



Lorne Stewart 2018 Pension Scheme

Year to 5 April 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Scheme continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the web address [Pension statement.pdf \(lornestewartgroup.com\)](https://www.lornestewartgroup.com/pension-statement.pdf).

The Implementation Report details:

- actions the Scheme has taken to manage financially material risks and implement the key policies in its SIP.
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Scheme has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate.
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Scheme including the most significant votes cast by the Scheme or on its behalf.

Summary of key actions undertaken over the Scheme reporting year

There were no major strategic investment changes to the Scheme over the year.

Implementation Statement

This report demonstrates that Lorne Stewart 2018 Pension Scheme has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

Signed

Position

Date

Managing risks and policy actions DB

Risk / Policy	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustees address this through the asset allocation strategy and through regular actuarial and investment reviews. The Scheme is subject to interest rate risk through its investments in its multi-asset and bond funds. The multi-asset funds also have a leverage effect which leads to a larger economic exposure to interest rate risk. However, while the market values of the investments are sensitive to changes in interest rates, they are held because this sensitivity can largely offset the Scheme's liability exposure to interest rates, overall reducing the funding level risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	The Trustees may need to pay pension and lump sum benefits in the short-term and, therefore, address this risk by investing an appropriate amount in assets that are realisable at relatively short notice.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	The Trustees accept a degree of these risks in the expectation of being rewarded by excess returns including but not limited to equity market risk and property market risk. The Trustees periodically monitor the Scheme's overall asset mix and will undertake corrective action if it believes the Scheme is becoming too heavily weighted towards a particular asset class.
Credit	Default on payments due as part of a financial security contract.	The Trustees accept a degree of these risks in the expectation of being rewarded by excess returns. Some of the Scheme investments are exposed to direct credit risk. The Scheme is also indirectly exposed to credit risk through the corporate bond and derivative holdings (swaps and repos) in Bonds and Multi Fund. • Global Equity – this direct credit risk is mitigated by the fact that the assets are ring-fenced from the investment managers and the regulatory environments in which the investment managers operate. In addition, the Trustees carry out due diligence prior to investing in global equities,

	taking advice from their investment advisor and legal advisor where relevant. • Bonds – indirect credit risk is mitigated by investing in government index-linked bonds where the credit risk is minimal or corporate bonds which are rated at least A or above. • Multi Fund – this direct credit risk is mitigated by the fact that underlying assets within these pooled funds are ring-fenced from the investment managers and the regulatory environments in which the investment managers operate. In addition, the Trustees carry out due diligence prior to investing in a pooled fund, taking advice from their investment advisor and legal advisor where relevant. • Swaps & repos (indirect exposure) – the credit (counterparty) risk of these instruments is managed by the use of central clearing for swaps, diversifying counterparty exposure and requiring high-quality collateral (cash or gilts) from each side. • Cash – the Scheme is also exposed to indirect credit risk across the pooled funds to the extent that there are underlying cash holdings.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments. As part of the selection, retention and realisation of the Scheme's investments, the Trustees, in consultation with their Investment Consultant, have reviewed the ESG and stewardship policies of the Investment Managers and are comfortable that these policies are consistent with their views. In particular, the Trustees note the following: • The Investment Managers have clear views on ESG factors and stewardship which are clearly articulated in formal policies on these issues. • The Scheme's investments are predominantly passively managed where the Investment Managers are restricted in the choice of underlying assets to invest in. As such, stewardship is of primary importance in ensuring that financially material ESG factors are given appropriate consideration. • The Trustees note that the Investment Managers have clear stewardship policies that aim to influence the ESG practices of the companies it invests in, and the Investment Managers have demonstrated how it acts on these policies. For example, the Investment Managers have voted on company proposals covering climate risk, political donations, gender diversity on company boards, board independence issues and remuneration policies. • The Investment Managers regularly publish detailed results of how its stewardship policies are enacted in practice and the Trustees expect the Investment Managers to provide regular

		updates on how they exercise those rights, including how often the Investment Managers vote against company proposals. The Trustees will keep its investments under review, and should it feel that the Investment Managers no longer act in accordance with its views on ESG, the Trustees will take the following steps: • engage with the Investment Managers in the first instance, in an attempt to influence their policies on ESG and stewardship; and • if necessary, look to appoint a replacement investment manager or managers that are more closely aligned with the Trustees' policies and views. These statements are made noting that the Scheme's assets are invested in pooled funds and as such, the Trustees are restricted in their ability to directly influence its Investment Managers on the ESG policies and practices of the companies in which the pooled funds invest.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The Trustees acknowledge that the Scheme's liabilities are all payable in sterling. The Trustees are exposed to some currency risk due to investing in global equities.

The Trustees monitor these risks from time-to-time, particularly those deemed to have high likelihood or significant adverse impact and will look to introduce further control measures as appropriate to contain the overall level and distribution of risks to within acceptable limits.

Changes to the SIP

There were no changes to the SIP over the 12-month period to 5 April 2025.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Schemes policy with regards to ESG as a financially material risk. This page details the Scheme's ESG policy. The next page details our view of the managers, our actions for engagement and an evaluation of the engagement activity.

Policy on Environment, Social and Governance (ESG) factors and Stewardship

The Investment Managers are responsible for managing the Scheme's investments in accordance with the management agreements in place with the Trustees. The Trustees have delegated the responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Managers.

The Trustees are responsible for setting the Scheme's investment strategy and implementing that strategy through the appointment of investment managers and selection of investment funds, including obtaining advice from the Investment Consultant. When setting investment strategy and selecting investments, the Trustees' first priority is the financial interests of their members.

The Trustees regularly review the return objectives, risk characteristics, investment approach and investment guidelines of each of the Scheme's current investments. The Trustees are satisfied that all existing fund investments fulfil the needs of their target investment strategy and by extension, that the Investment Managers are managing the Scheme's assets in a manner which is consistent with members' financial interests.

The Trustees acknowledge that certain ESG factors are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved. To confirm, no consideration has been given to non-financial considerations, nor has the Scheme's membership been consulted on such issues.

These statements are made noting that the Scheme's assets are invested in pooled funds and as such, the Trustees are restricted in their ability to directly influence its Investment Managers on the ESG policies and practices of the companies in which the pooled funds invest.

Engagement

Exercising equity voting rights is not the only method of influencing behaviours of investee companies and is not directly applicable for the Scheme's other (non-equity) investments. However, the Trustees expect the investment managers for these other investments to engage on their behalf to aim to influence the underlying investee companies in respect of the ESG and stewardship matters outlined above.

As the Scheme invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the 12-month period to 31 March 2025, which best aligns with the Scheme accounting year, with the exception of Baillie Gifford who provided information covering 12 months to 31 December 2024. Some managers may note a smaller number of engagements over the period due to the nature of the fund(s).

Fund name	Engagement summary	Commentary
Artemis Global Income Fund	Total Fund engagements: 6	Artemis state that engagement is a core element of their approach and one of the key means in which they develop their understanding of companies, raise issues with management and monitor developments.
	Number of entities met with for Fund engagements: 6	Artemis engage with companies via face-to-face meeting, calls, emails and letters on a wide range of topics with management. The engagement may be re-active, such as following changes to the board and decisions on capital allocation, or they may be pro-active, when there are concerns over performance and governance issues.
		Artemis were unable to provide meaningful examples of ESG related engagements during the period for the fund that the Scheme invests in but noted significant engagement carried out at a firm level including with Union Pacific Corporation (UPC)

		to assess its efficacy on safety initiatives, safety culture. integration (including contractors), and alignment of safety metrics with executive pay. The company demonstrated strong commitment to improving safety and broader sustainability issues, including biofuel adoption and anti-forced labour procedures. UPC was receptive to feedback, and Artemis noted meaningful progress in these areas.
Baillie Gifford Sustainable Growth Fund	Total engagements: 948 Environmental: 296 Social: 310 Governance: 1393 Number of entities engaged: 600 Note that the sum of the categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	Baillie Gifford engages with portfolio companies through 3 objectives: fact-find, assess, and influence. Baillie Gifford prioritises dialogue over instant divestment, addressing key issues through engagements, ranging from pre-AGM consultations to reactive discussions with ESG laggards or firm facing incidents. If their engagements are unsuccessful on material issues over a prolonged period, they may divest as a last resort. Examples of how Baillie Gifford have engaged are outlined below. Richemont: Baillie Gifford engaged with Richemont over governance concerns, notably insufficient board challenge and succession planning for Executive Chair Johann Rupert. meetings with minority shareholder representative Wendy Luhabe stressed the need for independent succession planning, given Rupert's dual role as Nomination Committee Chair. Richemont highlighted ongoing board changes as progress. Discussions with CFO Burkhardt Grund addressed the appointment of internal candidate Nicolas Bos as Group CEO, restructuring leadership previously under Rupert, and the positive addition of independent Deputy Chair Bram Schot to enhance oversight. Baillie Gifford concluded that the positive steps taken

		indicates influence still exists and executive remuneration concerns remain and will be raised with new appointees in 2025. Ubisoft: Baillie Gifford engaged with the French video game company to address concerns over minority shareholder rights and board oversight following the Tencent transaction. They voted against key AGM resolutions, including the Tencent deal, citing insufficient protections for minority investors, and advocated for governance reforms, resulting in the appointment of independent director Katherine Hays. While progress was noted, unresolved risks such as Ubisoft's issuance of convertible bonds signalling ongoing financial engineering which led Baillie Gifford to conclude that it is in the best interest of clients to sell equity position.
BlackRock Dynamic Diversified Growth Fund	Total engagements: 427 Environmental: 151 Social: 149 Governance: 406 Number of entities engaged: 262 Note that the sum of the categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	BlackRock states that they integrate financially material ESG data into its investment processes to enhance risk-adjusted returns for clients. This practice of ESG integration, involves identifying and managing material environmental, social, and governance risks / opportunities that could impact portfolio performance. By systematically incorporating ESG insights where available, BlackRock aims to optimize long-term outcomes while aligning with client objectives. BlackRock structures their approach around 3 pillars: Investment process, data & analytics and transparency. and support employees by equipping them with investment relevant E, S and/or G data, tools, and education., as Blackrock believes this results in both better informed decisions and a more consistent dialogue with companies.

		BlackRock also states that they do not discuss company engagements publicly to ensure that any headlines do not impact shareholder value. BlackRock also notes that all engagement follows the global principals and engagement priorities outlined each year. An example of a significant engagement is set out below that was completed at the Firm level. Getinge AB: Blackrock engaged with Getinge AB on the topic of re-election of Johan Malmquist as Board Chair. BlackRock opposed the resolution, citing governance concerns Malmquist's oversight of a poorly structured board and his excessive public company board commitments, which risk diluting oversight effectiveness. Management recommended approval, but BlackRock voted against, aligning with its stance on board accountability and director capacity. BlackRock continues to monitor progress on governance reforms.
BlackRock Fixed Interest Global Alpha Fund	BlackRock were unable to provide any engagement data for certain fixed income mandates.	BlackRock were unable to provide meaningful examples of ESG related engagements during the period.
BlackRock Institutional Bond Fund – 10+ Yr Fund	Total engagements: 59 Environmental: 27 Social: 18 Governance: 53 Number of entities engaged: 26	BlackRock were unable to provide specific details of the engagements they carried out with respect to the fund's holdings, but we note over year engagements were held with UBS, Pfizer and Apple on topics across climate risk management , business oversight and supply chains

	Note that the sum of the categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	
BlackRock Institutional Cash Series GBP Liquidity Fund	BlackRock were unable to provide any engagement data for cash funds.	BlackRock were unable to provide meaningful examples of ESG related engagements during the period.
BlackRock UK Property Fund	BlackRock were unable to provide any engagement data for alternative mandates including property funds.	BlackRock were unable to provide further details on their approach to sustainability and engagement with respect to the property mandates they manager. However, we highlight that historically the BlackRock Real Assets team has been committed to deploying its capital and expertise in a responsible manner, meaning that ESG factors are evaluated as part of the wider investment criteria. Given that real estate assets are diverse, BlackRock Real Assets has aimed to provide a framework that is comprehensive, whilst also flexible to enable consideration of specific property issues.
Fundsmith Equity Fund	Total engagements: 47 Environmental: 1 Social: 5 Governance: 3 Other: 23 Number of entities engaged: 24 Note that the sum of the categories is greater than	Fundsmith states that ESG factors are significant drivers for its long-term performance. Fundsmith integrates ESG factors by investing and holding high-quality, sustainable businesses which have sustainable relationships with the environment and its clients. Fundsmith also regularly monitor the sustainability risks of companies using three data sources and information (quantitative ESG and innovation database, qualitative ESG database and external reputation risk rating). Fundsmith's philosophy is centered on fostering resilient businesses through active

the number of total engagements, as some engagements covered more than one ESG area.

ownership, aligning ESG with financial sustainability without comprising returns.

Fundsmith will engage with companies where they have identified a potentially material risk to ensure management are acting accordingly to ensure investors are protected.

Examples of significant engagements are detailed below.

Otis:

Fundsmith engaged with Otis' CEO and Lead Independent Director to discuss the company's sustainability strategy, progress toward emission reduction goals, and rationale for not setting longer-term targets (e.g., net zero 2050). The discussion revealed Otis is prioritising reductions in key emission sources and easier, high-impact actions before addressing more challenging areas. The 2033 targets align with the current management's operational timeframe to avoid binding future leaders to potentially unachievable goals. Fundsmith concluded Otis' focus on material emissions and phased approach to climate action was appropriate, with effective management of climate-related risks.

Novo Nordisk:

Fundsmith held discussions with Novo Nordisk's CEO, CFO, Head of Development, and Investor Relations team regarding heightened media and social media focus on its prescription drugs, Ozempic and Wegovy, which are increasingly portrayed as lifestyle products. Talks centred on how the company ensures on-label usage and manages the public narrative surrounding these drugs. Novo Nordisk outlined its drug distribution monitoring protocols and highlighted a dedicated team responsible for addressing press coverage. Fundsmith was

		satisfied with these measures but stressed the importance of ongoing oversight of how Novo Nordisk handles media attention related to its products. .
Schroders Global Equity Fund	Total engagements: 320 Environmental: 589 Social: 209 Governance: 158 Number of entities engaged: 109 Note that the sum of the categories is greater than the number of total engagements, as some engagements covered more than one ESG area.	Schroders are committed to engaging with management at their portfolio companies as they believe it brings meaningful value to their clients. Schroders approach is to encourage management to adapt to relevant sustainability changes and holding them accountable. Schroders believe that this approach will improve the company's long-term competitiveness and value creation whilst also contributing to a fairer and more sustainable economy. Additionally, Schroders are committed to support and collaborate with key industry groups and initiatives to promote strong financial markets. For example, they are members of trade bodies such as the Investment Association in the UK. An example of a significant engagement is set out below. AMSL: Schroders met with AMSL to review progress on climate goals, including product impact KPIs, capital allocation toward sustainability, and governance. AMSL aims for net zero Scope 1–2 emissions and partial Scope 3 coverage by 2025, using energy reduction and renewables. Taiwan shows strong results, while other Asian markets pose challenges. For Scope 3, AMSL is boosting supplier sustainability commitments and improving product efficiency, collaborating with customers like TSMC and industry groups like SEMI. Climate costs are part of R&D budgeting, and 20% of executive incentives are tied to ESG metrics. Schroders noted meaningful progress overall,

		with targeted improvement still needed. Industria de Deisenho Textil ("Inditex"): Schroders engaged with Inditex to understand how it supports supply chain workers in adapting to physical climate risks and mitigating associated human rights challenges. While the company acknowledges resilience as a priority and benefits from proximity sourcing, it is still in the early stages of assessing supplier-level climate risks. Schroders highlight that human rights adaptation efforts appear limited, largely reliant on local compliance rather than proactive measures aligned with Just Resilience principles. Inditex highlighted its use of trade union engagement to identify worker concerns and intends to improve disclosure around physical climate risk and value at risk. Schroders will utilise future engagement to focus on sharing best practices to help strengthen its approach.
Summix Capital Partners (property) Fund	Similar to the previous Scheme year, Summix Capital have not provided specific details of what they consider key ESG activity over the Scheme year, citing that the portfolio has been stable with no additional assets.	Summix Capital is committed to embedding ESG into its portfolio, with ESG as one of the Summix Capital team's core values for delivering long-term sustainable investments and is also embedded through sustainable development regulatory demands such as EPC standards, U-values, BREEAM ratings, new building regulations and each local authority's climate change objectives. Summix Capital continues to have Planet Mark as its primary climate action partner and has achieved the Planet Mark Business Certification which is an internationally recognised sustainability certification.

Voting (for equity/multi asset funds only)

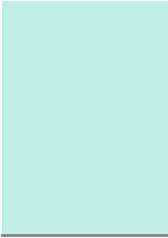
The Scheme invests predominantly in pooled funds, which means that the responsibility for exercising the voting rights on the shares held by the Scheme sits primarily with the Investment Managers.

The Scheme's fund managers have provided details on their voting actions including a summary of the activity covering the reporting year up to 5 April 2025, with the exception of Baillie Gifford who provided information covering 12 months to 31 December 2024. The Trustees have adopted the managers definition of significant votes and have not set stewardship priorities. The managers have provided examples of votes they deem to be significant, and the Trustees have shown the votes relating to the greatest exposure within the Scheme's investment.

Fund name	Voting summary	Examples of most significant votes	Commentary
Artemis Global Income Fund	Meetings eligible to vote: 83 Votable proposals: 1177 Proposals voted: 1177 Votes 'with' management: 1085 Votes 'against' management: 92 Vote 'abstain': 21	Elopak ASA: Artemis opposed Elopak ASA's remuneration statement, citing concerns over its short-term focus, weak accountability, and lack of transparency. The Long-Term Incentive Plan (LTIP) uses a 1-year performance period (vs Artemis' 3-year minimum), undermining alignment with sustainable value creation. Performance Share Units (PSUs) vest incrementally over 12/24/36 months, diluting accountability as portions vest before the full three-year mark. Additionally, the Short-Term Incentive Plan (STIP) lacked sufficient disclosure of performance criteria, metric weighting (e.g., financial vs ESG priorities), and CEO targets, limiting shareholder oversight. While the resolution passed, Artemis' vote underscores its governance priorities: long term alignment accountability,	Whilst Artemis value the research provided by external sources, decisions on proxy voting are made solely by Artemis' fund managers. Artemis have developed their own internal proxy voting policy for which Artemis use an independent specialist, ISS, to facilitate the voting but ISS' recommendations do not make up part of Artemis' proxy voting decision making. In addition, Artemis define significant votes as one exceeding 1% of the issued share capital. Annual due diligence ensures ISS service quality, and a Conflicts of Interest Register mitigates risks (e.g., staff external roles). No material conflicts require disclosure. The framework prioritises accountability, transparency, and governance best practices.

		and transparency in executive pay.	
Baillie Gifford Sustainable Growth Fund	Votable Proposals : 836 Proposals Voted : 836 Votes 'with' management:: 782 Votes 'against' management: 49 Vote 'abstain': 5	Starbucks Corporation: Baillie Gifford voted against reappointing the external auditor due to concerns over independence risks tied to the auditor's 38-year tenure and lack of retendering plans. Baillie Gifford believes auditor rotation is critical to ensuring independent oversight of audit processes and internal financial controls. The firm will reiterate this feedback post-AGM, aligning with its stance on governance best practices.	Baillie Gifford vote on behalf of their clients and they believe their votes should be investment led with a long-term value creation focus. All voting decisions are made by their ESG team, however they may engage with clients prior to submitting votes if they are a segregated client with a specific view or if a vote is especially contentious. Baillie Gifford uses research from proxy advisors, ISS and Glass Lewis, and does not delegate any voting responsibility to third parties.
BlackRock Dynamic Diversified Growth	Meetings eligible to vote: 477 Votable proposals: 6515 Proposals voted: 6111 Votes 'with' management: 5,832 Votes 'against' management: 279 Vote 'abstain': 36	UniCredit SpA : BlackRock voted in favour of UniCredit's management proposals at the shareholder meeting, in line with their general practice of supporting boards when aligned with clients' financial interests. There were no indications of opposition on director elections or shareholder proposals, though BlackRock may engage further if concerns arise or clarifications are requested post-meeting.	Over the year, all voting decisions were made by the BlackRock Investment Stewardship team, through BlackRock's own Global Engagement and voting guidelines and generally in line with management recommendations. . The BlackRock Investment Stewardship Team also carried out research on areas such as the company's reporting, prior engagement & voting and ESG research, which along with additional information provided by proxy advisory firms was used to inform voting decisions. BlackRock votes on their clients' behalf as it is one of their core stewardship responsibilities. BlackRock vote to achieve an outcome that they believe is most aligned with their clients' long-term economic interests.

Fundsmith Equity Fund	Meetings eligible to vote: 24 Votable proposals: 414 Proposals voted: 414 Votes 'with' management: 385 Votes 'against' management: 29 Vote 'abstain': 0	Meta: Fundsmith voted for a proposal to reform Meta's dual-class capital structure, advocating for governance practices that better align investor interests with voting rights at AGMs. While the proposal was rejected, Fundsmith's support underscores its commitment to equitable governance. The firm will continue pushing for similar reforms in future AGMs, prioritising accountability, and shareholder rights.	Fundsmith do not use a proxy voting service and vote directly on behalf of their clients and their best interests. Each vote is assessed on a case-by-case basis with a long-term performance view in mind.
Schroders Global Equity Fund	Meetings eligible to vote: 147 Votable proposals: 2375 Proposals voted: 2313 Votes 'with' management: 2016 Votes 'against' management: 297 Vote 'abstain': 1	Chubb Limited : The Schroder Global Equity Fund voted against a shareholder proposal at Chubb Limited's 2024 Annual Meeting, which sought disclosure of median gender and racial pay equity gaps. While acknowledging the importance of transparency to assess pay equity risks, the fund concluded voting against the resolution aligned with the best financial interests of its clients. Toronto-Dominion Bank: The Schroder Global Equity Fund voted against a shareholder proposal at Toronto Dominion Bank's 2024 Annual Meeting, which sought disclosure of the CEO-to-median employee pay ratio. The fund argued that such transparency is a best practice for understanding executive and workforce compensation alignment and mitigating human capital risks. While acknowledging the proposal's intent, Schroders concluded voting against it aligned with the financial interests of its clients, prioritising a	Schroders reported that they currently use Glass Lewis as their service provider to allow for proxy voting in all markets, for which they have their own bespoke policy. Schroders receives recommendations from Glass Lewis and benchmark research from their previous vendor, ISS, in line with their bespoke guidelines. Schroders in house ESG and corporate governance specialists input votes based on their research in line with their policy and do not taking voting instructions from their clients. Their key principle governing their voting is to act in the best interests of their client and when a proposal does not align, they will vote against the resolutions.



holistic assessment of compensation structures and governance. The resolution ultimately did not pass.

Proxy Voting

The Trustees did not employ a proxy-voting service during the Scheme year. The Scheme's equity managers above vote by proxy as given the scale of their holdings, the managers cannot be present at all shareholder meetings to cast votes. All voting decisions are made by the managers using their individual internal voting policies.

