

Wightlink Pension Scheme Implementation Statement for the year ended 31 December 2020

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Wightlink Pension Scheme (“the Trustees” of “the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments, and engagement activities during the year ended 31 December 2020 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

In Q2 2019, the Trustees discussed Environmental, Social and Governance (“ESG”) issues with their Adviser (XPS) and including their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers’ own equivalent policies. The Trustees’ new policy was documented in the updated Statement of Investment Principles, latest dated September 2020.

The Trustees’ updated policy

The Trustees believe that there can be financially material risks, as well as investment opportunities, relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme’s investment manager.

The Trustees recognise that members and beneficiaries may have ethical view or views on matters such as the social and environmental impact of the Scheme’s investments. In conjunction with there being practical challenges of capturing and maintaining a consensus view on multiple issues across the membership population, it is the Trustees’ view that financial factors should take precedence in seeking to maximise the security of member benefits. As such, it is the policy of the Trustees not to consider the views of members and beneficiaries when taking investment decisions.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes.

The Trustees delegate responsibility for engagement in respect of investments held by the Scheme to the investment manager. The expectation is that engagement will take place with the aim of protecting or enhancing the value of the Scheme’s investments.

Manager selection exercises

One of the ways in which this updated policy might be expressed is via manager selection exercises. The Trustees will assess how the investment manager(s) take financially material considerations into account in the selection, retention and realisation of investments, and this assessment will form part of the criteria for appointing, retaining or terminating the investment manager(s).

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment manager from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

During the reporting year, the Trustees, with help from XPS, considered at length the extent to which ESG considerations are incorporated into the investment processes of the investment manager appointed to the Scheme. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

During the reporting year, the Trustees instructed the investment manager to consider ways to improve the portfolio based on ESG metrics without reducing the overall expected rate of return (or increasing the risk). This strategic asset allocation review was concluded and implemented towards the end of the year.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment manager will have voting rights is equities. The Scheme also has an allocation to a segregated growth portfolio which has exposure to equities as part of its mandate. A summary of the voting behaviour and most significant votes cast is shown below. Based on this summary, the Trustees conclude that the investment manager has exercised its delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard.

The Trustees also require the investment manager to report on significant votes made on behalf of the Trustees. Given the investment manager considers all votes as significant, they vote all shares globally for which they have voting authority and they provide full transparency of voting activity on their website below, the Trustees consider that this requirement is fulfilled albeit at a basic level.

<https://www.aberdeenstandard.com/en/uk/institutional/responsible-investing/voting>

Engagement activity

The investment manager has provided three examples on engagement activity over the year. Further details on other engagement activities can be found in the investment manager's quarterly reports found at the link below.

<https://www.aberdeenstandard.com/en/uk/institutional/responsible-investing>

Boohoo

Boohoo is an online fashion retailer that sells clothing to a target market of 16–30-year-olds. An independent investigation into its Leicester supply chain was carried out with concerns over breaches of minimum pay requirements and health and safety concerns. A clear set of recommendations were put forward and agreed by Boohoo including that they would publish a list of their suppliers both within Leicester and globally – something the investment manager had also called for as part of their ongoing engagement.

The investment manager continues to engage with Boohoo as they believe that there is a strong investment case but that this cannot be to the detriment of its supply chain. However, the investment manager chose to disinvest earlier in the year as their requests to the management had not been met within the agreed timescales.

Just Eat Takeaway

Just Eat Takeaway is one of the world's largest online food delivery platforms acting as an intermediary between restaurants and customers. The investment manager has engaged with Just Eat Takeaway as food delivery platforms routinely receive negative press due to concerns on the 'gig economy' and the rights of workers. The investment manager also wanted to explore how the integration of Just Eat and Takeaway.com might affect the business's sustainability strategy. Investigation showed that all Takeaway.com's drivers are permanent employees and paid a fair wage. However, Just Eat has a greater mix of fully employed, contractors and third-party drivers. One of the first changes the combined business looks to action is to move all workers onto permanent contracts and provide further incentives – something very much supported by the investment manager. In addition, the investment manager is engaging with Just Eat Takeaway on widening its healthy-eating options and increasing their visibility on the platform to help widen its customer base and its revenue growth.

Petrobras

Petrobras is Brazil's national integrated oil company who are midway through a structural change of strategy that involves a program of scheduled asset divestitures aiming to focus Petrobras on exploration and production. The investment manager first engaged Petrobras on environmental issues and its approach to the climate transition in the first half of 2019 and they highlighted areas where they believed it lagged best practice. Petrobras has since announced that it is endorsing TCFD which makes Petrobras the second emerging market oil company to become a signatory - a clear milestone the investment manager had set for the company. Alongside these disclosures, Petrobras has also shared a target to reduce carbon emissions over a five-year timeframe. Looking forward, engagement will focus on the measurement and disclosure of carbon emissions within future reduction targets.

Signed by Sean Hoyle, Chair of Trustees

Date: 7 July 2021

Voting Information

Aberdeen Standard Investments

The fund manager has not provided stewardship code data at present

The data below shows the fund manager's voting behaviour on those funds that have provided data.

Fund / Mandate	How many resolutions were you eligible to vote on?	What % of resolutions did you vote on for which you were eligible?
SEGREGATED MANDATE	402	65.4%
ASI LIFE UK EQTY FUND F	758	94.3%
ABERDEEN STANDARD SICAV I ASIA PACIFIC EQTY	697	100.0%
ABERDEEN STANDARD SICAV I JAPANESE EQTY FUND	528	100.0%
ABERDEEN STANDARD SICAV I EMERGING MRKTS Equity A ACC	748	93.9%
ABERDEEN STANDARD SICAV I - European Equity (ex-UK) Fund	550	69.5%
ASI CORPORATE BOND FUND A ACC	593	97.6%
ABERDEEN STANDARD SICAV I CHINA A SHS EQTY F	905	100.0%
ABERDEEN DIVERSIFIED INCOME AND GROWTH TST G	461	87.9%
ABERDEEN STANDARD ALPHA - GBL LOANS FUND Z Q	2	100.0%
ABERDEEN STANDARD INVTS LUX ABSOLUTE RETURN	12	16.7%
ASI EUROPEAN EQTY ENH IDX B ACC	3,821	96.44%
ASI AMER EQTY ENH IDX B ACC	2,860	99.4%
ASI UK EQTY INDEX MANAGED B NET ACC	2,371	95.9%

Investment Manager Client Consultation Policy on Voting

We will consult with clients who have a segregated mandate in place.

Investment Manager Process to determine how to Vote

Our voting policy is on our website.

https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf

How does this manager determine what constitutes a 'Significant' Vote?

At Aberdeen Standard Investment we view all votes as significant and vote all shares globally for which we have voting authority, therefore we are unable to respond directly to this part of the request. Instead we believe we go beyond guidelines and endeavour to disclose all our voting decisions for all of our active and passive equity holdings. We provide full transparency of our voting activity on our publicly available website and fund specific voting reports on request. Each individual scheme will have their own views about which are the most significant votes - influenced by their sponsor, industry, membership and many other factors. If there are any voting themes, categories or specific company votes which your scheme is particularly interested in, please contact your relationship team who would be happy to provide more information. In addition, our voting policy can also be found on our website:
https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf

Does the manager utilise a Proxy Voting System? If so, please detail.

We utilise the services of ISS for all our voting requirements.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
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No significant votes were provided by the fund manager.