

Implementation Statement, covering the Scheme Year from 1 May 2021 to 30 April 2022

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 their 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.

This Statement was approved by the Trustee in conjunction with the Trustee Report and Accounts on 23 November 2022.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Scheme Year on 16 March 2022 to include additional detail on what the Trustees consider when setting the investment arrangements and how the investments are implemented (including the approach to voting and engagement). 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 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, LCP, 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.

The Trustees received training on ESG and Stewardship from LCP in March 2022. Additionally the Trustees receive quarterly updates on ESG and Stewardship related issues from LCP.

The Trustees invested in three new pooled funds over the year, the BMO Credit-Linked Real LDI Fund, the BMO Global Low Duration Credit Fund and the Barings Global High Yield Credit Fund. In selecting and appointing these managers, the Trustees reviewed LCP’s RI assessments of the shortlisted managers. At the selection day, voting and engagement were discussed with each manager and was included in the Trustees’ decision-making process.

3. 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.

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.

3.1 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. Baillie Gifford considers thoughtful voting of its clients' holdings as an integral part of its 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 its clients' shares 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 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;
- 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	The Partners Fund
Total size of fund at end of reporting period	£3,669m	£5,256m	£7,150m
Number of equity holdings at end of reporting period	97	106	>500
Number of meetings eligible to vote	101	126	63
Number of resolutions eligible to vote	1,230	1,492	811
% of resolutions voted	96.4	87.9	91.7
Of the resolutions on which voted, % voted with management	97.9	96.0	90.6
Of the resolutions on which voted, % voted against management	1.9	3.3	5.4
Of the resolutions on which voted, % abstained from voting	0.3	0.7	4.0
Of the meetings in which the manager voted, % with at least one vote against management	15.8	19.1	31.7
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	n/a ¹	n/a ¹	2.3

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 2021 to 31 December 2021 only. The total size of fund at end of reporting period for the Partners Fund is as at 31 December 2021. Number of equity holdings at the end of the reporting period includes equity holdings in private markets.

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.

- **Galaxy Entertainment Group Ltd, May 2021. Vote: Against. Outcome of the vote: For**

Summary of resolution: Incentive Plan.

Rationale: Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. In addition, it felt the level of dilution was not in the interests of shareholders.

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

- **Greggs Plc, May 2021. Vote: Against. Outcome of the vote: For**

Summary of resolution: Remuneration Report.

Rationale: Baillie Gifford opposed the resolution to approve the Remuneration Report because of the Remuneration Committee's decision not to align executive directors' pensions with the workforce until four years after the Investment Association's guidance.

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

- **Booking Holdings Inc., 3 June 2021. Vote: For. Outcome of the vote: For**

Summary of resolution: Shareholder Resolution - Climate.

Rationale: Baillie Gifford supported a shareholder resolution requesting a climate transition report as it believes better disclosure is in shareholders' best interests.

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

- **Deutsche Boerse AG, May 2021. Vote: Against. Outcome of the vote: For**

Summary of resolution: Elect Directors.

Rationale: Baillie Gifford opposed the election of the chair of the risk committee. Subsequent to Mr Gottschling being put forward for re-election, he had to stand down from a similar position at another company due to ongoing investigations regarding the company's risk practices. Whilst no evidence of wrongdoing had been found against Mr Gottschling specifically, the ongoing investigations at another company led to Baillie Gifford feeling unable to support his re-election to the same position at Deutsche Boerse.

Criteria against which this vote has been assessed as “most significant”: This resolution opposed the election of a director.

- **Axon Enterprise, Inc., May 2021. Vote: For. Outcome of the vote: For**

Summary of resolution: Shareholder Resolution - Governance.

Rationale: Baillie Gifford supported a shareholder resolution requesting the company adopt a majority voting standard for director elections. Baillie Gifford believed this would promote accountability of the board and is a good governance practice.

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., October 2021. Vote: Against. Outcome of the vote: Against**

Summary of resolution: Shareholder Resolution - Social.

Rationale: Baillie Gifford opposed a shareholder resolution requesting a report on the company's approach to human rights. Baillie Gifford believed that Tesla's existing policies and practices were reasonable and improving, making this proposal unnecessary.

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

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.