

Joseph Holt Staff Pension Scheme (the “Scheme”)

Implementation Statement for the year ended 30 June 2021

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Joseph Holt Staff 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 2021 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

The Trustee’s updated policy

The Trustees continue to follow their policy on Environmental, Social and Governance (“ESG”) and voting issues, documented in the updated Statement of Investment Principles dated September 2021.

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

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS 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, the Trustees agreed to reduce the risk within the investment strategy and align their investment strategy to mirror the types of investments an insurer would look to invest in. In particular, the Trustees novated their existing investment in the Baillie Gifford Investment Grade Long Bond Fund across to the Mobius Life platform, and introduced two liability hedging funds managed by Legal & General Investment Management (“LGIM”); the LGIM 5 to 15 Year Index-Linked Gilts Index Fund and LGIM Over 15 Year Gilts Index Fund. Both of the allocations were funded through a full sale of the two Baillie Gifford multi asset funds. The Scheme now solely holds fixed income assets comprising of gilts, index-linked gilts and corporate bonds.

All assets are now held on the Mobius Life platform, and the transition was completed during June 2021.

The manager and funds were recommended by XPS and rated using various criteria. One of the criteria was that the investment manager had been found to have credible ESG capabilities, with decisions linked to that capability applied to the fund to an acceptable degree. However, these funds were predominantly chosen in order to reduce risk and prepare the Scheme for approaching the buy-out market.

Ongoing governance

The Trustees, with the assistance of XPS, 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.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

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. During the reporting year the Scheme currently had exposure to equities through the two multi-asset funds; Baillie Gifford Diversified Growth Fund and Baillie Gifford Managed Pension Fund.

However, as previously noted, the Scheme no longer invests in the Baillie Gifford Diversified Growth Fund and Baillie Gifford Managed Pension Fund. A summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations is shown below for each of the funds.

In this statement we have only disclosed voting information with regards to the equities, in line with current regulatory requirements. However, whilst the non-equity funds held within the Scheme's investment strategy do not carry voting rights, levels of engagement and stewardship are considered when appointing managers and are monitored by the Trustees.

Manager Voting

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, they 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

Thoughtful voting of Baillie Gifford's clients' holdings is an integral part of their commitment to stewardship. They believe that voting should be investment led, because how they vote is an important part of the long term investment process, which is why their strong preference is to be given this responsibility by their clients. The ability to vote their clients' shares also strengthens their position when engaging with investee companies. Their Governance and Sustainability team oversees voting analysis and execution in conjunction with their investment managers. Unlike many of their peers, they do not outsource any part of the responsibility for voting to third-party suppliers. They utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and endeavour to vote every one of their clients' holdings in all markets.

How does this manager determine 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 have opposed mergers and acquisitions
 - Where Baillie Gifford have opposed the financial statements/annual report
 - Where Baillie Gifford have opposed the election of directors and executives.

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

Whilst Baillie Gifford 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 their 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. They also have specialist proxy advisors in the Chinese and Indian markets to provide more nuanced market specific information.

Baillie Gifford Diversified Growth Fund

The manager voted on 97.09% of resolutions of which they were eligible out of 1,477 eligible votes.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
LEG IMMOBILIEN AG	Remuneration - Policy	Against	Pass
<i>Baillie Gifford opposed the Management Board Remuneration, due to the introduction of the 'Transaction Bonus' as they do not believe that executives should be rewarded for making acquisitions.</i>			
ADO PROPERTIES S.A.	Amendment of Share Capital	Against	Pass
<i>Baillie Gifford opposed the request to increase authorised capital which would permit share issuance without pre-emptive rights, given shares are currently trading at a high discount to NAV and there is no NAV commitment. They have since sold out of the stock.</i>			
EDISTON PROPERTY INVESTMENT COMPANY PLC	Remuneration - Policy	Against	Pass
<i>Baillie Gifford engaged with the company on the issue and will continue to take voting action in relation to the vote if concerns remain.</i>			
RIO TINTO PLC	Remuneration - Report	Against	Pass
<i>Following the submission of their votes, Baillie Gifford engaged with the company to communicate their concerns. Whilst they did not support the backwards looking remuneration report, they took the decision to support the forward looking remuneration policy. Baillie Gifford continue to be focused on having good open communication with the leadership team which they believe is valuable as long-term investors.</i>			
SIX FLAGS ENTERTAINMENT CORPORATION	Remuneration - Say on Pay	Against	Pass
<i>Baillie Gifford opposed executive compensation for a multitude of reasons however their primary concern was the size of the long-term incentive award paid to the CEO. In light of COVID-19, when reviewing proposals relating to executive compensation, they assess whether executive pay is aligned with the experience of employees and shareholders. Baillie Gifford felt they could not justify supporting a sizeable long-term incentive award for the CEO, which was equal to the previous year, when framed against a background of company-wide salary reductions and employee lay-offs. They communicated their concerns to the company following the submission of their votes and they will continue to engage on their concerns. Although this proposal was passed, 41% of shareholders opposed it.</i>			

Baillie Gifford Managed Pension Fund

The manager voted on 99.97% of resolutions of which they were eligible out of 2,954 eligible votes.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Ashtead	Amendment of Share Capital	For	Pass
Baillie Gifford have supported the higher level of issuance authority this year to provide companies with additional flexibility in the current market environment. They will monitor this at next years AGM.			
Just Eat Takeaway.com	Remuneration - Policy	Against	Fail
The proposal failed to gain the required shareholder support to pass.			
PT Bank Rakyat Indonesia	Director Related	Against	Pass
It was disclosed that the compliance director was dismissed due to failing the fit and proper assessment. This was determined by the regulators and the company was unable to provide further details of the reason why when Baillie Gifford engaged with them. Baillie Gifford will continue to engage with the company going forward to encourage better disclosure with regards to board members.			
Euromoney Institutional Investor Plc	Amendment of Share Capital	For	Pass
Baillie Gifford have previously opposed the authority to issue two-thirds of issued share capital with pre-emption rights. However, they have supported the higher level of issuance authority this year to provide companies with additional flexibility in the current market environment.			
Ping An Insurance	Elect Director(s)	Against	Pass
Baillie Gifford opposed the re-election of a non-executive director as he is a shareholder representative and sits on the Audit Committee, which should be comprised entirely of independent directors.			

Signed: Richard Kershaw _____, Chair of Trustees

Date: 1st November 2021