

# Implementation Statement

## The Pension Plan of Seiko U.K. Limited

### Plan year ended 30 June 2022

#### Purpose of this statement

This implementation statement has been produced by the Trustee of the Pension Plan of Seiko U.K. Limited ("the Plan") to set out the following information over the year to 30 June 2022:

- How the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- The voting activity undertaken by the Plan's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes.

#### How voting and engagement policies have been followed

Based on the information provided by the Plan's investment managers, the Trustee believes that their policies on voting and engagement have been met in the following ways:

- 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.
- Through preparation of the Implementation Statement, the Trustee has reviewed the stewardship and engagement activities of their investment managers during the year and was satisfied that the policies followed by the managers were reasonable and in alignment with the Trustee's own policies. No remedial action was required during the period.

#### Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at October 2021 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities as follows:

*"Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses."*

The Trustee's SIP was last reviewed in October 2021 and has been made available online here:

[SIP Link](#)

No significant changes were made to the stewardship policy over the year.

**Prepared by the Trustee of The Pension Plan of Seiko U.K. Limited  
January 2023**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Plan's investment portfolio on behalf of the Trustee over the year to 30 June 2022.

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

Manager	Baillie Gifford	BNY Mellon	Invesco	LGIM	Vanguard
<b>Fund name</b>	Multi Asset Growth Fund	Multi Asset Diversified Return Fund	Global Targeted Returns Fund	Global Equity MW(30:70)-75% GBP Hgd	FTSE UK Equity Income Index Fund
<b>Structure</b>	Pooled				
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.				
<b>Does manager vote at a fund level or at a firm-wide level?</b>	Fund	Fund	Fund	Fund	Fund
<b>No. of eligible meetings</b>	101	137	276	7,274	124
<b>No. of eligible votes</b>	1,164	1,790	4,085	74,895	2,137
<b>% of resolutions voted</b>	83.85%	98.10%	99.17%	99.88%	100.00%
<b>% of resolutions abstained<sup>1</sup></b>	0.72%	0.00%	0.07%	1.15%	0.00%
<b>% of resolutions voted with management<sup>1</sup></b>	96.21%	91.34%	93.66%	80.46%	99.72%
<b>% of resolutions voted against management<sup>1</sup></b>	3.07%	8.66%	6.34%	18.39%	0.28%
<b>Proxy voting advisor employed</b>	ISS and Glass Lewis	ISS	ISS and Glass Lewis	ISS	ISS
<b>% of resolutions voted against proxy voter recommendation</b>	Not provided	6.66%	4.05%	9.96%	0.00%

Some voting percentages quoted above may not sum to 100%. Managers assure us that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

<sup>1</sup> As a percentage of the total number of resolutions voted on

## 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”. The managers have provided a selection of at least 10 votes which they believe to be significant, and in the interest of concise reporting the tables below show 3 of these votes for each fund. The votes shown have been chosen to showcase a variety of issues on which each manager voted over the year.

The Trustee and their investment consultants have been working with the managers to improve the availability and quality of information included in future statements. The Trustee has also made a decision to disinvest from Vanguard and is working on implementing this change.

A summary of the significant votes provided is set out below.

### Baillie Gifford, Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	BHP Group Plc	Galaxy Entertainment Group Ltd	Greggs Plc
<b>Date of vote</b>	14 October 2021	12 May 2022	17 May 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.03%	0.06%	0.25 %
<b>Summary of the resolution</b>	Shareholder Resolution - Climate	Amendment of Share Capital	Remuneration
<b>How the manager voted</b>	For	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Yes	No	No
<b>Rationale for the voting decision</b>	Baillie Gifford supported a resolution requesting the company to strengthen its review of industry associations to ensure that it identifies areas of inconsistency with the Paris Agreement. This was in line with management's recommendation.	Baillie Gifford opposed two resolutions which sought authority to issue equity because they believed the potential dilution levels are not in the interests of shareholders.	Baillie Gifford voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.
<b>Outcome of the vote</b>	Pass	Pass	Pass
<b>Implications of the outcome</b>	This resolution had been put forward at the 2019 and 2020 AGMs but failed, only receiving 27% and 22% support respectively. Previously Baillie Gifford had opposed the	Baillie Gifford have opposed similar resolutions in previous years and will continue to advise the company of their concerns and seek to obtain	Following casting a vote, Baillie Gifford reached out to the Company to provide reasons for their opposition on the remuneration report and asked for clarification on pay setting

	Vote 1	Vote 2	Vote 3
	resolution as they were comfortable management were making sufficient progress however this year management recommended support for the resolution, and as such they voted in favour. The resolution received over 98% support.	proposals that they can support.	for the CEO. The Company acknowledged their feedback on pensions and pay increases for executives and explained how the new CEO's salary was set.
<b>Criteria on which the vote is considered "significant"</b>	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed remuneration.

### BNY Mellon, Multi Asset Diversified Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	B&M European Value Retail SA	Gresham House Energy Storage Fund Plc	Greencoat UK Wind PLC
<b>Date of vote</b>	29 July 2021	30 June 2022	28 April 22
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.81%	0.86%	3.07%
<b>Summary of the resolution</b>	Elect Directors, Approve Remuneration Report, Approve Remuneration Policy	Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights	Elect Director, Approve Issuance of Equity or Equity-Linked Securities with or without Pre-emptive Rights, Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights
<b>How the manager voted</b>	Against	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	No	No
<b>Rationale for the voting decision</b>	Considering the financial impact of the Covid-19 pandemic, BNY Mellon did not consider it appropriate to award a 23% salary increase to the CEO, alongside an increase in his maximum bonus opportunity. They also voted against the members of the remuneration committee.	BNY Mellon voted against the proposal that sought to authorise the company to issue equity, without pre-emptive rights, of up to 10% of issued share capital, as they believe the share issuance should be done by a book-build process rather than on a fixed price basis if pre-emptive rights are disapplied.	BNY Mellon raised concerns over the past share issuance undertaken by the trust. They believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.

	Vote 1	Vote 2	Vote 3
<b>Outcome of the vote</b>	Pass	Pass	Pass
<b>Implications of the outcome</b>	In terms of UK best practice, the vote outcome in relation to the remuneration report (22.8% against) determines that the company should embark on an engagement effort with shareholders in order to determine and allay concerns.	The vote outcome demonstrates that most shareholders are not concerned with the potential valuation dilution as the discount to NAV may be driven by the positive outlook expected for the rest of the year.	The vote outcome demonstrates that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.
<b>Criteria on which the vote is considered "significant"</b>	BNY Mellon recognise this as a significant vote owing largely to the vote outcome; where it is rare for this level of dissent to be formally lodged by shareholders.	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the share issuance should be done by a book-build process rather than on a fixed price basis if pre-emptive rights are disappplied, which would prevent unwarranted value dilution for existing shareholders.	The vote was deemed significant given the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.

## Invesco, Global Targeted Returns Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Berkeley Group Holdings Plc	Origin Energy Limited	Suofeiya Home Collection Co., Ltd.
<b>Date of vote</b>	24 August 2021	12 October 2021	3 May 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	>1%	>1%	>1%
<b>Summary of the resolution</b>	Approve Matters Relating to the B Share Scheme and Share Consolidation	Approve the Amendments to the Company's Constitution	Approve Cash Management
<b>How the manager voted</b>	For (In Line With Management)	Against (In Line With Management)	Against (Against Management)
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	n/a	n/a	Not provided

	Vote 1	Vote 2	Vote 3
<b>Rationale for the voting decision</b>	Invesco believed that no significant concerns had been identified.	Invesco believed that the request to amend the company's constitution was potentially broad with no regulatory framework to oversee shareholder proposals.	Invesco believed that the proposed investment could expose the company to unnecessary risks.
<b>Outcome of the vote</b>	Pass	Fail	Pass
<b>Implications of the outcome</b>	Invesco did not take further action beyond their continuous engagement and dialogue with the company, as appropriate.	Invesco did not take further action beyond their continuous engagement and dialogue with the company, as appropriate.	Invesco will continue to monitor the company on this issue and engage as necessary.
<b>Criteria on which the vote is considered "significant"</b>	>1% ownership and includes Key ESG proposal	>1% ownership and includes Key ESG proposal	>1% ownership and includes Key ESG proposal

### LGIM, Global Equity MW(30:70)-75% GBP Hgd

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	Apple Inc.	Microsoft Corporation	Royal Dutch Shell Plc
<b>Date of vote</b>	4 March 2022	30 November 2021	24 May 2022
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	2.72%	2.62%	2.07%
<b>Summary of the resolution</b>	Resolution 9 - Report on Civil Rights Audit	Elect Director Satya Nadella	Resolution 20 - Approve the Shell Energy Transition Progress Update
<b>How the manager voted</b>	For	Against	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
<b>Rationale for the voting decision</b>	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.	Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, they remain concerned about

	Vote 1	Vote 2	Vote 3
			the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.
<b>Outcome of the vote</b>	Pass (53.6% support)	Pass (94.7% support)	Pass (79.9% support)
<b>Implications of the outcome</b>	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
<b>Criteria on which the vote is considered "significant"</b>	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

## Vanguard, FTSE UK Equity Income Index Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	BAE Systems Plc	BHP Group Ltd	Royal Dutch Shell Plc
<b>Date of vote</b>	6 May 2021	14 October 2021	18 May 2021
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	Not provided	Not provided	Not provided
<b>Summary of the resolution</b>	Approve remuneration report	Approve the climate transition action plan	Request Shell to set and publish targets for greenhouse gas (GHG) emissions
<b>How the manager voted</b>	For	For	Against
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Not provided	Not provided	Not provided
<b>Rationale for the voting decision</b>	Determined to be reasonable.	Addresses material risk(s), action or change is warranted, and terms determined to be in the best long-term interest of shareholders.	Addresses material risk, but company has already taken sufficient actions and/or has related actions pending to address proponent request.
<b>Outcome of the vote</b>	Pass	Pass	Fail

	Vote 1	Vote 2	Vote 3
<b>Implications of the outcome</b>	Not provided	Not provided	Not provided
<b>Criteria on which the vote is considered "significant"</b>	Not provided	Not provided	Not provided

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Manager	Baillie Gifford	Baillie Gifford	BNY Mellon	Invesco
<b>Fund name</b>	Multi Asset Growth Fund	Worldwide Global Credit Fund	Multi Asset Diversified Return Fund	Global Targeted Returns Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	29	Not provided	41	Not provided
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	25	Not provided	32	Not provided
<b>Number of engagements undertaken at a firm level in the year</b>	1,323*	1,323	174	3,000 (year to 31 Dec 2021)

\*Baillie Gifford have stated they are working on their engagement recording process internally and, as such, this figure is not finalised

Manager	LGIM	LGIM	L&G	Vanguard
<b>Fund name</b>	Global Equity MW(30:70)-75% GBP Hgd	Over 15 Year Index-Linked Gilt Index Fund	Property Fund	FTSE UK Equity Income Index Fund
<b>Number of engagements undertaken on behalf of the holdings in this fund in the year</b>	625	30	Not provided	Not provided
<b>Number of entities engaged on behalf of the holdings in this fund in the year</b>	418	15	Not provided	Not provided
<b>Number of engagements undertaken at a firm level in the year</b>	706	706	Not provided	1,588

Where information is not included, it has been requested but has not been provided in a useable format or at all by the investment manager. The Trustee's investment consultants are in discussion with the managers around how this data will be provided in future statements.

## Examples of engagement activity undertaken over the year to 30 June 2022

### Baillie Gifford, Multi Asset Growth Fund

#### Ryanair

In September 2021, following the company's AGM, Baillie Gifford met with Chairman Stan McCarthy, non-executive director Louise Phelan and Director of Sustainability, Thomas Fowler. They discussed the company's recent order of planes from Boeing, the planned ramp-up ahead of the following summer as they returned to normal operating environment post-Covid and its efforts to reduce the company's carbon footprint.

Baillie Gifford have been encouraged by recent engagements that suggest Ryanair is actively involved in finding solutions to its climate challenges. During these engagements, they explored the company's partnership with Trinity College to develop sustainable aviation fuel, its views on new technology and its long-term net zero ambitions. They also discussed the company's efforts to build relationships with staff. During the pandemic, the board and management worked hard to maintain open communication with staff and to protect jobs.

Baillie Gifford think the company has made significant progress in its approach to sustainability matters and how it interacts with shareholders, and they look forward to continuing their discussions with management.

### BNY Mellon (firm-level)

#### Samsung / Volkswagen AG

From 2018 to 2020, BNY Mellon participated in a PRI (Principles for Responsible Investment)-led collaborative engagement on responsible cobalt sourcing with companies in the electronics and automotive sector with the objective of improving human-rights assessments and due diligence, impacting monitoring and corrective action, and encouraging collaboration on this systemic issue. This engagement also developed consistent investor expectations on the responsible sourcing of cobalt to establish a framework for companies to manage such risks.

This has included conversations with Volkswagen, Samsung SDI, Samsung Electronics and Apple. BNY Mellon held discussions to establish the companies' understanding of the situation, what actions they were taking to identify risks in the supply chain, and how they planned to implement the OECD (Organisation for Economic Co-operation and Development) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The guidance aims for greater transparency and auditing in the supply chain.

Every company within the PRI engagement programme is now a member of at least one multi-stakeholder initiative on responsible cobalt sourcing. Samsung SDI was able to co-launch this initiative, and Volkswagen has since joined to support this. BNY Mellon will continue dialogues around the potential for cobalt recycling, and the role this may be able to play in the circular economy.

### Invesco (firm-level)

## **CRH Plc**

Invesco met with Richie Boucher (Chair of the Board), to discuss a number of topics:

- Capital allocation – they discussed the threshold for the Acquisitions, Divestments and Finance committee to look at deals (which is \$50m), the company’s reserves and potential areas for growth.
- The Ukraine crisis - CRH's exposure in Ukraine is \$250m of capital and \$60-70m of earnings, which have come to a halt since the crisis, leading to 800 people (including 60 families) leaving Ukraine. CRH mentioned they will be ready when the rebuilding of post-war Ukraine starts.
- Health and Safety – they discussed a recent up-tick in incidents at the firm. Richie explained that systematic health and safety issues at the firm trigger an override for management remuneration and pointed out that the shortage of drivers and turnover of staff in contractors has meant lower skilled workers, which has raised the risk profile. Nonetheless, the board is undertaking an investigation into how to best manage safety, and particularly transport safety which was the cause of 3 fatalities in 2021 (out of a total of 4).
- Executive Remuneration
- Diversity – increasing the attractiveness of CRH to women is seen by the Company as a great way to address the labour shortage. CRH is 85% men, while in operations it is 93% men. The CEO has championed the focus on women, while it is also felt this will enhance the solutions side of the business. They also discussed ethnicity, which is not in the targets now, but will be a focus in the future.

## **LGIM (firm-level)**

### **Sainsbury’s**

LGIM co-filed a shareholder resolution calling on Sainsbury’s to become a living-wage accredited employer by its AGM in 2023. Although Sainsbury’s is currently paying higher wages than many other listed supermarkets, the company has been selected because it is more likely than many of its peers to be able to meet the requirements to become living-wage accredited.

LGIM decided to co-file this resolution because of Sainsbury’s decision to split its London employees into ‘inner’ and ‘outer’ London, with those in ‘outer’ London paid less than the real living wage of £11.05 per hour (‘outer’ London employees were offered £10.50 per hour). Although the hourly rate differential appears small, when multiplied by the total hours worked, this would make a material impact on affected employees’ ability to meet the demands of the cost-of-living crisis as inflation costs soar and the economy struggles to recover from the effects of the COVID-19 pandemic.

LGIM were delighted to see that on 8 April 2022, Sainsbury’s announced that it would increase the wages of their ‘outer’ London employees to match their ‘inner’ London employees.

## **Vanguard (firm-level)**

### **Netflix**

At the annual meeting for U.S.-based entertainment company Netflix, Inc., the Vanguard funds supported three management proposals: one declassifying the board of directors, one eliminating supermajority voting provisions, and the third adopting the right to call a special meeting. Each of these management proposals followed shareholder proposals presented at previous Netflix annual meetings on these topics.

Netflix's proposal to declassify the board of directors followed consecutive shareholder proposals from 2015 through 2017 calling for the board's declassification. Vanguard had engaged in prior years with the Netflix team to share their view that a declassified board structure supports director accountability. In the engagement this year with Netflix's lead independent director and members of management, the Netflix team conveyed that this proposal - along with the management proposals eliminating supermajority voting provisions and adopting the right to call a special meeting - was being put forward, in part, in response to shareholders' feedback.

The Vanguard funds will generally vote for proposals to eliminate supermajority vote requirements. 2022 was the seventh straight year that Netflix received a shareholder proposal for a simple majority vote. The funds supported prior proposals on this topic from 2015 through 2021. Management's proposal would eliminate the supermajority vote requirement and replace it with the ability to approve or reject matters presented for a vote based on a simple majority of outstanding shares. The funds supported the management proposal and did not support this year's shareholder proposal requesting that the supermajority vote requirement be replaced with the ability to approve or reject matters based on a majority of votes cast.

If a company does not have a right to call a special meeting, the Vanguard funds will generally vote for management proposals to establish that right. In 2018, Netflix received shareholder proposals requesting bylaw amendments providing the right to call special meetings and the right to act by written consent. The Vanguard funds supported these in the interest of increasing shareholder rights. At Netflix's 2022 annual meeting, the proposal declassifying the board drew 74% support, the proposal eliminating supermajority vote provisions drew 74% support, and the proposal establishing the right to call a special meeting drew 74% support.