Implementation Statement, covering the Scheme Year from 1 May 2020 to 30 April 2021

The Trustees of the Capper & Co Limited Pension and Assurance Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

Discussion of the DC Section covers the period until November 2020 when the existing assets in the DC Section were transferred to a Master Trust arrangement.

This Statement is based on the Scheme’s SIP which was in place during the Scheme Year - dated 16 September 2020. This Statement should be read in conjunction with the SIP.

This Statement was approved by the Trustees on 28 September 2021.

1. Introduction

The SIP was reviewed and updated during the Scheme Year in September 2020 to reflect the Trustee’s arrangements with its investment managers under the European Union Shareholders Rights Directive for clients invested wholly in pooled funds. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which they have done so.

2. Investment objectives

The Trustees are working to develop a long-term journey plan. Going forwards, progress against this long-term journey plan will be reviewed as part of the quarterly performance monitoring reports.

The investment objectives of the DB Section of the Scheme, which are set out in the SIP, are:

- the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of benefits that the Scheme provides as set out in the Trust Deed and Rules;
- so far as reasonably possible, to avoid the risk of the assets failing to meet the liabilities on an ongoing basis; and
- to minimise the long term costs of the Scheme by maximising the return on the assets so far as is both prudent and consistent with the above objectives.

As part of the performance and strategy review of the DC default arrangement in July 2018, the Trustees considered the DC Section membership demographics and the variety of ways that members could draw their benefits in retirement from the Scheme.

Based on the outcome of this analysis, the Trustees concluded that the default arrangement had been designed to be in the best interests of the majority of the DC Section members and reflected the demographics of those members.

The Trustees also provided members with access to a range of investment options which they believed were suitable for this purpose and enable appropriate diversification. The Trustees made available a self-select fund range to members covering all major assets classes.

Over the year to 30 April 2021, the Trustees worked with their advisers and the Sponsor to review the DC arrangements in place for members. It was concluded that the members’ needs for diversification, overall fund choice and service could be better served through a transfer to a MasterTrust, which took place in November 2020.

3. Investment strategy

The Trustees did not review the DB investment strategy over the period.

The Trustees monitor the asset allocation quarterly and compare this to the strategic asset allocation.

The actual asset allocation did not deviate materially from the strategic allocation over the Scheme Year and therefore the Trustees undertook no rebalancing action. Disinvestments to meet the Scheme's cash flow requirements were taken from the Baillie Gifford Diversified Growth Fund and Baillie Gifford Global Alpha Growth Fund in order to move the Scheme closer to the strategic allocation.

The Trustees completed the transfer of the DC assets into a Master Trust arrangement in November 2020.

4. Considerations in setting the investment arrangements

When the Trustees reviewed the DB investment strategy in June 2019, they considered the investment risks set out on page 4 of the SIP. They also considered a wide range of asset classes, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

When the Trustees undertook a performance and strategy review of the DC default arrangement in 2018 they considered the investment risks set out on page 7 of the SIP. They also considered a wide range of asset classes, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

As part of its ongoing manager research programme and review of the investment managers, the Scheme's current investment adviser, Lane Clark & Peacock ("LCP") incorporates into its investment manager rankings an assessment of the nature and effectiveness of managers' approaches to Responsible Investment (RI), including voting and engagement. Should LCP become concerned about the way in which the investment managers were conducting RI, they would notify the Trustees and suggest a course of action to take, which may include more detailed engagement with a manager to improve its policies or possibly to review the manager.

5. Implementation of the investment arrangements

The Trustees have not made any changes to their manager arrangements over the period.

The Scheme's investment adviser, (Hughes Price Walker over the period and LCP post the Scheme's Year-end), monitors the investment managers on an ongoing basis, through regular meetings. The investment adviser monitors any developments at investment management firms and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustees were comfortable with all of their investment manager arrangements over the Scheme Year.

The Trustees monitor the performance of the Scheme's investment managers on a quarterly basis, using the quarterly performance monitoring report. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.

The Trustees viewed the fees payable to managers in respect of the DC Section to be reasonable when compared to schemes with similar sized mandates.

Overall the Trustees believe the investment managers provide reasonable value for money.

6. Realisation of investments

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

Over the Scheme Year, the Trustees used cashflow to help rebalance the Scheme's assets towards the strategic asset allocation.

For the DC Section, the Trustees' policy was to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds, which the Trustees offered during the Scheme Year, are daily priced.

7. Financially material considerations and non-financial matters

The Trustees have a duty to act in the best financial interests of the Scheme's beneficiaries and the Scheme is a long-term investor. This includes considering Environmental, Social and Corporate Governance ('ESG') risks and opportunities that may be financially material to the Scheme. The Trustees invest in pooled funds and so the assets are subject to the investment manager's own policies on ESG considerations, including climate change, capital structure and conflicts of interest. The Trustees undertake due diligence when appointing investment managers and review each of those managers' policies on ESG considerations. The Trustees appreciate that those investment managers which integrate ESG considerations can help mitigate risks and have the potential to lead to better, long-term financial outcomes.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, Hughes Price Walker (LCP post the Scheme Year-end), incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

When investment managers present to the Trustees, the Trustees ask questions about the managers' ESG, voting and engagement practices and have been satisfied with the answers they received.

8. Voting and engagement

This is covered in Section 7 above.

9. Investment governance, responsibilities, decision-making and fees

As mentioned in Section 5, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports they receive.

The performance of the professional advisers is considered on an ongoing basis by the Trustees.

Following a competitive tender process, the Trustees appointed LCP as their new investment adviser in May 2021.

The Trustees had put in place formal objectives for their previous investment adviser, Hughes Price Walker, and reviewed the adviser's performance against these objectives on an annual basis. The Trustees have set formal objectives for LCP and will review their performance against these objectives on an annual basis.

The Trustees were satisfied that during the Scheme Year they had effective decision making and governance processes in place.

10. Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

With regard to liquidity risk, the Trustees monitor the level of cash held in the Scheme's bank account in order to limit the impact of cashflow requirements on the investment policy.

With regard to the risk of inadequate returns, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. For the DC Section, these were used in the growth phase of the default option and were also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

With regard to market volatility risk, the Trustees provided members with an optional lifestyle strategy which, unless they chose otherwise, gradually moved each member's accumulated fund and future contributions into the multi asset fund as they approached their chosen retirement date.

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis, over the period the Scheme's hedging levels were broadly in line with the target levels.

Together, investment and non-investment risks give rise generally to funding risk. The Trustees formally review the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding position allowing for membership and other experience. The Trustees also informally monitor the funding position more regularly, on a quarterly basis at Trustee meetings.

11. Arrangements with the investment managers

There are no specific policies in this section of the Scheme's SIP.

12. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, on the Scheme's funds that hold equities as follows:

- Baillie Gifford Global Alpha Growth Fund;
- Baillie Gifford Diversified Growth Fund; and
- The Partners Fund.

For the DC Section we have also included the funds with equity holdings which were available to members. These funds are as follows:

- Baillie Gifford Multi Asset Growth Fund;
- Baillie Gifford Managed Fund;
- Baillie Gifford Emerging Markets Leading Companies Fund; and
- Baillie Gifford UK Equity Core Fund.

In addition to the above, the Trustees contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

12.1 Description of the voting processes

Baillie Gifford

Baillie Gifford's voting decisions are made by its Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes. If a vote is particularly contentious, Baillie Gifford may contact clients prior to voting to advise them of this or request them to recall any stock on loan.

Thoughtful voting of its clients' holdings is an integral part of Baillie Gifford's commitment to stewardship. It believes that voting should be investment led, because utilisation of votes is an important part of the long-term investment process, which is why Baillie Gifford's strong preference is to be given this responsibility by its clients. The ability to vote on behalf of its clients' also strengthens Baillie Gifford's position when engaging with investee companies. The Governance and Sustainability team oversees Baillie Gifford's voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers and utilises research from proxy advisers for information only. Additionally, Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

Whilst it is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), Baillie Gifford does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also has specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford have stated that the list below is not exhaustive, but provides examples of significant voting situations:

- Baillie Gifford's holding had a material impact on the outcome of the meeting;
- the resolution received 20% or more opposition and Baillie Gifford opposed;
- egregious remuneration;
- controversial equity issuance;
- shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;
- where there has been a significant audit failing;
- where Baillie Gifford has opposed mergers and acquisitions;
- where Baillie Gifford has opposed the financial statements/annual report; and
- where Baillie Gifford has opposed the election of directors and executives.

Partners Group

Partners Group's voting processes are based on its internal Proxy Voting Directive. Partners Group hire the services of Glass Lewis & Co, which is a leading global proxy voting service provider. Glass Lewis & Co are instructed to vote in-line with Partners Group's Proxy Voting Directive. Wherever the recommendations of Glass Lewis & Co, and the company's management differ, Partners Group vote manually on those proposals.

Partners Group have determined which votes are significant based on the size of the holdings in the fund.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

	Baillie Gifford Global Alpha Growth Fund	Baillie Gifford Diversified Growth Fund	Baillie Gifford Multi Asset Growth Fund	Baillie Gifford Managed Fund	Baillie Gifford Emerging Markets Leading Companies Fund	Baillie Gifford UK Equity Core Fund	The Partners Fund
Total size of fund at end of reporting period	£4,623m	£6,221m	£2,306m	£8,496m	£1,051m	£321m	£3,927m
Number of equity holdings at end of reporting period	103	112	94	207	43	57	480
Number of meetings eligible to vote	113	114	83	234	65	67	58
Number of resolutions eligible to vote	1,354	1,035	849	3,046	522	1,116	763
% of resolutions voted	94.2	95.9	97.3	100.0	100.0	100.0	98.6
Of the resolutions on which voted, % voted with management	96.6	95.6	94.0	96.5	92.3	97.9	92.4
Of the resolutions on which voted, % voted against management	2.4	3.3	4.7	1.7	3.3	1.3	6.5
Of the resolutions on which voted, % abstained from voting	1.0	1.1	1.3	1.8	4.4	0.7	1.1
Of the meetings in which the manager voted, % with at least one vote against management	16.8	14.0	16.9	12.8	20.0	9.0	34.5
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	n/a[1]	1.8

Figures may not sum due to rounding.

[1] Baillie Gifford does not delegate or outsource any of its stewardship activities or follow or rely upon proxy advisers' voting recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies.

[2] Partners Group have informed us that they are only able to provide voting data on a bi-annual basis, therefore voting data for the Partners Fund has been provided covering the period 1 January 2020 to 31 December 2020 only. The total size of fund at end of reporting period for the Partners Fund is as at 31 December 2020.

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. For each manager, a subset of votes has been outlined below. Votes have been selected based on the size of the holding being voted on, and to show votes covering differing resolutions.

Baillie Gifford

The following examples were selected as the most significant votes by Baillie Gifford over the year using their criteria listed in Section 12 above.

- **Ediston Property Investment Company Plc, February 2021. Vote: Against. Outcome of the vote: For**

  Summary of resolution: Remuneration Policy.

  Rationale: Baillie Gifford opposed the resolution to approve the remuneration policy because it was concerned that an additional fee proposed for the Senior Independent Director could impact his independence. They engaged with the company on the issue and will continue to take voting action in relation to the vote if concerns remain.

  Criteria against which this vote has been assessed as "most significant": This resolution opposed remuneration.

- **Just Eat Takeaway.com N.V., May 2020. Vote: For. Outcome of the vote: For**

  Summary of resolution: Amendment of Share Capital.

  Rationale: Baillie Gifford often opposes authority to issue shares without pre-emption rights at the requested amount but given the current economic environment, it believed it was in the best interests of all stakeholders to provide the Board and Management with greater flexibility to allocate capital.

  Criteria against which this vote has been assessed as "most significant": Baillie Gifford had deviated from their usual approach.

- **Schibsted ASA, May 2020. Vote: Against. Outcome of the vote: For**

  Summary of resolution: Remuneration Policy.

  Rationale: Baillie Gifford opposed two resolutions regarding remuneration as it had concerns about the stringency of the policy and its alignment with shareholders.

  Criteria against which this vote has been assessed as "most significant": This resolution opposed remuneration.

- **Vonovia SE, April 2021. Vote: Against. Outcome of the vote: For**

  Summary of resolution: Amendment of Share Capital.

  Rationale: Baillie opposed two resolutions which sought authority to issue equity because the potential dilution levels were considered to not be in the interests of shareholders.

  Criteria against which this vote has been assessed as "most significant": This resolution received greater than 20% opposition.

- **Voya Prime Rate Trust, July 2020. Vote: For. Outcome of the vote: For**

  Summary of resolution: Shareholder Resolution - Governance.

  Rationale: Voya Prime Rate Trust was the target of activist investor Saba Capital. The annual general meeting was contested which meant Ballie Gifford could either vote for the company management's agenda or for the alternate agenda proposed by Saba Capital. Baillie Gifford decided to support the proposal by Saba Capital and withhold support from the incumbent board as it believed the new directors would provide effective oversight of the manager.

  Criteria against which this vote has been assessed as "most significant": This resolution was submitted by shareholders and received greater than 20% support.

- **Tesla, Inc., September 2020. Vote: For. Outcome of the vote: Against**

  Summary of resolution: Shareholder Resolution - Social.

Rationale: Baillie Gifford supported a shareholder proposal requesting a report on the company's use of arbitration to resolve employee disputes. Baillie Gifford believed additional disclosure and transparency on this provision would be helpful in understanding Tesla's workplace practices.

Criteria against which this vote has been assessed as "most significant": This resolution was submitted by shareholders and received greater than 20% support.

Partners Group

As exposure to listed equities in the fund is usually <5%, Partners Group identified just one significant vote over the year using their criteria outlined in Section 12 above.

Ferrovial, 16 April 2020. Vote: Against. Outcome of the vote: For

Summary of resolution: Remuneration Report

Rationale: Inadequate disclosure of performance targets linked to remuneration, no deferral of annual bonus to management and sizeable equity rewards to controlling shareholder/executive chair.

Criteria against which this vote has been assessed as "most significant": Size of holding in the fund.