

Implementation Statement

Scott Bader Retirement Benefits Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Scott Bader Retirement Benefits Scheme ("the Scheme") to set out the following information over the year to 31 December 2022:

- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes; and

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 31 December 2022 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in June 2020 and has been made available online here: [Statement of Investment Principles \(scottbader.com\)](https://www.scottbader.com)

At this time, the Trustee has not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- Investment rights (including voting rights) have been exercised by the investment managers in line with the investment managers' general policies on corporate governance. The Trustee also expects the investment managers to have engaged with companies in relation to ESG matters, and to take these into account in the selection, retention and realisation of investments where appropriate.
- The Trustee is comfortable with the investment managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise returns for a given level of risk.
- The Trustee undertook an initial review of the stewardship and engagement activities of the current managers at their 2 July 2019 meeting, and were satisfied that their policies were reasonable and no remedial action was required at that time.
- All investment managers have attended a Trustee's meeting over the year and they have included a discussion on stewardship and voting as part of their presentations. No further actions were taken following these discussions.

- As part of ongoing monitoring of the Scheme's investment managers, the Trustee uses ESG ratings information provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues. The Trustee receives an annual ESG monitoring report from their investment advisors which summarises the ESG ratings of the investment managers and details on how they manage their ESG risks.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies.

**Prepared by the Trustee of the Scott Bader Retirement Benefits Scheme
May 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the equity investment manager within the Scheme's Growth Portfolio on behalf of the Trustee over the year to 31 December 2022. The M&G credit fund and Columbia Threadneedle's Liability Driven Investment Funds have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate.

Manager	Legal & General Investment Management
Fund name	Global equity fund
Structure	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.
No. of eligible meetings	6,645
No. of eligible votes	67,139
% of resolutions voted	99.87%
% of resolutions abstained	1.29%
% of resolutions voted with management¹	78.85%
% of resolutions voted against management¹	19.86%
Proxy voting advisor employed¹	ISS
% of resolutions voted against proxy voter recommendation	10.38%

¹ As a percentage of the total number of resolutions voted on

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes. At this time, the Trustee has not set stewardship priorities / themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to their investment managers over the period, as the Trustee is yet to develop a specific voting policy. In future, the Trustee will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Legal & General have provided a selection of 639 votes which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustee has selected 3 votes from the manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

A summary of the significant votes provided is set out below.

Legal & General global equity fund (currency hedged and unhedged)

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Amazon.com, Inc.	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.8%	1.8%	1.1%
Summary of the resolution	Resolution 9 - Report on Civil Rights Audit	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 7 - Report on Physical Risks of Climate Change
How the manager voted	For	Against	For
Rationale for the voting decision	Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	53.6%	93.3%	17.7%
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered “significant”	LGIM views gender diversity as a financially material issue for their clients, with implications	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote significant as it is an escalation of their climate-related

Vote 1	Vote 2	Vote 3
for the assets they manage on their behalf.		engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Legal & General Investment Management	M&G Investments
Fund name	Global equity fund	Credit fund
Number of entities engaged on behalf of the holdings in this fund in the year	355	14
Number of engagements undertaken at a firm level in the year	711	197

Examples of engagement activity undertaken over the year to 31 December 2022

Legal & General

Toyota

LGIM originally started their engagement with Toyota in September 2021, alongside fellow shareholders. Their second meeting was held earlier in 2022 to discuss climate change, board composition and capital allocation. They spoke with TMC's Chief Sustainability Officer. Throughout these meetings, which were attended by Toyota's investor relations team and chief sustainability officer, LGIM expressed their concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence, and the company's climate transition strategy and related public policy engagements. In September 2022, LGIM spoke with one of the outside directors on the board and were able to have a candid conversation about how outside directors add value to the board and the quality of board discussions. Given the company's size and influence at Japan's largest business federation and in industry associations, they have always questioned the company's lobbying stance and its alignment with a 1.5°C world. LGIM are delighted to see improved transparency from the company as they published their views on climate public policy in December 2021. Nonetheless, they view corporate transparency to be the first step and hope that this will enable them to have more in-depth conversations on its views on climate and how the company plans to shift its strategy.

M&G

MARKS AND SPENCER PLC

The aim of the engagement was to explore the potential of M&S, British multinational retailer, becoming Real Living Wage accredited. M&G sent a letter to the company to make their expectations known. Marks and Spencer's aim is to maintain pay levels for all M&S colleagues which are competitive in the relevant market. For frontline colleagues in stores, their national and London rates are above the real living wage. As they pay above the Living Wage to their own employees, there is no additional cost of doing so, or impact on pay differentials. Currently their position is that they are not seeking accreditation as a Living Wage Employer. This is because they prefer to set rates independently and do not wish to impose pay arrangements on third-party contractors. The main complexity here would be amending contracts with third-party suppliers. They are, however, committed to paying colleagues fairly and take a range of external factors into consideration when setting their hourly rates, including the real Living Wage rates. They also consider internal factors, such as business performance and the wider reward package, which includes a generous pension and a discount on M&S products. M&S also have one of the lowest turnover rates in the retail sector and colleagues who stay with the business for many years. M&S informed M&G that they work hard to stay engaged with all employees, including a Reward and Wellbeing Survey for last year which provided rich information about what really matters to them. M&G noted the concerns that the company had in regard to becoming accredited, and were happy with the overall work that the company was doing to ensure that employees are fairly paid.