

# *Implementation Statement, covering the Scheme Year from 1 May 2023 to 30 April 2024 (the “Scheme Year”)*

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 the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement](#), issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

## **1. Introduction**

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year in September 2023 to reflect:

- DWP’s new guidance on Reporting on Stewardship and Other Topics; and
- the Trustees’ revised investment strategy.

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 Scheme’s voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

## **2. Voting and engagement**

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are:

- Baillie Gifford: [Baillie Gifford - Our principles and guidelines 2024 - complete](#)
- LGIM: [LGIM's Engagement Policy 2020](#)
- Partners Group: [Policies & Directives - Partnersgroup](#)

The Trustees take ownership of the Scheme’s stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

The Trustees invested in a new pooled fund, the Aviva Lime Property Fund Unit Trust during the Scheme year. In selecting and appointing this manager, the Trustees reviewed LCP’s RI assessments of the shortlisted managers.

The stewardship priorities chosen in the prior year are still in place. These priorities are:

- Climate change;
- Diversity, equity and inclusion; and,
- Business ethics.

These priorities were selected because the Trustees believe that they are key market-wide risks and areas where good stewardship and engagement can improve long-term financial outcomes for the Scheme’s members.



The Trustees regularly invites the Scheme's investment managers to present at Trustee meetings.

When the investment managers present at Trustee meetings, the Trustees ask questions about the managers' voting and engagement practices. Where available, the Trustees also review reports from their managers on voting and engagement activities undertaken on their behalf.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

### **3. Description of voting behaviour**

All the Trustee's holdings in listed equities are within pooled funds and the Trustees have delegated to its 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. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis.

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

- Baillie Gifford Global Alpha Growth Fund;
- Baillie Gifford Diversified Growth Fund;
- LGIM Low Carbon Transition Global Equity Index Fund; and
- The Partners Fund.

#### **3.1 Description of the voting processes**

For assets with voting rights, the Trustees rely on the voting policies which their managers have in place.

##### **Baillie Gifford**

Baillie Gifford's ESG team oversees its 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. Baillie Gifford utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with its ESG Principles and Guidelines and it endeavours to vote on every one of its clients' holdings in all markets.

Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), it 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 vote in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide it with more nuanced market specific information.

Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then it will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Baillie Gifford has 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;
- Management resolutions that receive 20 per cent or more opposition in the prior year;
- Egregious remuneration;
- Controversial equity issuance;
- Shareholder resolutions that received 20 per cent or more support from shareholders in the prior year;
- Where there has been a significant audit failing;
- Mergers and acquisitions;
- Where they have opposed the financial statements/annual report;
- Where they have opposed the election of directors and executives; and,
- Where they identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management.

## **LGIM**

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. Its voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it continues to develop its voting and engagement policies and define strategic priorities in the years ahead. It also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what it considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows it to apply a qualitative overlay to its voting judgement. LGIM have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.

## **Partners Group**

Partners Group's voting is based on the internal Proxy Voting Directive.

Partners Group hires the services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and they have been instructed to vote in-line with its Proxy Voting Directive. Wherever the recommendations for Glass Lewis, Partners Group's proxy voting directive, and the company's management differ, Partners Group vote manually on those proposals.

Partners Group does not consult with clients before voting.



### 3.2 Summary of voting behaviour

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

Please note that:

- For the Baillie Gifford funds, the voting data below covers the entire Scheme Year ie 1 May 2023 to 30 April 2024.
  - The Scheme disinvested from the Baillie Gifford Diversified Growth Fund and Global Alpha Growth Fund in June and July 2023 respectively.
- For the LGIM Low Carbon Transition Global Equity Index Fund, the voting data below covers the period the period 1 April 2023 to 31 March 2024; and
- For The Partners Fund, the voting data below covers the period 1 January 2023 to 31 December 2023.

	Baillie Gifford Global Alpha Growth Fund	Baillie Gifford Diversified Growth Fund	LGIM Low Carbon Transition Global Equity Index Fund	The Partners Fund
<b>Total size of fund at end of the reporting period</b>	£2,752m	£1,459m	£4,618m	£5,200m*
<b>Value of Scheme assets at end of the Scheme Year (£ / % of total assets)</b>	-**	-	£4.8m / 16.4%	£3.4m / 11.5%
<b>Number of equity holdings at end of the reporting period</b>	93	61	2,838	>500
<b>Number of meetings eligible to vote</b>	95	65	4,698	56
<b>Number of resolutions eligible to vote</b>	1,292	696	46,620	847
<b>% of resolutions voted</b>	96%	92%	>99%	100%
<b>Of the resolutions on which voted, % voted with management</b>	94%	97%	79%	92%
<b>Of the resolutions on which voted, % voted against management</b>	4%	3%	21%	5%
<b>Of the resolutions on which voted, % abstained from voting</b>	1%	<1%	<1%	3%
<b>Of the meetings in which the manager voted, % with at least one vote against management</b>	28%	15%	65%	41%
<b>Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor</b>	N/A	N/A	12%	2%

\*Converted to GBP with exchange rate as at 29 December 2023 (last working day of December 2023).

### 3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who held listed equities over the period, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist. By informing their managers of the Scheme's stewardship priorities and through their regular interactions with the managers, the Trustees believe that their managers will understand how they expect them to vote on issues for the companies they invest in on the Trustees behalf.

The Trustees have reported on two of these significant votes only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance; and/or
- the subject of the resolution aligns with the investment manager's engagement priorities or key themes.

## Baillie Gifford Global Alpha Growth Fund

### Microsoft Corporation, 7 December 2023

- **Summary of resolution:** Shareholder Resolution – Governance
- **Relevant stewardship priority:** Business ethics
- **Approximate size of the Fund's holding at the date of the vote:** 4%
- **Fund manager vote:** Against
- **Rationale:** Baillie Gifford opposed a shareholder resolution requesting a tax transparency report. It believes the company's current disclosures are in line with peers and provide shareholders with adequate disclosure.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome:** Fail.
- **Why was this vote considered significant by Baillie Gifford?** Baillie Gifford considers this vote to be significant because it received greater than 20% support.

### Mastercard Incorporated, 27 June 2023

- **Summary of resolution:** Shareholder Resolution – Governance
- **Relevant stewardship priority:** Business ethics
- **Approximate size of the Fund's holding at the date of the vote:** 2%
- **Fund manager vote:** Against
- **Rationale:** Baillie Gifford opposed a shareholder resolution requesting a report on lobbying payments and policy. It believes that the company's existing disclosures on this topic are sufficient. It also notes that the company is regarded as a leader in political disclosure and accountability in the CPA Zicklin Index, issued by an independent not-for-profit organisation.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome:** Fail.

- **Why was this vote considered significant by Baillie Gifford?** Baillie Gifford considers this vote to be significant because it received greater than 20% support.

## Baillie Gifford Diversified Growth Fund

### Nextera Energy Inc, 18 May 2023

- **Summary of resolution:** Shareholder Resolution - Social
- **Relevant stewardship priority:** Diversity, equity and inclusion
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** For
- **Rationale:** Baillie Gifford supported a shareholder resolution requesting the company report on median pay gaps across race and gender. It believes the additional disclosure would allow shareholders to better assess the internal equity of pay and would also allow comparability over time and across organisations
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome:** Fail
- **Why was this vote considered significant by Baillie Gifford?** This resolution was considered significant because it received greater than 20% support

### American Tower Corporation, 24 May 2023

- **Summary of resolution:** Appoint/Pay Auditors
- **Relevant stewardship priority:** Business ethics
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** Against
- **Rationale:** Baillie Gifford opposed the ratification of the auditor because of the length of tenure. Baillie Gifford believes it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome:** Pass
- **Why was this vote considered significant by Baillie Gifford?** This resolution is significant because Baillie Gifford opposed the election of auditors.

## LGIM Low Carbon Transition Global Equity Index Fund

### JP Morgan Chase & Co, 16 May 2023,

- **Summary of resolution:** Resolution 9 – Report on Climate Transition Plan describing efforts to align financing activities with greenhouse gas targets
- **Relevant stewardship priority:** Climate change
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** For.



- **Rationale:** LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. It believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Fail.
- **Why was this vote considered significant by LGIM?** LGIM considers this vote to be significant as it pre-declared its intention to support. It continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.

#### **Apple Inc. 28 February 2024.**

- **Summary of resolution:** Report on risks of omitting viewpoint and ideological diversity from Equal Employment Opportunity (EEO) Policy
  - **Relevant stewardship priority:** Diversity, equity and inclusion
  - **Approximate size of the holding at the date of the vote:** 5%
  - **Fund manager vote:** Against.
  - **Rationale:** LGIM believes a vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.
  - **Was the vote communicated to the company ahead of the vote:** Yes.
  - **Outcome:** Fail (in line with LGIM's vote).
- Why was this vote considered significant by LGIM?** LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

#### **The Partners Fund**

Exposure to listed equities in the fund is usually <5%. Over the year, Partners Group did not identify any significant votes that fall under the scope of the Scheme's Implementation Statement.