SIP) in force over the Plan year to 30 September 2022.

The full SIP can be found here:

<https://www.visa.co.uk/content/dam/VCOM/regional/ve/unitedkingdom/PDF/reports/uk-visa-sip-22-July-2022.pdf>

- *The Trustees acknowledge that an understanding of financially material considerations including environmental, social and corporate governance (“ESG”) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.*
- *The Trustees recognise the importance of maintaining the highest standards of governance and corporate responsibility in the underlying companies in which the Plan invests, which ultimately creates long-term value for the Plan and its beneficiaries.*
- *The Trustees review the stewardship activities of the Plan’s investment managers on an annual basis and review the alignment of their policies to those of the Plan’s investment managers to ensure that the managers carry out the Trustees’ rights and duties as responsible shareholders.*
- *As part of their delegated responsibilities, 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 regularly review the continuing suitability of the appointed managers and take 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 the Plan's investment managers as necessary for further information, to ensure that robust active ownership behaviours, reflective of the Trustees' own active ownership policies, are being actioned.*

Overview & Investment Strategy

Over the year, the Plan was invested in a range of assets, including equity funds, diversified growth funds and government bonds.

In September 2022, the Plan received a £20m contribution from the Company. This contribution was invested equally between the newly appointed Insight Bonds Plus Fund and the Aegon European Asset Backed Securities Fund in late-September 2022. These investments have not been covered in this statement given the short time these have been held as at 30 September 2022.

The Trustees acknowledge that the concept of stewardship may be less applicable with respect to its fixed income investments, particularly for short-term money market instruments, liability driven investment ("LDI") and gilt investments. As such, these investments have not been covered in this statement.

Stewardship activity over the year

Manager presentations

Over the year, the Trustees attended numerous joint training sessions with the Trustee of the Visa Europe Pension Plan, during which investment managers were invited to present an update on their mandates. The Trustees engaged with the investment managers in several areas, including performance, strategy, risk, corporate governance and wider ESG considerations, and highlighted their expectation that these areas continue to be managed appropriately on the Plan's behalf.

Ongoing manager monitoring

The Trustees review 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. These ESG ratings reflect analysis carried out by the Plan's investment adviser, assessing the Plan's investment managers on the quality of ESG integration as well as the features and impact of their respective stewardship programs. There were no notable changes to fund ratings over the year.

The Trustees also monitor the ESG profile of the Plan's investments through the ESG Dashboard. The Trustees use the Dashboard to identify and review ESG risks and opportunities and then engage with managers where required to improve the Plan's investment profile. The added transparency supports the Trustees' understanding of reputational risks posed by exposure to controversial sectors and regions and aids decision making during strategy conversations.

Manager appointments

The Trustees have taken into account ESG considerations upon appointment of any new investment managers as part of the investment strategy review.

The Trustees also implemented an Environmentally Aware cash fund as the primary cash fund within the Plan's LDI strategy with BlackRock.

Voting and Engagement activity

Over the year, the Plan was invested in the following material equity and diversified growth funds:

Legal and General Investment Management Limited ("LGIM")	All World Equity Index Fund (GBP Currency Hedged)
Insight Investment Management ("Insight")	Broad Opportunities Fund ("IBOF")

In this section there is a summary of voting information and examples of significant voting activity for each of the Plan's relevant managers. The investment managers were asked by the Trustees' investment adviser, Aon, to provide examples of 'significant' votes they participated in over the period. Each investment manager has its own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g., more than 20%) went against the management's proposal;
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting;
- a vote that is connected to wider engagement with the company involved;
- a vote that demonstrates clear and considered rationale;
- a vote that the Trustees consider inappropriate or based on inappropriate rationale; and/or
- a vote that has significant relevance to members of the Plan.

The Trustees consider a significant vote as one which the voting manager deems to be significant or a vote where more than 20% of votes were cast against management.

LGIM - All World Equity Index Fund (GBP Currency Hedged)

Voting Policy Summary

LGIM makes use of Institutional Shareholder Services ("ISS") proxy voting platform to electronically vote and augment its own research and proprietary ESG assessment tools but does not outsource any part of its strategic decisions. LGIM has put in place a custom voting policy with specific instructions that apply to all markets globally, which seeks to uphold what it considers to be minimum best practice standards all companies should observe. LGIM retains the ability to override any voting decisions based on the voting policy if appropriate, for example if engagements with the company have provided additional information. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 is to ensure smooth flow of stewardship approach throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

Number of resolutions eligible to vote on over the period	67,019
% of resolutions voted on for which the fund was eligible	99.9%
Of the resolutions on which the fund voted, % that were voted against management	19.9%
Of the resolutions on which the fund voted, % that were abstained from	1.3%

Source: LGIM

Voting Example: Apple Inc.

In March 2022, LGIM voted in favour of a shareholder resolution to report on civil rights for Apple Inc., an American multinational technology company. It is LGIM's policy to support proposals related to diversity and inclusion policies as it considers these issues to be a material risk to companies. Apple opposed the proposal. The vote passed with 53.6% shareholders voting in favour. The outcome shows that shareholders believe that Apple can improve in this area. LGIM deemed this vote significant as it views gender diversity as a financially material issue for its clients.

Engagement Policy Summary

LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are:

1. Identify the most material ESG issues;
2. Formulate the engagement strategy;
3. Enhancing the power of engagement;
4. Public policy and collaborative engagement;
5. Voting; and
6. Reporting to stakeholders on activity.

LGIM monitors several ESG subjects and conducts engagement on various issues. Its top five engagement topics are climate change, remuneration, diversity, board composition and strategy. LGIM's 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.

More information can be found on LGIM's engagement policy: <https://www.lgim.com/landg-assets/lgim/document-library/capabilities/lgim-engagement-policy.pdf>.

At the time of writing, LGIM had not provided engagement examples for the Fund. The Trustees' investment adviser, Aon, has engaged with LGIM to encourage it to report on its engagement activities in line with peers. Aon and the Trustees expect to see improvements in LGIM's reporting next year. The example provided below is therefore at firm level, i.e. not specific to the fund the Plan is invested in.

Engagement Example (firm level)

LGIM engaged with investee companies in 2021 on the theme of antimicrobial resistance. Antimicrobial resistance is when bacteria, viruses, fungi and parasites change over time and no longer respond to medicines. This makes infections harder to treat and increases the risk of disease. LGIM states that the overuse and inappropriate use of antimicrobial agents (like antibiotics) in human activities is linked to them getting into the ecosystem. In particular, water sanitation and management systems are not designed to address antimicrobial resistance.

LGIM wrote to 20 water utility companies to find out if they were aware of this issue and if they plan to introduce monitoring systems to detect antimicrobial agents. LGIM had meetings with some of the companies and found that awareness of antimicrobial resistance was low. Following these engagements, LGIM found several investee companies were starting to think about the risks of antimicrobial resistance. One utility company started a programme understand what improvements could be made to their waste treatment systems.

LGIM believes it is also important to promote a standardised approach to antimicrobial resistance by influencing the regulatory landscape. To do this, LGIM is working with its peers in the collaborative initiative, Investor Action on Antimicrobial Resistance.

Insight - Broad Opportunities Fund (“IBOF”)

Voting Policy Summary

Insight is a founding signatory to the UN-supported Principles for Responsible Investment (“PRI”). Insight adheres to its own voting policy and retains the services of Minerva Analytics for the provision of proxy voting services. Insight votes at meetings where it is deemed appropriate and responsible to do so. Minerva 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.

The table below shows the voting statistics for IBOF for the year to 30 September 2022.

Number of resolutions eligible to vote on over the period	172
% of resolutions voted on for which the fund was eligible	100.0%
Of the resolutions on which the fund voted, % that were voted against management	0.0%
Of the resolutions on which the fund voted, % that were abstained from	0.0%

Source: Insight

At the time of writing, Insight was not able to provide examples of significant votes in relation to underlying pooled investments. The Trustees’ investment adviser, Aon, will engage with Insight to encourage it to report on its voting activities in line with its peers.

Engagement Policy Summary

Insight actively engages with index product providers on issues such as exclusion criteria. The IBOF’s index-based ESG exposures typically limit exposures to tobacco, controversial weapons, thermal coal and companies not in compliance with the UN Global Compact.

Responsible investment is embedded within Insight’s approach in multiple ways, two of which are:

1. To actively encourage the development of new ESG index-based instruments. This is achieved via engaging with market participants to launch new instruments, encouraging the adoption of ESG criteria to existing instruments, by being early-stage investors where appropriate and by engaging with index providers on an ongoing basis to enhance ESG criteria.
2. A significant amount of research effort is focused on seeking ESG screened exposures that can help deliver return objectives in the long term. For example, the societal shift towards lower carbon usage continues to present exciting growth opportunities in renewable power generation and related industries, for instance in energy efficiency.

Engagement Example: The Renewable Infrastructure Group plc

Over 2022, a number of the Renewable Infrastructure Group’s independent Board members are expected to retire, having served 9 years in their roles. This heightens the need for effective strategies for succession planning. Moreover, the company’s dividend target has remained unchanged from 2020, whilst Insight have continued to express a preference for fully covered, progressive increases.

During Q4 2021, Insight held meetings with the Board and asset manager of this renewable infrastructure holding, with a particular focus on succession planning and capability transitions.

The company remains an important component of the Fund’s renewable infrastructure exposures, providing higher scale, liquidity and a diversified portfolio exposed to a mix of renewable technologies

across Europe and the UK. Insight aims to follow up on Board personnel changes to ensure successful capability transition and continue to express its preference for fully covered dividend growth.