

Implementation Statement, covering the Scheme Year from 1 May 2022 to 30 April 2023

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.

This statement was approved and signed by the Trustees in conjunction with the Trustee Report and Accounts on 17 November 2023.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The Trustees reviewed the SIP after the year end to reflect the new voting and engagement policies and a revised investment strategy and agreed an updated SIP at their meeting on 12 September 2023. The SIP can be found at <https://www.afblakemore.com/staff-zone/investment-principles>.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year.

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: [Our Stewardship Approach: ESG Principles and Guidelines 2023 \(bailliegifford.com\)](https://www.bailliegifford.com/our-stewardship-approach-esg-principles-and-guidelines-2023)
- Partners Group: [Policies & Directives - Partnersgroup](https://www.partnersgroup.com/policies-directives)

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.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At their March 2023 meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were:

- 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 have communicated these priorities to their managers. In this communication, the Trustees set out their expectation that managers:

- take account of financially material factors (including climate change and other ESG factors) when investing the Trustees’ assets, and to improve your ESG practices over time, within the parameters of your mandate;
- undertake voting (where underlying assets have voting rights attached) and engagement on the Trustees’ behalf in line with their stewardship policies, considering the long-term financial interests of the Trustees; and
- provide information on your stewardship policies, activities and outcomes, as requested by LCP from time to time, to enable us to monitor them.

The Trustees regularly invite the Scheme's investment managers to present at Trustee meetings, seeing each manager approximately once every two years. Over the Scheme Year, the Trustees met with Columbia Threadneedle and Baillie Gifford to discuss performance of the Scheme's investments, as well as their range of climate-tilted fund options.

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 during the Scheme Year

All of the Trustee's 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. 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; 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 advisers 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 we have opposed the financial statements/annual report;
- Where we have opposed the election of directors and executives; and,
- Where we identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management.

Partners Group

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

Partners Group hires 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 Partners Fund, the voting data below covers the period 1 January 2022 to 31 December 2022 because voting data for the period of the Scheme year is not yet available.

	Baillie Gifford Global Alpha Growth Fund	Baillie Gifford Diversified Growth Fund	The Partners Fund
Total size of fund at end of the Scheme Year	£2,540m	£2,790m	£5,055m*
Value of Scheme assets at end of the Scheme Year (£)	£0.3m	£1.1m	£3.2m
Number of equity holdings at end of the Scheme Year	93	57	>500
Number of meetings eligible to vote	98	86	58
Number of resolutions eligible to vote	1,224	923	853
% of resolutions voted	97%	99%	100%
Of the resolutions on which voted, % voted with management	97%	96%	94%
Of the resolutions on which voted, % voted against management	3%	3%	4%
Of the resolutions on which voted, % abstained from voting	<1%	1%	2%
Of the meetings in which the manager voted, % with at least one vote against management	21%	22%	29%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A	N/A	1%

*Converted to GBP with exchange rate as at 28 April 2023 (last working day of April 2023).

3.3 Most significant votes

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

The Trustees did not inform their managers which votes they considered to be most significant in advance of those votes. The Trustees will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

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 criteria¹ 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 interpreted "significant votes" to mean those that:

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

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

Baillie Gifford Global Alpha Growth Fund

Microsoft Corporation, 13 December 2022.

- **Summary of resolution:** Shareholder Resolution – Social: requesting a cost/benefit analysis of the company's diversity and inclusion strategy.
- **Relevant stewardship priority:** Diversity, equity, and inclusion.
- **Approximate size of the Fund's holding at the date of the vote:** 3%
- **Fund manager vote:** Against
- **Rationale:** Baillie Gifford are comfortable with the company's efforts in this area and do not think this additional analysis would be worthwhile.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome:** Fail (1% voted for the resolution)
- **Why was this vote considered significant by Baillie Gifford?** Baillie Gifford considers this vote to be significant because it received greater than 20% opposition.

Woodside Energy Group Ltd, 28 April 2022.

- **Summary of resolution:** Election of Directors.
- **Relevant stewardship priority:** Climate change.
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** Against
- **Rationale:** Baillie Gifford opposed the election of three directors as the company lags behind its expectations regarding setting emissions reductions targets and has insufficient climate-related financial disclosure, and these three directors sit on the sustainability committee. Baillie Gifford believe that climate risk poses a material financial risk for the long-term business development of the company and long term shareholder value creation, and that improved disclosure and stronger reduction targets are in the best long term interest of its clients.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Pass.
- **Why was this vote considered significant by Baillie Gifford?** Baillie Gifford considered this vote to be significant because it opposed to election of a Director.

Baillie Gifford Diversified Growth Fund

Duke Realty Corporation, 28 September 2022

- **Summary of resolution:** Resolution to approve executive compensation to be paid in connection with the merger of Duke Realty Corporation and Prologis.
- **Relevant stewardship priority:** N/A.
- **Approximate size of the holding at the date of the vote:** 15%
- **Fund manager vote:** Against.
- **Rationale:** Baillie Gifford opposed the advisory proposal due to concerns regarding single trigger provisions and the introduction of excise tax gross-ups in connection with severance payments. While Baillie Gifford were supportive of the proposed merger with Prologis, it was uncomfortable with the compensation arrangements planned for Duke Realty NEOs in connection with the merger and therefore opposed this resolution.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Fail.
- **Why was this vote considered significant by Baillie Gifford?** This resolution was considered significant because it received greater than 20% opposition.

Lyft, Inc. 16 June 2022,

- **Summary of resolution:** Shareholder Resolution – Social: proposal requesting further reporting on lobbying activities.
- **Relevant stewardship priority:** Business ethics.
- **Approximate size of the holding at the date of the vote:** 1%
- **Fund manager vote:** For.
- **Rationale:** Baillie Gifford supported a shareholder proposal requesting further reporting on lobbying activities as it believes the company can make further improvements in this area. In response to the high level of support last year, Lyft has updated its policy on lobbying to add information on board oversight, management governance and a brief trade association policy but it does not meet the oversight and disclosure standard set out by the proponents since it does not provide any information on lobbying expenditures, a list of all trade association memberships and dues or lobbying expenditures made by those associations using Lyft funds. Therefore, Baillie Gifford believe Lyft can go further with disclosures.
- **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.

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.