

Annual Implementation Statement – for scheme year ending 5 April 2020

Valspar UK Pension Plan

Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Valspar UK Pension Plan (the “Plan”) covering the scheme year to 5 April 2020.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustees, the engagement policy under the Plan’s Statement of Investment Principles (“SIP”) has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustees over the year.

A copy of this implementation statement will be made available on the following website <https://www.valsparpaint.co.uk/valspar-uk-pension-plan/> and included in the Trustees’ annual report and scheme accounts for the year to 5 April 2020.

This is the first year of the Plan providing an Implementation Statement and the format of the statement is expected to evolve over time as practices are established.

Trustees’ voting and engagement policy

In line with the Trustees’ Statement of Investment Principles, the Trustees have delegated all day-to-day investment decisions to the Plan’s sole investment manager apart from AVCs – Legal & General Investment Management (“Legal & General”). The Plan’s assets (excluding AVCs) are entirely passively managed and invested in Legal & General pooled arrangements.

Due to the passive nature of the Plan’s investments, the Trustees recognize that no material decisions are taken by the investment manager on the holdings to be included in the portfolio. However, the Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment manager in the exercise of their delegated duties.

The Plan’s investment manager is signed up to the UK FRC Stewardship Code. The Trustees encourage Legal and General to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council. The Trustees will monitor the activities of its manager on a regular basis but appreciates that its applicability may be limited for certain asset classes such as bonds.

The Trustees receive regular updates from the investment consultant on the investment manager’s performance and whether there have been any changes to the investment manager’s research ratings. This is discussed at investment committee meetings together with whether the manager is performing in line with the Plan’s objectives. The Trustees met with the investment manager during the year to discuss relevant matters and sustainable investment. The Trustees are satisfied that the manager is engaging with investee companies in a manner aligned with the Scheme’s long-term investment objectives.

The Trustees’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.

Summary of voting over the year to 5 April 2020

The Plan’s equity investments are managed by Legal & General Investment Management (LGIM) via a pooled fund on an index-tracking basis. Given the indexed nature of the mandates, LGIM are limited by the equities they must hold in the portfolio, but the Trustees believe they have a strong engagement process.

A summary of the voting on behalf of the Plan over the year to 5 April 2020 is provided in the table below:

Fund	Number of votes eligible	% of votes exercised	% of votes with management	% of votes against management	% abstained
Legal & General UK Equity Fund	11,114	99.79%	93.54%	6.46%	0.00%
Legal & General World (ex-UK) Equity Fund	25,425	98.19%	81.71%	18.16%	0.13%
Legal & General World (ex-UK) Equity Fund GBP Hedged	25,425	98.19%	81.71%	18.16%	0.13%

Voting information on the Plan's bond funds is not provided since the vast majority of loan and debt securities do not come with voting rights.

Significant votes

The table below demonstrates the most significant votes cast on behalf of the Plan over the year to 5 April 2020:

Fund	Most significant votes cast
Legal & General UK Equity Fund	<p>LGIM determined two votes over the year to be "most significant" due to the following criteria:</p> <ul style="list-style-type: none"> the resolution being the first shareholder resolution put forward by LGIM the activist's proposals being potentially disruptive for the company <p>In all the significant votes, LGIM voted with management and these related to:</p> <ul style="list-style-type: none"> approval of the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures the removal of a Director
Legal & General World (ex-UK) Equity Fund	<p>LGIM determined four votes over the year to be "most significant" due to the following criteria:</p> <ul style="list-style-type: none"> the escalation step being rare (in the case of the Vote of no confidence) the escalation of engagement shareholder activism not being common in South Korea <p>There was one significant vote over the year where LGIM voted against management and this related to approval of the discharging of the Management Board.</p>
Legal & General World (ex-UK) Equity Fund GBP Hedged	<p>As a hedged Share Class of the Legal & General World (ex-UK) Equity Fund, voting for the fund was as described above.</p>

In the Trustees' opinion, the Statement of Investment Principles has been followed during the year to 5 April 2020 in relation to voting and engagement.

The Trustees of the Valspar UK Pension Plan

October 2020