

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 2023.

Trustee policies on voting and engagement

The Trustee’s Statement of Investment Principles (SIP) in force at March 2023 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 December 2022 and is made available online here:

[Statement of Investment Principles \(superdrug.com\)](https://www.superdrug.com)

The Trustee decided not to set stewardship priorities for the Plan because the Plan solely invests through pooled investment vehicles where the Plan’s assets only represent a small proportion of the capital invested in the funds. The Trustee understands that they are constrained by the policies of the managers. As a result, the Trustee decided not to set stewardship priorities. However, the Trustee takes the stewardship priorities, climate risk, and ESG factors into account at manager selection. The Trustee also reviews the stewardship and engagement activities of the investment managers annually.

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.

**Prepared by the Trustee of the A.S. Watson (Health & Beauty UK) Pension Plan
September 2023**

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 abrdrn 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 2023.

Manager	abrdrn	abrdrn	Schroders
Fund name	Vanguard FTSE Developed World ex UK Equity Index	Vanguard FTSE Developed World Hedged Pension Fund	Life Diversified Growth 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	2,212	2,346	1,270
Number of resolutions the manager was eligible to vote on over the year	27,482	30,169	15,662
% of resolutions the manager voted on	93.8%	94.5%	95.3%
% of resolutions the manager abstained from	0.1%	0.1%	0.6%
% of resolutions voted <i>with</i> management	96.3%	96.6%	89.9%
% of resolutions voted <i>against</i> management	3.7%	3.4%	10.1%
% of resolutions voted contrary to the recommendation of the proxy advisor	0.5%	0.4%	This information was not provided.

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. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. The Trustee has decided not to set stewardship priorities / themes for the Plan. 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	Berkshire Hathaway Inc.	M&T Bank Corporation	Intel Corporation	Meta Platforms, Inc.	Nordex SE	Alphabet Inc.
Date of vote	30/04/2022	25/04/2022	12/05/2022	25/05/2022	31/05/2022	01/06/2023
Summary of the resolution	Report on Climate-Related Risks and Opportunities	Elect Director John R. Scannell	Advisory Vote to Ratify Named Executive Officers' Compensation	Require Independent Board Chair	Approve Remuneration Report	Elect Director John L. Hennessy
How the manager voted	For	Against	Against	For	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	Addresses material risk and an oversight or disclosure gap.	Concerns regarding extent of other commitments.	Concerns over one or more of pay/performance alignment, magnitude of pay, disclosure, and pay structure.	Helps to ease concerns over the governance risk.	Lack of disclosure around the performance targets attached to the annual bonus so unable to assess pay for performance alignment.	Less than 33% of the board are female directors, average board tenure is considered excessive., and there are continued ESG concerns.
Outcome of the vote	Fail	Pass	Fail	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.	

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"), Schroder, M&G and Royal London during the year. Muzinich & Co ("Muzinich") were unable to provide engagement data over the period whilst they had started gathering engagement data in 2020, the full roll-out of their ESG framework has been delayed and they do not anticipate being able to provide comprehensive engagement data until early 2024.

Manager	Insight	abrdn	Schroder	M&G	Royal London
Fund name	Global ABS Fund	Both Vanguard funds	Diversified Growth Fund	All Stocks Corporate Bond Fund	UK Corporate Bond Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	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	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	50	This information was not provided.	>1000	12	145
Number of engagements undertaken at a firm level in the year	1,178	2,484*	>2,800	This information was not provided.	195
Examples of engagements undertaken with holdings in the fund	European Data Warehouse: Data provision and reporting of ESG data Pepper: Environmental risks	Rio Tinto Human rights & Governance ENEL: engaged on environmental issues	Amazon: Worker's Rights Bank of America: Climate Data Metrics	Informa PLC: Governance - Remuneration Petroleos Mexicanos: Human & Labour Rights	Rio Tinto: Human rights BP: Remuneration

*abrdn provided firm-level engagement data as at 31 December 2022