

# Vivendi 2008 Deferred Member's Scheme

## ENGAGEMENT POLICY IMPLEMENTATION STATEMENT

### Financial Year Ending 30 November 2020

#### Introduction

This statement sets out how, and the extent to which, the Stewardship policies in the Statement of Investment Principles (SIP) produced by the Trustee has been followed during the year to 30 November 2020. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 and the guidance published by the Pensions Regulator.

#### Trustee Investment Objective

The Trustee's primary investment objectives for the Scheme are the following:

- To pay the Scheme member's benefits as and when they fall due and avoid any reduction in benefits if possible;
- To improve the funding level of the Scheme with the aim of achieving and maintaining 100% funding on the Technical Provisions basis, with the view to the Scheme ultimately becoming solvent in the event of a winding-up;
- To achieve the above objectives, the 30 November 2017 actuarial valuation calculated an investment return of at least 1.1% p.a. above appropriate longer dated UK Government bonds should be sought. On a best estimate returns basis, at the point of the 2017 actuarial valuation being agreed, the Trustee and Sponsoring Employer were comfortable with the investment strategy targeting an expected return in excess of the required return;
- To avoid new direct self-investment where practicable;
- To maintain sufficient flexibility in the Scheme's investment structure to allow changes to be efficiently made as required in the future;
- To set and monitor appropriate benchmarks and performance targets for the investment managers; and
- To pay due regard to the interests of the Sponsoring Employer in relation to the funding of the Scheme.

The Trustee also ensures that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective (on a Technical Provisions basis).

## Investment Strategy

Given the nature of the liabilities, the investment time horizon of the fund is potentially long term (i.e. several decades), although opportunities for risk transfer (e.g. by purchase of bulk annuities) could reduce the time horizon materially.

The Trustee expects to achieve a return in excess of the level assumed by the Scheme Actuary for Technical Provisions, except to the extent that investment gains to date allow the Trustee to pursue a lower risk, lower return strategy while still expecting to meet the Scheme's funding targets.

Further details in relation to the investment strategy are set out in the latest SIP.

The Trustee and the Sponsoring Employer are comfortable that the expected return on assets is sufficient to comfortably support the discount rate.

## Statement of Investment Principles

During 2020, new legislation was introduced with the aim of improving transparency around pension scheme trustee engagement with asset managements in five key areas. The Trustee had updated the SIP, to reflect its policies in these areas, by September 2020

In January 2021, the SIP was further updated to reflect changes to the Scheme's investment strategy, namely the disinvestment from the two diversified growth funds with Invesco Asset Management Limited and the implementation of two new diversified growth strategies, managed by Ruffer LLP and Man AHL.

## Policy on ESG, Stewardship and Climate Change

The Trustee understands that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Scheme's SIP includes the Trustee's policies on ESG factors, stewardship and Climate Change. The ESG policies were last reviewed in July 2019. The Trustee keeps their policies under regular review, with the SIP subject to review at least triennially.

The Trustee have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. This includes, but is not limited to, decisions surrounding the selection, retention and realisation of investments within their mandates.

## Scheme's Investment Structure

The Scheme's assets are invested in pooled funds. The current investment managers (as at 30 November 2020) are:

Investment Manager	Asset Class	Mandate Objective
Insight Investment Management (Global) Limited	Liability Driven Investment	To hedge 100% of the Scheme's total Technical Provisions liabilities against changes in interest rates and inflation expectations
Ruffer LLP	Diversified Growth Fund	Does not target a specific level of returns but aim to preserve and generate capital growth over the medium to long term
Man AHL	Diversified Growth Fund	Does not target a specific level of returns but aim to preserve and generate capital growth over the medium to long term
Newton Investment Management Limited	Diversified Growth Fund	Exceed a cash-based benchmark by a specified amount (1 Month LIBOR + 3.3% p.a.)
Nordea Limited	Diversified Growth Fund	Exceed a cash-based benchmark by a specified amount (3 Month LIBOR + 3.3% p.a.)

These investments are expected to outperform the Liability Benchmark over the longer term.

## Engagement

In the year to 30 November 2020, the Trustee engaged with the recently appointed Ruffer LLP and Man AHL on matters pertaining to ESG, stewardship and climate change, before the diversified growth strategies were implemented. The Trustee was impressed by both managers' ESG integration into their investment processes and had no concerns that would prevent the Scheme from investing in the selected funds.

## Voting Activity

The Scheme has no direct relationship with the companies whose stocks it is ultimately invested in, and therefore no voting rights in relation to the Scheme's investments. The Trustee has therefore effectively delegated its voting rights to the managers of the funds the Scheme's investments are ultimately invested in.

The Trustee has not been asked to vote on any specific matters over the Scheme year and has not appointed a proxy voter.

Nevertheless the table below sets out a summary of the key voting activity of the pooled funds for which voting is possible (i.e., all funds which include equity holdings) in which the Scheme's assets are ultimately invested over the financial year:

Manager / Fund	Proxy voter used?	Votes cast			Most significant votes (description)	Significant vote examples
		Votes in total	Votes against management endorsement	abstentions		
<b>Nordea Diversified Return Fund <sup>1</sup></b>	<p><b>ISS</b> – for technical expertise and voting platform, as well as their global reach and analysis.</p> <p><b>NIS</b> – recommendations only.</p> <p>Nordea makes its own voting decisions</p>	1,381	166	6	<p>Significant votes are those cast to prevent outcomes that are severely against the firm’s principles. The process stems from first identifying the most important holdings, based on size of ownership, size of holding, ESG reasons, or any other special reason. From there, Nordea benchmarks the proposals against its policy.</p>	<p><b>Oracle</b> – A vote “for” reporting on gender pay gap. Nordea thinks Oracle is lagging other large IT companies when it comes to reporting on gender pay gap. Nordea will continue to support shareholder proposals on this issue as long as the company is not showing substantial improvements.</p> <p><b>Nike</b> – A vote “against” an executive officer’s compensation. Nordea finds that bonuses and share based incentives should only be paid when management reach clearly defined and relevant targets which are aligned with the interest of the shareholders. For a large part of the incentive program, Nordea note that performance targets are still lacking.</p>
<b>Newton Real Return Fund</b>	<p><b>ISS</b> – for purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. Only in the event where Newton recognises a potential material conflict of interest do we follow the voting recommendations of ISS.</p> <p>Newton makes its own voting decisions</p>	1,137	171	0	<p>Newton defines a ‘significant vote’ as all votes against management, including where the manager supports shareholder resolutions that the company’s management are recommending voting against.</p>	<p><b>LEG Immobilien AG</b> – A vote ‘against’ the proposed pay arrangements on account of the company’s lack of alignment with performance. The executive long-term compensation scheme was entirely cash-based, and although this was indicated to be performance-linked, no disclosures were provided on performance targets. With targets not being disclosed, Newton were concerned that long- term awards could vest for below-median poor performance. Furthermore, the introduction of special remuneration awards through transaction-based bonuses were not considered to be ideal for promoting talent retention, by Newton, due to these generally being one-off in nature.</p> <p><b>Microsoft Corporation</b> – A vote ‘against’ management proposals on executive compensation and appointment of PwC as Auditors and a vote ‘for’ shareholder proposal of gender pay gap reporting. Despite improvements to executive remuneration practices over recent years, Newton believes that the company failed to justify a 40% increase in total compensation for the CEO, which included a significant increase in basic salary. In addition, Newton remained concerned that approximately half</p>

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of long-term pay awards vest irrespective of performance. Newton voted against the executive compensation arrangements and against the three members of the compensation committee. Newton also voted against the re-appointment of the company's external auditor given it had served in this role for 36 consecutive years. A shareholder resolution proposed that the company report on its gender pay gap. In contrast to the recommendation of management, Newton supported this resolution in view of the insights a company can benefit from by undertaking such an exercise

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**Notes:** ISS = Institutional Shareholder Services Inc.

NIS = Nordic Investor Services

1 Voting information shown is for the one year period to 31 December 2020 given Nordea could not provide data for the year to 30 November 2020.

Ruffer LLP's diversified growth solution was only in place since 30 October 2020 and no significant votes were taken during the one month period to 30 November 2020. The Scheme's investments with Insight are fixed income portfolios and these do not carry voting rights. Man AHL's TargetRisk portfolio, in which the Scheme is invested in, does not hold direct exposure through stocks or bonds, rather exposure is gained through indices and other derivatives, so in that respect the fund does not have any ability to directly influence votes. At the time of writing this statement, Invesco Asset Management Limited was not able to provide voting activity details for the two diversified growth mandates that were terminated in October 2020.