

Lorne Stewart 2018 Pension Scheme

Implementation Statement

Introduction

This statement has been prepared at the request of the Trustees of the Lorne Stewart 2018 Pension Scheme (the “Trustees” of the “Scheme” respectively) to demonstrate how the Trustees have acted on certain policies within its Statement of Investment Principles (“SIP”).

Each year, the Trustees must produce an Implementation Statement that demonstrates how they have followed certain policies within their SIP over the Scheme year. This Implementation Statement covers the Scheme year from 6 April 2021 to 5 April 2022.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the Defined Benefit (“DB”) investments held by the Scheme, and this statement excludes consideration of any Additional Voluntary Contribution (“AVC”) investments held by the Scheme.

Trustees of DB pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year.

SIP Policies

This Implementation Statement should be read in conjunction with the Scheme’s SIP covering the year under review, which provides details of the Scheme’s investment policies along with details of the Scheme’s governance structure and objectives.

The Scheme’s SIP includes policies on:

- How ‘financially material considerations’ including Environmental, Social and Governance (“ESG”) factors are taken into account when making investment decisions for the Scheme;
- The extent to which non-financial matters are taken into account in the investment decision-making process; and
- Stewardship and voting, including details on monitoring and engaging with the companies in which they invest (and other relevant stakeholders).

This Implementation Statement reviews the voting and engagement activities covering the 12-month period to the Scheme year-end and the extent to which the Trustees believe the policies within the SIP have been followed.

The Scheme invests in pooled funds managed by BlackRock, Artemis, Baillie Gifford, Fundsmith and Schroders and private equity structured property fund managed by Summix Capital Partners (together, the “Investment Managers”).

In the SIP, the Trustees stated the following policies on the exercise of voting rights and engagement activities related to their 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;
- The Investment Managers are responsible for managing the Scheme’s investments in accordance with the manager agreements in place with the Trustees. The Trustees have delegated responsibility for the exercise of all rights (including voting rights) attaching to the investments to the Investment Managers;
- The Trustees will keep its investments under review, and should they feel that the Investment Managers no longer act in accordance with their views on ESG, the Trustees will 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;

- The Trustees make the above policy, acknowledging that the Scheme's assets are predominantly 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;
- Where a direct investment is made, the Trustees' policy is to review the direct investments and to obtain written advice about them on a regular basis. When deciding whether or not to make any new direct investments, the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

Description of Equity Voting Behaviour

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 Investment Managers' voting behaviour over the Scheme year is as summarised below.

During the Scheme year, the Scheme held the following investments:-

- BlackRock Dynamic Diversified Growth Fund;
- BlackRock Institutional Bond Fund – 10+ Yr Fund;
- BlackRock Fixed Interest Global Alpha Fund;
- BlackRock UK Property Fund;
- Summix Capital Partners (property) Fund;
- Artemis Global Income Fund;
- Baillie Gifford Global Stewardship Fund;
- Fundsmith Equity Fund; and
- Schroders Global Equity Fund.

Equity Voting Rights

Not all of the above funds carried voting rights. The Scheme therefore had investments which carried equity voting rights during the Scheme year within the BlackRock Dynamic Diversified Growth Fund, Artemis Global Income Fund, Baillie Gifford Global Stewardship Fund, Fundsmith Equity Fund and Schroders Global Equity Fund.

The following tables show summaries of each managers' voting and engagement which took place over the year, where provided by the Investment Managers. Note that the information provided by the managers was over the period to 31 March 2022 rather than the Scheme year end of 5 April 2022.

BlackRock Dynamic Diversified Growth Fund:

Engagement summary 1 April 21 – 31 March 22	No. of companies in portfolio	No. of ESG engagements	Of which:		
			No. of engagements on Environmental issues	No. of engagements on Social issues	No. of engagements on Governance issues
BlackRock Dynamic Diversified Growth Fund	2,567	1,522	546	283	693

Voting summary 1 April 21 – 31 March 22	Total Proposals		Management Proposals		Shareholder Proposals	
	Total	Percent	Total	Percent	Total	Percent
Votable Proposals	13,303	-	12,949	-	354	-
Proposals Voted	12,458	93.7%	12,129	93.7%	329	92.9%
Votes FOR	11,409	85.8%	11,302	87.3%	107	30.2%
Votes AGAINST	819	6.2%	614	4.7%	205	57.9%
ABSTENTIONS	182	1.4%	165	1.3%	17	4.8%
Votes WITHHELD	33	0.2%	33	0.3%	0	0.0%
Votes WITH Management	11,679	87.8%	11,410	88.1%	269	76.0%
Votes AGAINST Management	781	5.9%	721	5.6%	60	16.9%

Note, totals may not sum due to rounding.

BlackRock states that it seeks to make proxy voting decisions to achieve the outcome that they believe is most aligned to the fund's long-term interests. BlackRock expects companies to observe the relevant laws as well as any accepted corporate governance standards, but their voting guidelines may differ from these standards where BlackRock requires a higher level of protection to relevant stakeholders. ESG is an important consideration for BlackRock and they will vote in support of management and boards where they demonstrate an approach that is consistent with creating sustainable long-term value.

BlackRock has provided examples of what it believes to be the most significant votes cast on the Trustees' behalf during the period. One key vote cited in May 2021 regarding ExxonMobil Corp. involved BlackRock voting for the shareholder proposals to commission a report on corporate climate lobbying aligned with the Paris Agreement to help investors' understanding of Exxon Mobil's climate-related lobbying and participation in trade associations. Another significant vote involved BlackRock voting for shareholder resolutions regarding BP Plc. on setting climate change targets to encourage the company and hold it accountable to accelerate its efforts on climate risk management.

Fundsmith Equity Fund:

Voting summary 1 April 21 – 31 March 22	
Voting Meetings Attended	30 (100%)
Meetings Voted AGAINST Management at least once	26 (87%)
Proposals Eligible to Vote on	500
Proposals Voted On	500 (100%)
Of which:	
Votes WITH Management	90.8%
Votes AGAINST Management	8.6%
Abstentions	0.2%
Votes AGAINST Proxy Advisor Recommendation	n/a – internal proxy voting policy
Engagement Summary 1 April 21 – 31 March 22	Total no. of engagements
Fundsmith Equity Fund	51
	No. of companies engaged with
	23

Fundsmith states that it sees ESG factors as a key driver to enhance long-term company value. Its fund managers have a degree of autonomy to select, manage and incorporate relevant ESG factors in the best suited way for each fund's investment approach. As an active manager, Fundsmith tries to develop relationships with the management and board of companies in which they invest through engagement. It states that engagement is considered a core element of its investment approach and one of the key ways they develop their understanding of companies, raise issues with management in a proactive approach and monitor subsequent developments.

Fundsmith has provided examples of what it considers its most significant engagements. One key example during the year was the engagement with Nike in October 2021 when it voted against the executive compensation proposals as Fundsmith considered that they failed to adequately incentivise sustainable long-term growth. Also during the year, Fundsmith voted with a shareholder vote for PepsiCo Inc in May 2021 to appoint an independent board chairperson for good governance and to help ensure impartial decision making and to promote long-term thinking by the board.

Artemis Global Income Fund:

Voting summary 1 April 21 – 31 March 22		
Voting Meetings Attended	84	100%
Meetings Voted AGAINST Management at least once	34	40%
Proposals Eligible to Vote on	1,103	100%
Proposals Voted On	1,082	98%
Of which:		
Votes WITH Management	1,004	92%
Votes AGAINST Management	78	7%
Abstentions	18	1%
Votes AGAINST Proxy Advisor Recommendation	n/a – internal proxy voting policy	n/a

Note, totals may not sum due to rounding.

Artemis have developed their own internal proxy voting policy. They use an independent specialist, ISS, to facilitate the voting but ISS' recommendations do not make up part of Artemis' proxy voting decision making. Whilst Artemis value their research, decisions on proxy voting are made solely by Artemis' fund managers.

Artemis has provided examples of what it considers its most significant engagements. One key example during the year was the engagement with Maersk, the global shipping company, to promote 'good' operations in potentially higher polluting industries, as it has encouraged it to use lower emitting vessels and work with its clients to commit to scope 3 emission disclosure. Also during the year, in May 2021, Artemis supported the activist Engine No. 1's director nominee to join the board, with the aim to press Exxon as a company to go further in terms of their future decarbonisation strategy.

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. Artemis focuses its engagement on one-to-one meeting than general meetings, and particular in-depth engagement may be triggered by a number of factors including financial results, personnel changes, strategy changes, and how material ESG issues are integrated into these. Where Artemis believes a message needs reinforcing, it will look to influence management by a combination of: talking to the board, writing to companies to explain their expectations, collaborating with other shareholders to hold the board to account, abstaining or voting against management's resolutions or submitting resolutions at shareholders' meetings.

While Artemis have a publicly available stewardship reports, it is not possible to obtain details of voting activities specific to the companies in which the Scheme invests, including most significant votes. The Trustees hope this information is available in the future.

Baillie Gifford Global Stewardship Fund:

Voting summary 1 April 21 – 31 March 22		
Voting Meetings Attended	78	100%
Meetings Voted AGAINST Management at least once	11	14.1%
Proposals Eligible to Vote on	876	100%
Proposals Voted On	876	100%
Of which:		
Votes WITH Management	844	96.3%
Votes AGAINST Management	25	2.9%
Abstentions	7	0.8%
Votes AGAINST Proxy Advisor Recommendation	n/a – see below	n/a – see below

Note, totals may not sum due to rounding.

While Baillie Gifford is aware of proxy advisors' voting recommendations (ISS and Glass Lewis), the firm does not outsource or rely upon the proxy advisors' recommendations when deciding how to vote on investee companies. All company voting decisions are therefore ultimately made in-house, and Baillie Gifford votes in line with its in-house policies.

Baillie Gifford considers good stewardship to be a key to company success, not only including ESG issues faced by a company but also whether the company will add value to society over the long-term and if it exhibits a responsible culture. Baillie Gifford prefers to adopt an approach based on dialogue and it aims to engage with investee companies to encourage and make push for progress on such issues.

Baillie Gifford has provided examples of what it believes to be the most significant votes cast on the Trustees' behalf during the period. One in June 2021 was that Baillie Gifford supported a shareholder resolution on Netflix Inc. for a report on political contributions to be disclosed as they believed enhanced disclosure on the company's policies and procedures was in the wider shareholders' and stakeholders' interests. Another example involved a shareholder resolution on Tesla Inc. in October 2021 when Baillie Gifford voted in favour of requesting a report to be commissioned on the company's use of arbitration to resolve employee disputes, with Baillie Gifford believing that additional disclosure and transparency would be beneficial to wider shareholders and stakeholders.

Schroders Global Equity Fund:

Schroders currently only provides ESG and stewardship information at a firm level and information for the individual fund level (i.e. for the Scheme's investment in the Schroders Global Equity Fund) remains under development at the time of writing. Schroders did not provide information on the most significant votes cast.

At a firm level, Schroders state that it places a large focus on sustainability and has developed a number of ESG principles and practices that are core to its investment processes and operations across the business, and include compliance with the UK Stewardship Code and the United Nations Principles for Responsible Investment. Schroders also states that it places a core focus on engagement, with investment selection being only the first step and active engagement with companies being key to promoting sustainable business practices and helping them to manage long-term risks.

In order to track ESG progress, Schroders has developed the Schroders Sustainability Accreditation Framework to formally recognise investments that have successfully integrated ESG into investment decision and identify any that have not, in order to further engage with. Schroders has also developed a set of proprietary ESG tools called impactIQ and includes the ThemEx, Carbon VaR and SustainEx tools which scientifically combine measures of both the harm and the good companies can do to stakeholders and wider society.

Schroders see voting as one of the key ways that they can communicate their views and positively influence how a company is run. Schroders votes on a variety of issues, but specifically focus on corporate governance issues. It does not currently provide significant votes at a fund level but has provided some examples at a business level. This included in July 2021 voting in favour of implementing the net zero transition report for SSE Plc, and in June 2021 voting in favour of a shareholder resolution for Mitsubishi UFJ Financial Group Inc. for management to disclose a plan outlining the company's strategy to align with the Paris Agreement as Schroders is keen to see the company further develop its net-zero strategy.

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.

How Voting And Engagement Policies Have Been Followed

The Trustees intend to review a summary of the voting and engagement activity taken on their behalf on an annual basis. The information published by the majority of the Investment Managers on their policies has provided the Trustees with comfort that their voting and engagement policies have been followed during the Scheme year. While fund-specific voting and engagement information may still be under development by Schroders, the Trustees will request improved information covering future Scheme years.

Engagement With Investee Companies (Non-Equity Investments)

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.

BlackRock (non-property funds):

BlackRock states that it considers ESG information a vital consideration for determining the investment risks and outlook for potential investments, and it believes ESG can aid in the construction of more robust portfolios, which have the ability to meet the investments' financial and sustainability goals. BlackRock takes an integrated approach to reviewing corporate governance and engagement and voting, to the extent possible, as it believes this results in both better informed decisions and a more consistent dialogue with companies. Included within this, BlackRock also engages with companies to discuss material ESG matters that could impact the companies' long-term performance and achievement of strategic objectives.

BlackRock (property fund):

The BlackRock Real Assets team is 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 aims to provide a framework that is comprehensive, whilst also flexible to enable consideration of specific property issues. The full real assets sustainable investing approach is underpinned by five principles: i) a commitment to fully embed sustainable investing principles; ii) a conviction that such an approach is at the core of sound risk management; iii) to understand and consider the materiality of specific ESG issues between investments; iv) to comply with relevant legislation and regulation, and to strive for continual improvement targeting industry best practice in setting standards; and v) to commit to full transparency and disclosure. While BlackRock have a publicly available engagement policy for real assets generally, it is not possible to obtain details of engagement activities at a fund level.

Summix Capital (property fund):

Summix Capital is committed to embedding ESG into its portfolio, and ESG is 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 has noted that the portfolio has been stable over the year with no additional new assets to assess from an ESG perspective. However, Summix Capital has made further progress embedding ESG into its existing portfolio, collecting ESG data and commissioning a sustainability report from BioRegional on its two largest investments, Fulford Green and Worcester Parkway, and instructed its investment in Planet Mark to begin the certification process to become a 'carbon zero' business.

Although requested, 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 or major project renovations have taken place during the year and therefore no milestone examples being detailed. However, during the year Summix Capital has spent time as a business developing its ESG values into a detailed explicit ESG policy document which it intends to implement across its portfolio going forwards.

How Voting And Engagement Policies Have Been Followed

Having reviewed the actions taken by the Investment Managers of the other non-equity investments, the Trustees believe that their policies on engagement have been implemented appropriately over the year and in line with its views. The Trustees will continue to monitor the actions taken on its behalf each year, and press for improved engagement information and ESG reporting metrics from the Investment Managers on a fund-specific level.

If the Investment Managers deviate substantially from the Trustees' stated policies, in accordance with its policies stated above, the Trustees will initially engage and discuss this with the relevant investment manager, and if the Trustees still believe the difference between its policies and the investment manager's actions are material, the Trustees will consider terminating and replacing the mandate if necessary.