

Implementation Statement

A.S. Watson (Health & Beauty UK) Pension Plan

This Implementation Statement has been prepared by the Trustee of the A.S. Watson (Health & Beauty UK) Pension Plan (“the Plan”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 31 March 2022.

Trustee policies on voting and engagement

The Trustee’s Statement of Investment Principles (SIP) in force at March 2022 describes the Trustee’s policy on the exercise of rights (including voting rights) and engagement activities as follows:

- “The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee delegates responsibility for stewardship activities attaching to the Plan’s investments to its investment managers. Managers are expected to exercise voting powers with the objective of preserving and enhancing long term shareholder value. In addition to the exercise of voting rights, managers are expected to engage with key stakeholders (which may include issuers of debt or equity, corporate management, regulators and governance bodies) relating to their investments in order to improve corporate behaviours and governance, improve performance, improve social and environmental impact and to mitigate financial risks.”

The Trustee’s SIP was last reviewed in March 2022 and is made available online here:

[Statement of Investment Principles \(superdrug.com\)](https://www.superdrug.com/~/media/Investment-Principles-2022.pdf)

How voting and engagement policies have been followed

The Plan invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Plan's fund managers. The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code. However, the Trustee cannot usually directly influence the managers' policies on the exercise of investment rights where the Trustee holds assets in pooled funds. This is due to the nature of these investments. The Trustee receives reporting on the voting and engagement policies of the fund managers and considers these as part of manager appointment and review processes.

The Trustee believes that ESG factors are financially material – that is, they have the potential to impact the value of the investments from time to time.

The Trustee monitors the ESG performance of its managers on a regular basis.

The Trustee considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

The Trustee was satisfied that the managers' policies were reasonable and no further remedial action was required during the period. Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Plan's stewardship policies.

Voting Data

Voting only applies to funds that hold equities in their portfolio. The Plan's equity investments are all held through pooled funds and as such the investment managers for these funds vote on behalf of the Trustee.

The equity investments are managed by Abrdn, Barings Asset Management ("Barings"), and Schroder Investment Management ("Schroders"). The table below provides a summary of the voting activity undertaken by each manager over the year to 31 March 2022. Please note that the Barings Fund closed on 30 June 2021 so we have used data that covers one year to 30 June 2021.

Manager	Abrdn	Abrdn	Schroders	Barings
Fund name	Vanguard FTSE Developed World ex UK Equity Index	Vanguard FTSE Developed World Hedged Pension Fund	Life Diversified Growth Fund	Dynamic Asset Allocation Fund
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
Number of company meetings the manager was eligible to vote at over the year	2,189	2,340	1,935	87
Number of resolutions the manager was eligible to vote on over the year	27,014	29,709	22,236	817
% of resolutions the manager voted on	96.5%	96.8%	97.7%	96.2%
% of resolutions the manager abstained from	0.0%	0%	2.3%	0.0%
% of resolutions voted <i>with</i> management	96.2%	96.5%	89.0%	95.4%
% of resolutions voted <i>against</i> management	3.8%	3.5%	8.7%	4.6%
% of resolutions voted contrary to the recommendation of the proxy advisor	0.0%	0%	This information was not provided.	0.5%

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote, so for this Implementation Statement the Trustee has asked the investment managers to determine what they believe to be a “significant vote”.

	Vote 1	Vote 2	Vote 3	Vote 4	Vote 5	Vote 6
Funds affected	Both Vanguard funds	Both Vanguard funds	Both Vanguard funds	Schroder Life Diversified Growth Fund	Schroder Life Diversified Growth Fund	Schroder Life Diversified Growth Fund
Company name	EOG Resources, Inc.	Shopify, Inc.	Activision Blizzard, Inc.	Atlas Copco AB	Scandinavian Tobacco Group A/S	ASML Holding NV
Date of vote	29/4/2021	26/5/2021	21/6/2021	27/04/2021	14/04/2021	29/04/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	This information was not provided.					
Summary of the resolution	Elect director Julie J. Robertson.	Re-approve stock option plan.	Advisory vote to ratify named executive officers' compensation	Re-elect Staffan Bohman as Director	Allow Shareholder Meetings to be Held by Electronic Means Only	Approve Remuneration Report
How the manager voted	Against	Against	For	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	This information was not provided.					
Rationale for the voting decision	Director accountability vote due to board diversity not meeting market expectations	Excessive dilution.	Determined to be reasonable.	Lack of independence on the board.	We are not supportive of a permanent move to virtual only meetings.	Lack of retrospective disclosure around the targets used to determine payouts.
Outcome of the vote	Pass	Pass	Pass	This information was not provided.		
Implications of the outcome	This information was not provided.					
Criteria on which the vote is considered “significant”	Vanguard held a meaningful ownership position, conveyed their perspective on an important governance topic, or communicated their view of positive progress.				Votes were against management.	

	Vote 7	Vote 8	Vote 9
Funds affected	Barings Dynamic Asset Allocation Fund*	Barings Dynamic Asset Allocation Fund*	Barings Dynamic Asset Allocation Fund*
Company name	SCSK Corp.	Elecom Co., Ltd.	Mitsubishi UFJ Financial Group, Inc.
Date of vote	23/06/2021	23/06/2021	29/06/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		This information was not provided.	
Summary of the resolution	Elect Director Tabuchi, Masao	Appoint Internal Statutory Auditor(s) and Approve Auditor's/Auditors' Remuneration	Elect Director Nomoto, Hirofumi
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		This information was not provided.	
Rationale for the voting decision		This information was not provided.	
Outcome of the vote		This information was not provided.	
Implications of the outcome		This information was not provided.	
Criteria on which the vote is considered "significant"		This information was not provided.	

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. Whilst the Plan's credit holdings do not have any voting rights attaching to them, the Trustee focuses on how the investment process and profile of the managers is aligned with the Plan's ESG policies.

The table below provides a summary of the engagement activity undertaken by Abrdn, Insight Investment Management ("Insight") and Schroder during the year. Muzinich & Co ("Muzinich") were unable to provide engagement data over the period as they are in the process of developing a new ESG framework which will not be in place until mid-2023.

Manager	Insight	Abrdn	Schroder	Barings*
Fund name	Global ABS Fund	Both Vanguard funds	Diversified Growth Fund	Dynamic Asset Allocation Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	50	This information was not provided.	>1000	70
Number of engagements undertaken at a firm level in the year	This information was not provided.	2,585	2,468	415
Examples of engagements undertaken with holdings in the fund	CVC – Cordatus: Governance concerns and ESG constraints Together Financial Services and Pepper: Environmental risks	Darktrace: Corporate Governance Corbion: engaged on environmental issues Amplifon: engaged on remuneration	Amazon: Worker's Rights Bank of America: Climate Data Metrics Ubisoft Entertainment: Board Gender Diversity	Barings engaged with a chemicals company around carbon issues. They also engaged with a gold company on compliance with ESG standards in supply chain

*Please note that the Barings Fund closed on 30 June 2021 so we have used data that covers one year to 30 June 2021.