

# Joseph Holt Staff Pension Scheme Implementation Statement

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustees of the Joseph Holt Pension Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 30 June 2020 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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In Q2 2019, the Trustees received training on Environmental, Social and Governance ("ESG") issues from XPS Investment ("XPS") and discussed their beliefs around those issues. This enabled the Trustees to consider how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustees' policy was documented in the updated Statement of Investment Principles dated September 2020.

## The Trustees' updated policy

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The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments. Furthermore, the Trustees revert to the investment manager's approach when determining vote significance unless stated otherwise.

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees will seek advice on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

The Trustees will seek advice on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

## Ongoing governance

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The Trustees, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

## Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

## Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to public equities, and investments in equities will also form part of the strategy for the diversified growth funds in which the Scheme invests. The Scheme currently has exposure to equities through the Baillie Gifford Diversified Growth Fund and the Baillie Gifford Managed Fund. A summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below.

Based on this summary, the Trustees conclude that the investment managers have exercised their delegated voting rights on behalf of the Trustees in a way that aligns with the Trustees' relevant policies in this regard.

Voting Information
Baillie Gifford Diversified Growth Fund
The fund currently occupies Tier 1 of the stewardship code.
The manager voted on 92.7% of resolutions of which they were eligible out of 809 eligible votes.
Investment Manager Client Consultation Policy on Voting
All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. Baillie Gifford do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then they will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.
Investment Manager Process to determine how to Vote
<p>Baillie Gifford believe that thoughtful voting of their clients' holdings is an integral part of their commitment to stewardship. Baillie Gifford believe that voting should be investment led, because how they vote is an important part of the long-term investment process, and why their strong preference is to be given this responsibility by their clients.</p> <p>Baillie Gifford believe their ability to vote on their clients' shares also strengthens their position when engaging with investee companies. Baillie Gifford's Governance and Sustainability team oversees their voting analysis and execution in conjunction with their investment managers. Baillie Gifford state that, unlike many of their peers, they do not outsource any part of the responsibility for voting to third-party suppliers. Baillie Gifford utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance &amp; Sustainability Principles and Guidelines and endeavour to vote every one of their clients' holdings in all markets.</p>
How the manager determines what constitutes a 'Significant' Vote



The list below is not exhaustive, but exemplifies potentially 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 opposed mergers and acquisitions
  - Where Baillie Gifford opposed the financial statements/annual report
  - Where Baillie Gifford opposed the election of directors and executives.

Does the manager utilise a Proxy Voting System? If so, please detail.

Baillie Gifford state that whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide them with more nuanced market specific information.

#### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Covivio REIT	Remuneration - Policy	Against	Pass
Following the AGM in 2020, Baillie Gifford informed the company of their voting decision and advised that they expect more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.			
Covivio REIT	Remuneration - Report	Against	Pass
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EDP Renovaveis	Elect Director(s)	Against	Pass
Baillie Gifford have taken action on the election of directors at the company since the 2018 AGM. Their concerns are regarding the attendance record of some directors, a lack of board independence and diversity. Baillie Gifford have spoken to the company a number of times regarding these concerns and continue raise the issue and take action where			

possible. As the company has an 82% controlling shareholder, their ability to influence is limited, however they believe it important to hold the board accountable for their concerns.

Gecina	Incentive Plan	Against	Pass
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Baillie Gifford have been opposing remuneration at the company since 2017 due to concerns with the targets applied to the restricted stock plan. Baillie Gifford are yet to see improvements in the remuneration plan however continue to engage with the company to advise of areas for improvement.

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### Voting Information

Baillie Gifford Managed Fund

The fund currently occupies Tier 1 of the stewardship code.

The manager voted on 100% of resolutions of which they were eligible out of 2687 eligible votes.

### Investment Manager Client Consultation Policy on Voting

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CyberAgent Inc	Elect Director and Audit Committee Member Shiotsuki, Toko	Against	Pass
Baillie Gifford have been pushing Cyberagent to improve its board composition for a number of years. Whilst there have been small improvements, Baillie Gifford do not believe they go far enough. Baillie Gifford are continuing to escalate out engagement with the company and aiming for constructive dialogue.			
Ryanair	Approve Remuneration Report	Against	Pass
Baillie Gifford have engaged extensively with Ryanair on a number of governance issues over the past few years. This dialog continues both independently and collaboratively with other shareholders and will continue to be escalated through voting action.			
Just Eat Takeaway.com	Grant Board Authority to Issue Shares Up to 25 Percent of Issued Capital	For	Pass

Baillie Gifford have made an exception in the current environment as they understand board/management may need flexibility to deploy capital quickly and have encouraged the company to be lower this value in the future.			
SMC	Approve Allocation of Income	Abstain	Pass
Having reviewed the capital structure of the business, Baillie Gifford believe the company is in a position to utilise its balance sheet more effectively. In normal circumstances, when Baillie Gifford determine the dividend to be inappropriate, they generally vote against the dividend proposal. Given the current market environment, Baillie Gifford abstained on the dividend proposal.			
British American Tobacco	Remuneration - Report	Against	Pass
Baillie Gifford continued to oppose Remuneration due to concerns that pay is not aligned with performance. Baillie Gifford have previously provided feedback to the company in relation to their remuneration policy, specifically their concerns with how generous remuneration was, and will continue to engage on the matter going forward.			