

Lorne Stewart 2018 Pension Scheme

Implementation Statement

For the year ended 5 April 2023

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 2022 to 5 April 2023.

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 Trustees note that the Scheme's SIP was not updated over the scheme year and as such the policies below were in effect for the entire year.

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 Trustees' 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 Sustainable Growth Fund;
- Fundsmith Equity Fund; and
- Schroders Global Equity Fund.
- BlackRock Institutional Cash Series GBP Liquidity Fund

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 Sustainable Growth 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 for the pooled funds where the Scheme invests in assets with equity voting rights. Note that the information provided by the managers was over the year period to 31 March 2023 rather than the Scheme year end of 5 April 2023, due to the Investment Managers only being able to produce data to regular month or quarter ends.

BlackRock Dynamic Diversified Growth Fund:

Engagement summary 1 April 22 – 31 March 23	No. of companies in portfolio	No. of Total ESG engagements	No. of engagements on Environmental issues	No. of engagements on Social issues	No. of engagements on Governance issues
BlackRock Dynamic Diversified Growth Fund	456	383	176	151	337

Voting summary 1 April 22 – 31 March 23	Total Proposals		Management Proposals		Shareholder Proposals	
	Total	Percent	Total	Percent	Total	Percent
Total Votable Proposals	11,775	100.0%	11,276	100.0%	499	100.0%
Proposals Voted	10,948	93.0%	10,488	93.0%	460	92.2%
Votes FOR	9,965	84.6%	9,847	87.3%	118	23.7%
Votes AGAINST	758	6.4%	420	3.7%	338	67.7%
ABSTENTIONS	155	1.3%	151	1.3%	4	0.8%
Votes WITHHELD	38	0.3%	38	0.3%	0	0.0%
Votes WITH Management	10,378	88.1%	9,957	88.3%	421	84.4%
Votes AGAINST Management	570	4.8%	531	4.7%	39	7.8%

Note, totals may not sum due to rounding.

BlackRock states that it seeks to make voting decisions to achieve the outcome that they believe is most aligned to the fund's long-term interests. Over the year, all voting decisions were made by the BlackRock Investment Stewardship team, through BlackRock's own guidelines in each region it invests. 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 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 significant vote cited on 25 May 2022 regarding Amazon.com involved BlackRock voting against electing director Judith A. McGrath since BlackRock believed that the nominee had not demonstrated the ability to effectively represent the shareholders' best interests, with the vote passing.

Another significant vote also on 19 May 2022 involved The Home Depot Inc. where BlackRock voted for reporting on efforts to eliminate deforestation in supply chain since the company did not meet the expectations of BlackRock for disclosure of natural capital policies and/or risk, with the vote passing.

BlackRock were unable to provide the size of each holding at the date of the vote and explained that they followed their investment guidelines and principals when communicating their intention to vote and lessons learned from any vote. The Trustees and their advisors will continue to address this gap in data coverage going forward.

Fundsmith Equity Fund:

Voting summary 1 April 22 – 31 March 23		
Voting Meetings Attended	26	
Proposals Eligible to Vote on		429
Proposals Voted On	429 (100%)	
Of which:		
Votes WITH Management		90.5%
Votes AGAINST Management		9.0%
Abstentions		0.5%
Meetings Voted AGAINST Management at least once		24 (92.0%)
Votes AGAINST Proxy Advisor Recommendation	n/a – internal proxy voting policy	

Engagement Summary 1 April 22 – 31 March 23	Total no. of engagements	No. of companies engaged with
Fundsmith Equity Fund	50	26

Fundsmith states that ESG factors are significant drivers for its long-term performance. Given that all the investment strategies are equity based, Fundsmith has a strong preference to invest and hold the stocks for the long-term in well-managed companies 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 has a clear engagement policy and methodology that is outlined publicly. Over the Scheme year period, Fundsmith has provided examples of what it considers its most significant engagements. One key example during the year was engaging with Estee Lauder on their

remuneration policy, following a change at the 2021 AGM. The purpose was to understand how updated metrics being used could be linked to longer term performance. Overall, Fundsmith noted that they felt the company justified their change in policy and were reassured that this incentivised long-term growth of the business.

Over the year to 31 March 2023, Fundsmith did not use a proxy voting service, instead opting to vote directly on behalf of its clients. Fundsmith noted that each vote is taken on a case-by-case basis with a view to maintain the best interest of their clients when making a decision, although clients are not consulted on any votes.

Fundsmith provided several examples of what they considered to be significant votes over the year to 31 March 2023 based on factors such as the size of the holding or relative weight within the portfolio. One such significant vote was the approval of the compensation policy for the Chairman and Chief Executive Officer of LVMH on 21 April 2022. This vote represented 3.5% of the Fundsmith Equity Fund at the date of vote, with Fundsmith voting against the proposal based on the policy failing to adequately incentivise long-term, sustainable growth, with the vote passing. Fundsmith were unable to provide further information on the lessons learned from this vote or the next steps, which the Trustees will monitor to check on the development of this information going forward.

Artemis Global Income Fund:

Voting summary	Number	% of Total
1 April 22 – 31 March 23		
Voting Meetings Attended	62	100.0%
Meetings Voted AGAINST Management at least once	31	50.0%
Proposals Eligible to Vote on	938	100.0%
Proposals Voted On	938	100.0%
Of which:		
Votes WITH Management	877	93.5%
Votes AGAINST Management	61	6.5%
Abstentions	19	2.0%
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. Artemis 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. In addition, Artemis define significant votes as one exceeding 1% of the issued share capital.

Artemis has provided examples of what it considers its most significant voting. One example during the year was the voting carried out on 11 May 2022 with Verallia SA, with Artemis holding c. 1.6% of the issued capital. A significant vote was carried out with respect to the compensation of Michel Giannuzzi due to the vesting periods of half the long term incentive plans granted during FY21 not being deemed long-term oriented enough, with Artemis voting against the resolution which was passed.

Artemis also cast a significant vote against the election of Beatriz Peinado Vallejo and for Matthieu Cantin to be elected the employee representative to the board of Verallia SA, as it was believed that

Matthieu Cantin would be the most representative of employee shareholders, with the vote passing. Artemis did not provide any further detail on the outcomes or next steps from the significant votes.

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 a 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.

Baillie Gifford Sustainable Growth Fund:

Voting summary	Number	% of Total
1 April 22 – 31 March 23		
Voting Meetings Attended	79	100.0%
Meetings Voted AGAINST Management at least once	17	21.5%
Proposals Eligible to Vote on	906	100.0%
Proposals Voted On	906	100.0%
Of which:		
Votes WITH Management	871	96.1%
Votes AGAINST Management	32	3.5%
Abstentions	3	0.3%
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 notes that with respect to engagement their focus is on material issues rather than short term easy wins and has adopted a Sustainable Growth Compass Framework which combines the materiality of the engagement on long-term success and the feasibility of success.

An example of engagement carried out by Baillie Gifford with respect to investments in the Sustainable Growth Fund was with Shopify Inc, focusing on changes to the share structure including discussions with the lead independent director. Baillie Gifford noted that they believed that the board had taken a pragmatic approach to the share structure after the discussions which

resulted in the Investment Manager voting in favour of a new founder share and the revising of the old dual class share structure.

Baillie Gifford provided examples of what it believes to be the most significant votes cast on the Trustees' behalf during the Scheme year period. On 25 May 2022, Baillie Gifford supported a shareholder proposal on gender/racial pay for Amazon Inc on the belief that women and minorities are underrepresented in leadership positions relative to the larger workforce, and this would also help the assessment of structural bias regarding job opportunity and pay through reporting the unadjusted median gap. The Investment Manager reported that the vote failed, with Baillie Gifford reaching out to the company to report their dissent and expectation around pay.

Schroders Global Equity Fund:

Voting summary 1 April 22 – 31 March 23	Number	% of Total
Voting Meetings Attended	21	100.0%
Meetings Voted AGAINST Management at least once	9	42.0%
Proposals Eligible to Vote on	300	100.0%
Proposals Voted On	300	100.0%
Of which:		
Votes WITH Management	280	93.0%
Votes AGAINST Management	20	6.0%
Abstentions	0	0.0%
Votes AGAINST Proxy Advisor Recommendation	n/a – see below	n/a – see below

Schroders reported that they currently use ISS as one of their service providers to allow for proxy voting in all markets, however, Schroders only receives recommendations from ISS in-line with bespoke guidelines or if a holding is less than 0.5% an automatic vote is made. Schroders also uses its in-house ESG and Corporate Governance specialists and where appropriate financial analysts and portfolio managers to ensure that votes and guidelines remain appropriate.

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 and includes the CONTEXT and SustainEx tools which scientifically combine measures and data 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. Over the year to 31 December 2023, Schroders noted that for the Schroders Global Equity Fund of the 136 entities available to engage with, c. 27% were engaged with. One example that Schroders of significant engagement was to Burberry in 2022, where the

Schroders team lead a call on climate change, natural capital and biodiversity. Schroders noted that the purpose of the engagement was to further understand the progress that Burberry was making towards their emissions reduction targets, with Schroders comfortable with the progress being made towards scope 1 and scope 2 emission reductions by 2030.

Schroders have explained that they consider a significant vote to be one where they vote against the board's recommendation. One example on 1 February 2023, Schroders voted against approving KPMG LLP as auditors for Accenture Plc since they believe the prospective auditor has excessive tenure and no commitment to tender, with the vote passing. Schroders did not provide any further information on the lessons learned or next steps.

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. The Trustees continue to monitor the development of voting and engagement reporting across each of its Investment Managers to ensure that this remains in line with expectations.

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 states that over each year it expects to conduct 3,600 engagements on ESG issues which are likely to impact the long-term financial interests of investors.

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, with additions to the engagement priorities over 2023 including modifications to nature-related factors and sustainable reporting.

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 by announcing Planet Mark as the primary climate action partner and achieved the Planet Mark Business Certification which is an internationally recognised sustainability certification.

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.

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.

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October 2023

Risk Warnings

- Past performance is not necessarily a guide to the future.
- The value of investments may fall as well as rise and you may not get back the amount invested.
- Income from investments may fluctuate in value.
- Where charges are deducted from capital, the capital may be eroded or future growth constrained.
- Investors should be aware that changing investment strategy will incur some costs.
- Any recommendation in this report should not be viewed as a guarantee regarding the future performance of the products or strategy.

Our advice will be specific to your current circumstances and intentions and therefore will not be suitable for use at any other time, in different circumstances or to achieve other aims or for the use of others. Accordingly, you should only use the advice for the intended purpose.

