

## **IMLRBS Draft Implementation Statement – Period Ending 31<sup>st</sup> December 2020**

The trustees have discussed the requirements laid down within the scheme's Statement of Investment Principles, on their fiduciary managers and investment consultants. The outcome of these discussions is that we are happy that the identified goals for our external consultants are being attained.

The trustees can confirm that the latest version of the Statement of Investment Principles (SIP) is published on the IM Ltd website. The current SIP was reviewed, altered and agreed on 30<sup>th</sup> September 2020 in accordance with the pensions regulators guidance. No significant alterations were made, however, process detail was added, in order to comply with current legislation.

This trustees take their responsibility in actioning the SIP seriously. With regard to the voting being delegated to our investment managers, we have communicated that their votes should be in line with both the manager's 'house' policy and our scheme-specific requirements. The trustees have requested that if the investment manager believes that there is a conflict, this would be raised with us prior to any vote.

We have discussed with our managers obtaining information such as the number of opportunities the scheme had to vote, how many times the scheme voted and high level information on the voting approach (which can be seen below.)

### **Responsible Investing at Investec Wealth & Investments (IW&I) – IMLRBS Fiduciary Manager**

#### **Voting summary and governance structure**

IW&I have provided the voting summary from direct equities and collectives for the time period covered. IW&I research team will produce every six months as a commitment to the Stewardship Code and Shareholder Rights Directive (SRD) II. The next summary is due for publication in March 2021.

#### **Governance structure**

The following framework is important in demonstrating IW&I's dedication to responsible investing on behalf of IMLRBS and ensuring the appropriate oversight is in place.

The Equity Corporate Governance Forum (ECGF) and Collectives Corporate Governance Forum (CCGF) are in place to take on the day to day responsibility for overseeing corporate governance and responsible investing (ESG and voting) for their respective asset classes. They are also responsible for building reports required to meet Stewardship Code and other commitments. The chairs of both forums will identify and escalate material and price sensitive issues to the Investment Corporate Governance Committee (ICGC). The forums will meet quarterly.

The ICGC has been formed to provide oversight to the ECGF and CCGF and will meet half yearly and on an ad-hoc basis. The committee will receive regular reports from the ECGF and CCGF and these will form the basis of a half yearly update and annual report to the Executive Committee.

[Our Guide To Responsible Investing | About Us | Investec](#)

The above link gives detail of the policies and how IW&I as a firm engage with IMLRBS and integrate ESG within the portfolio.

Examples of how IW&I have managed the portfolio in line with the IMLRBS SIP are as follows. The stocks and collectives held directly within the IMLRBS fund have been highlighted.

### **Report from IW&I**

#### **VISA**

##### ***Item 6. Provide Right to Act by Written Consent***

***IW&I Decision: Vote for shareholder proposal and against management recommendation***  
*We should vote against the management recommendation regarding Item 6.0 and in favour of the proposal to allow shareholders Written Consent, in the absence of shareholder rights to call free and meaningful special meetings under current proposals. Although Visa has offered shareholders the right to call special meetings under limited circumstances, we view these as insufficient to protect the rights of shareholders.*

#### **Imperial Brands**

It is our intention, on behalf of discretionary holders, to vote against one resolution at Imperial Brands' AGM – remuneration.

Item 2 (code M0550) – Approval of the Remuneration Report. The main concern that ISS has with respect to the remuneration policy is the 12.7% increase to the new CEO's (Stefan Bomhard) salary versus that of Alison Cooper. ISS states that it is unclear why the salary has been set at such a significant premium to Bomhard's predecessor, Alison Cooper, who was on a salary of GBP 1 126 000 after nearly 10 years in the CEO role. Bomhard's last disclosed salary rate at Inchcape, his previous employer, was GBP 761 124. ISS believes that while a move of this nature will naturally imply a pay rise, some investors may raise a question whether an increase of this magnitude was necessary to secure the candidate, particularly in the context of Cooper's salary rate. It is worth noting that the salary is highly competitive even amongst the FTSE 30. The Company's direct UK-listed competitor is BAT, whose CEO is on a salary of GBP 1 287 000 following a 10% increase disclosed ahead of the 2020 AGM. While the additional detail provided by Imperial is helpful and presented on pages 25 and 26 for the benefit of shareholders, the lack of any meaningful engagement on the topic in the remuneration report falls below the expected reporting standards for a FTSE 100 company. Moreover, the Company's argument around the positioning of Bomhard's total fixed pay

against his predecessor ignores the fact that UK companies are under significant pressure from investors to reduce pension contributions, and this same downward pressure would have applied to Alison Cooper's pension arrangements. Overall, it is considered that the Company has not made a compelling case for the salary rate, with only limited discussion in the remuneration report. I concur with the sentiments expressed by ISS on the matter and therefore believe that a vote in accordance with the ISS recommendation is warranted, i.e. a vote AGAINST management.

Palo Alto Networks - ISS recommendations against management (with analyst's rationale)

*ISS is recommending that investors (i) withhold support for the re-election of three directors, including the CEO; and (ii) vote against ratification of named officers' compensation.*

*The background to the first arises from last year's meeting when ISS recommended withholding support for the re-election of Asheem Chandna, chair of the compensation committee. This recommendation in turn arose from the failure of the committee to respond adequately (in ISS's view) to the low level of support for the previous year's say-on-pay proposal. In the event Mr Chandna received the support of only 47% of shareholders although he was re-elected (there were not enough votes against). This year, ISS thinks the company has taken insufficient action in response to the low level of support for Mr Chandna last year and has directed its ire at the CEO Nikesh Arora and the two independent director members of the compensation committee (Carl Eschenbach and Lorraine Twohill) who are up for re-election this year. Mr Eschenbach has also blotted his copybook by failing to attend at least 75% of his meetings, another reason to withhold support.*

*I'm happy to withhold support for the two independent directors (Resolutions 1b and 1c) but personally I think withholding support for the CEO Nikesh Arora (Resolution 1a) is excessive and would be inclined to vote in favour.*

*On the second issue, ISS's complaint is again insufficient rigour surrounding the goals for incentive awards, with targets remaining undisclosed. Also the incoming CFO has received a sizable equity grant that is only time based (not performance). ISS recognises that PANW has taken steps to improve its scheme from 2021 after consultation with shareholders (eg all-equity) but still has reservations.*

*I think it is good to keep management's feet to the fire on remuneration and am happy to support ISS's recommendation to vote against Resolution 3.*

Proxy Voting Services

IW&I use proxy voting on behalf of the IMLRBS. IW&I use ISS's Proxy Voting Services, whose services can be viewed view the following link.

[Proxy Voting Services | ISS \(issgovernance.com\)](#)