

Linton Park Pension Scheme (2011)

Implementation Statement

This is the Implementation Statement prepared by the Trustee of the Linton Park Pension Scheme (2011) (“the Scheme”) and sets out:

- How the Trustee’s policies on exercising rights (including voting rights) and engagement have been followed over the year.
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 30 June 2022.
- How the Trustee has followed the Statement of Investment Principles (“SIP”) (and policies included in their SIP) over the year.

How voting and engagement policies have been followed

The Scheme’s Defined Benefit (“DB”) section invests entirely in pooled funds. The Defined Contribution (“DC”) section assets are held with Royal London who in turn invest the assets in other funds, some of which are managed by Royal London and some by external providers. Royal London have discretion over the investments of some of these arrangements. Therefore, the Trustee delegates responsibility for carrying out voting and engagement activities to their fund managers.

The Trustee believes that ESG factors are financially material – that is, they have the potential to impact the value of the investments from time to time. The Trustee has received and reviewed voting information and engagement policies from their asset managers to ensure alignment with their own policies in the preparation of this statement. The Trustee also previously received and reviewed a report from their investment consultants that summarised the approaches taken by the investment managers. In 2022 the Trustees also received a report summarising available ESG ratings (provided by their consultants) of each fund to help assess and monitor how the Scheme’s investment managers take account of ESG issues. The Trustee meets with the managers from time to time and discussions include the managers’ engagement and voting activity where relevant.

The Trustee considered ESG, voting and engagement issues when reviewing the DC strategy in 2021 to ensure that they are appropriately considered given the asset classes involved. The changes to the DB strategy over the accounting year involved implementation of a Liability Driven Investment (“LDI”) strategy and an investment in an Asset Backed Securities (“ABS”) fund. When making the investment into LDI, ESG considerations were not considered relevant (as the Trustee does not believe there is scope for ESG issues to materially improve risk-adjusted returns within these holdings. Conversely, the ESG and stewardship credentials of the ABS fund were a significant aspect of the Trustee’s decision to invest in their chosen fund..

The Trustee considers it to be part of their investment managers’ roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, including climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

The Trustee was satisfied that the managers’ policies were reasonable and no further remedial action was required during the period. Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers are in alignment with the Scheme’s stewardship policies.

Data Limitations

Where information is not included in this statement, it has been requested but was not provided in a useable format by the investment managers. The Trustee and their investment consultants are working with the managers to improve the availability and quality of information included in future statements.

Voting undertaken on behalf of the Trustee

Voting only applies to equities held in the portfolio. The Scheme's equity investments within the DB and DC sections are held in pooled funds. The use of pooled funds means that there is limited scope for the Trustee to influence voting, which is carried out by the fund managers on behalf of the Trustee.

The DB Scheme's equity investments are managed by Baillie Gifford, BlackRock, BNY Mellon and Fundsmith. The DC Scheme's equity investments are managed by RLAM and BlackRock. The table below provides a summary of the voting activity undertaken by each manager during the year to 30 June 2022.

Manager	Baillie Gifford	BlackRock	BNY Mellon	Fundsmith	BlackRock		RLAM	
Fund name	UK and Worldwide Equity Fund	BIJF Dynamic Diversified Growth Fund	Real Return Fund	Equity Fund	ACS Global Blend Fund ACS UK Equity Tracker Fund ACS World ex UK Equity Tracker Fund		Aquila Consensus Fund	All RLAM Funds
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.							
Number of company meetings the manager was eligible to vote at over the year	205	990	88	30	1,122	2,207	5,905	Not Available
Number of resolutions the manager was eligible to vote on over the year	2,685	13,141	1,424	500	15,057	27,550	64,807	44,452
% of resolutions the manager voted on	98.4%	94.9%	100.0%	100.0%	96.2%	91.6%	94.6%	99.4%
% of resolutions the manager abstained from, as a % of all resolutions voted on	0.4%	1.7%	0.0%	0.2%	1.9%	0.5%	2.0%	1.0%
% of resolutions voted <i>with</i> management, as a % of all resolutions voted on	98.2%	94.5%	88.1%	90.8%	94.7%	92.8%	92.1%	86.0%
% of resolutions voted <i>against</i> management, as a % of all resolutions voted on	1.4%	5.6%	11.9%	8.6%	5.3%	7.2%	7.9%	13.0%
% of resolutions voted contrary to the recommendation of the proxy advisor	n/a*	0.1%	10.4%	n/a	0.0%	0.4%	0.6%	8.7%
Proxy advisor(s) used	ISS & Glass Lewis	ISS	ISS	None	ISS	ISS	ISS	Glass Lewis

Some voting percentages quoted above may not sum to 100%. The managers note that this is due to classifications of votes and abstentions both internally and across different jurisdictions.

The BlackRock ACS Global Blend Fund consists of two underlying BlackRock equity funds – the ACS UK Equity Tracker Fund and the ACS World ex UK Equity Tracker Fund.

Significant votes

The Trustee has delegated to the investment managers to define what a "significant vote" is. A summary of the data they have provided is set out below. The examples shown have been chosen to demonstrate as far as possible the range of issues on which the manager voted.

Baillie Gifford UK & Worldwide Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Abiomed, Inc.	Galaxy Entertainment Group Ltd	Tesla, Inc.
Date of vote	11 August 2021	12 May 2022	7 October 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.19%	0.24%	0.54%
Summary of the resolution	Remuneration - Say on Pay	Amendment of Share Capital	Shareholder Resolution - Social
How the manager voted	Against	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	No	Yes
Rationale for the voting decision	The manager opposed executive compensation due to concerns with one-off equity awards granted during the year.	The manager opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	The manager opposed a shareholder resolution requesting the appointment of an independent 'human capital management' committee. They believe the company are making good progress in this area, and are unconvinced that an additional committee would add any value for shareholders.
Outcome of the vote	Resolution passed	Resolution passed	Resolution failed
Implications of the outcome	Concerns mainly related to one-off PSU awards ('COVID recovery awards') which were granted to NEOs in Nov 2020. The manager had a call with the company and the awards were explained as pay for performance but they remain concerned that they are to make up for lost equity in 2020.	The manager has opposed similar resolutions in previous years and they will continue to advise the company of their concerns and seek to obtain proposals that they can support.	They continue to engage with the company on this and other issues.
Criteria on which the vote is considered "significant"	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.

BlackRock provide comparatively sparse data on votes and their rationale for these. BlackRock do publish "Vote Bulletins" which can be found here <https://www.blackrock.com/corporate/about-us/investment-stewardship>. Although these Bulletins provided additional rationale for votes and engagement the Trustee cannot guarantee that the Scheme invested in the companies referred to at the time the engagements were carried out.

BlackRock Dynamic Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Costco Wholesale Corporation	Exxon Mobil Corporation	Chevron Corporation
Date of vote	20 January 2022	25 May 2022	25 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		BlackRock did not provide this data.	
Summary of the resolution	Report on Green House Gas Emissions Reduction Targets	Report on Scenario Analysis Consistent with International Energy Agency's Net Zero by 2050	Reduce Ownership Threshold for Shareholders to Call Special Meeting
How the manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		BlackRock did not provide this data.	
Rationale for the voting decision	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	The manager believes it is in the best interests of shareholders to have access to greater disclosure on this issue.	The manager does not believe the proposed threshold to call special meetings is sufficient to avoid waste of corporate resources.
Outcome of the vote	Resolution passed	Resolution passed	Resolution failed
Implications of the outcome		BlackRock did not provide this data.	
Criteria on which the vote is considered "significant"		BlackRock did not provide this data.	

BNY Mellon Real Return Fund

	Vote 1	Vote 2	Vote 3
Company name	Alphabet Inc.	Bayer AG	Greencoat UK Wind PLC
Date of vote	1 June 2022	29 April 2022	28 April 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.03%	1.14%	1.68%

	Vote 1	Vote 2	Vote 3
Summary of the resolution(s)	Political Lobbying Disclosure	Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights
How the manager voted	For	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No
Rationale for the voting decision	The company's disclosures do not include information on payments made to trade associations or dues to third-party organisations. Increased disclosure will assist shareholders in assessing the risks associated with the company's use of corporate funds.	The supervisory board exercised discretion for STIPs resulting in payouts that are not aligned with the company's performance. The management continues to be rewarded for underperformance where 40% of long-term awards vested despite share price lagging the benchmark.	The manager raised concerns over the past share issuance undertaken by the trust. They believe the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.
Outcome of the vote	Resolution failed	Resolution failed	Resolution failed
Implications of the outcome	The voting rights are controlled by the company's executives, hence the vote results for many of the resolutions show a majority of the company's minority shareholders retain fundamental concerns. Where near 20% of votes by shareholders are made on proposals it is a clear indication as to where the company is expected to make improvements.	The vote outcome demonstrates the dissatisfaction of the shareholders regarding the pay practices of the company. Such overwhelming dissent cannot be ignored and the manager expects the company to reach out to shareholders for feedback to be able to effectively allay their concerns.	The vote outcome demonstrated that a super majority of shareholders are not concerned with the potential valuation dilution. As such, these shareholders' right to complain is lost should the company place new shares with investors that are priced below the share's net asset value.
Criteria on which the vote is considered "significant"	High level of shareholder dissent.	This is determined to be a significant vote given that a majority of shareholders voted against the company's remuneration policy.	The proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.

Fundsmith Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Nike Inc	PepsiCo Inc	Amazon
Date of vote	6 October 2021	04 May 2022	25 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.7%	4.0%	2.5%

	Vote 1	Vote 2	Vote 3
Summary of the resolution(s)	Vote to approve executive compensation.	Shareholder vote to appoint an independent board chairman	Vote to approve executive compensation.
How the manager voted	Against	For	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	No	No
Rationale for the voting decision	The structure of the remuneration policy fails to adequately incentivise long-term, sustainable growth.	The manager believes that an independent chair is important for impartial decision making and promoting long term thinking on the board.	The structure of the remuneration policy fails to adequately incentivise long-term, sustainable growth.
Outcome of the vote	Resolution passed	Resolution failed	Resolution passed
Implications of the outcome		Not reported	
Criteria on which the vote is considered "significant"		Topic of vote	

Royal London Asset Management

The Scheme has equity exposure with Royal London via a small allocation to emerging market equities within the ACS Global Blend Fund. The following data provided by Royal London is at manager (not fund) level.

	Vote 1	Vote 2	Vote 3
Company name	Fuller, Smith & Turner	Exxon Mobil Corp	Ninety One plc
Date of vote	September 2021	RLAM did not provide this data	August 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		RLAM did not provide this data	
Summary of the resolution	Approve introduction of an additional, one-off recovery long-term incentive plan	Proxy contest in which activist shareholder Engine No1 put forward four directors for election on a dissident proxy card.	A proposed new approach to climate change
How the manager voted	Against	For	Abstained (vote against)
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		RLAM did not provide this data	Yes
Rationale for the voting decision	The manager noted some concerns with the company's performance, dating back to pre-COVID-19 periods, and were not satisfied with the choice of performance measures to be used under the new plan. The manager believed the recovery goals should have already been incorporated into the existing LTIP, and there was no need for an additional plan.	Engine No1 was seeking to address the lack of strategy or expertise on climate change at Exxon. Following internal discussion and engagement with both Exxon and Engine No1, the manager decided to vote in support of three nominees on the dissident card at the AGM.	In the manager's view, the high-level nature of the company's climate transition plans fell short of what they were asking of its peers, namely the inclusion of tangible targets over short-, medium- and/or long-term timeframes. Although the manager is supportive of this type of reporting at companies, the lack of detail presented by Ninety One was too much of a concern for RLAM.
Outcome of the vote	Resolution was passed	RLAM did not provide this data	RLAM did not provide this data
Implications of the outcome	RLAM did not provide this data	As the proxy results later revealed, the three nominees that the manager supported were successfully elected to the board following backing by a large group of shareholders.	RLAM did not provide this data
Criteria on which the vote is considered "significant"	RLAM did not provide this data	This vote was unprecedented – it was the first time a slate of climate experts had been elected to a US company through a proxy contest. This was the result of significant and prolonged shareholder discontent with Exxon's strategic response to climate change.	RLAM did not provide this data

BlackRock ACS Global Blend

	Vote 1	Vote 2	Vote 1	Vote 2
Company name	Chevron Corporation	Ocado Group Plc	Costco Wholesale Corporation	Exxon Mobil Corporation
Date of vote	25 May 2022	4 May 2022	20 January 2022	25 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	BlackRock did not provide this data.			
Summary of the resolution	Adopt Medium and Long-Term Green House Gas Emissions Reduction Targets	Approve Remuneration Policy	Report on Charitable Contributions	Report on Scenario Analysis Consistent with International Energy Agency's Net Zero by 2050
How the manager voted	Against	Against	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	BlackRock did not provide this data.			
Rationale for the voting decision	The manager notes that this is not in shareholders' best interests and that the company already provides sufficient disclosure and/or reporting regarding this issue.	The manager believes that the company's remuneration arrangements are poorly structured.	The manager believes that the company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	The manager believes it is in the best interests of shareholders to have access to greater disclosure on this issue.
Outcome of the vote	Resolution failed	Resolution passed	Resolution failed	Resolution passed
Implications of the outcome	BlackRock did not provide this data.			
Criteria on which the vote is considered "significant"	BlackRock did not provide this data.			

BlackRock Aquila Consensus Fund

	Vote 1	Vote 2	Vote 3
Company name	China Tower Corporation Limited	Royal Dutch Shell Plc	AGL Energy Limited
Date of vote	14 January 2022	24 May 2022	22 September 2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		BlackRock did not provide this data.	
Summary of the resolution	Elect Deng Shiji as Director and Authorize Board to Fix His Remuneration	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Approve Paris Goals and Targets
How the manager voted	Against	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?		BlackRock did not provide this data	
Rationale for the voting decision	BlackRock voted against director due to concerns of gender-related diversity at the board level.	BlackRock believe the proposal is not in shareholders' best interests.	The manager is supportive of the company's efforts to date on these issues.
Outcome of the vote	Resolution passed	Resolution failed	Resolution was withdrawn
Implications of the outcome		BlackRock did not provide this data	
Criteria on which the vote is considered "significant"		BlackRock did not provide this data	

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. Whilst the Scheme's bond holdings do not attach any voting rights, the Trustee focuses on how the investment process and profile of the managers is aligned with the Scheme's ESG policies.

The tables below provides a summary of the engagement activity undertaken by Baillie Gifford, BlackRock, BNY Mellon, Fundsmith, M&G and RLAM during the year at a firm level.

Manager	Baillie Gifford		BlackRock		BNY Mellon
Fund name(s)	UK and Worldwide Equity Fund	BIJF Dynamic Diversified Growth Fund	ACS Global Blend	Aquila Consensus	Real Return Fund
Does the manager perform engagement on behalf of the holdings of the fund(s)	Yes	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in the fund(s) in the year	169	926	ACS UK Equity Tracker Fund: 3,070 ACS World ex UK Equity Tracker Fund: 1,703	3,149	42
Number of engagements undertaken at a firm level in the year	1,323		Over 3,690		174
Number of companies the manager engaged with at a firm level during the year	Not provided		Over 2,460		151
Examples of engagements undertaken at a firm level in the year	<p>Netflix Inc. – Baillie Gifford continued their dialogue on Netflix's approach to sustainability issues and how they relate to the long-term strategy.</p> <p>BHP Group plc – the manager engaged with the Chairman Ken MacKenzie and Vice President, Sustainability and Climate Change, Fiona Wild to discuss the climate transition resolution on the company's AGM agenda.</p>		<p>BlackRock did not provide specific engagement examples for these funds.</p> <p>Their high level engagement topics include: Board quality and effectiveness, Climate and natural capital, Strategy, purpose, and financial resilience, Incentives aligned with value creation and Company impacts on people</p>		<p>Bank of America – engaged on the company's net zero approach, concerns on target clarity and escalation processes for the strategy.</p> <p>Informa– engaged with the company on its new performance based long term incentive plan remuneration policy.</p>

Manager	Baillie Gifford		BlackRock	BNY Mellon
Manager	Fundsmith	M&G	Insight	RLAM
Fund name(s)	Equity Fund	All Stocks Corporate Bond Fund	High Grade ABS Fund	All DC Funds
Does the manager perform engagement on behalf of the holdings of the fund(s)	Yes	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in the fund(s) in the year	51	30	c.50	Not provided
Number of engagements undertaken at a firm level in the year	207	Not provided	797	368
Number of companies the manager engaged with at a firm level during the year	177	Not provided	571	221
Examples of engagements undertaken at a firm level in the year	<p>Church & Dwight – engaged with Church & Dwight as they felt that the metrics used in the company’s remuneration policy did not adequately incentivise long-term, sustainable growth.</p> <p>Becton Dickinson – discussed the risks associated with issues regarding some of their products and to understand how they were managing and mitigating the reputational impacts of these issues.</p>	<p>Bouygues – To encourage Bouygues to disclose its current modern slavery policies and evidence how they are mitigating the risk of modern slavery in the supply chain.</p> <p>BT Group Plc – To request improved disclosures from British telecommunications company BT Group, concerning its copper network switch off.</p>	<p>Their high level engagement topics include climate change, diversity & inclusion, ESG-linked remuneration and water.</p>	<p>HSBC – engaged with HSBC on how banks can meet net zero targets. More specifically, they discussed coverage and quality of data to ensure key emitters are covered.</p> <p>They have set six engagement themes for 2022-2024: Climate change; Social & financial inclusion; Innovation, technology & society; Governance & corporate culture; Health; and Biodiversity.</p>

How the SIP has been followed over the year

In the Trustee's opinion, the SIP has been followed over the year in the following ways:

- The Trustee monitored the performance of the strategy, asset allocation and investment managers/funds to ensure that these remain appropriate. Their investment consultants provided updates at Investment Sub-Committee ("ISC") meetings to assist with this process. This includes quarterly monitoring reports for the DB section and six-monthly reports for the DC section. The Trustee receives updates on the Employer Covenant at Trustee meetings to monitor this over time.
- The Trustee reviews the appropriateness of the investment strategy on an ongoing basis and conducts formal strategy reviews at least once every three years. The most recent formal investment strategy review of the DB section was conducted over late 2020 and into 2021. The employer was consulted prior to amending the strategy.
- The Trustee believes that the DC section offers a suitable default strategy for members. The most recent review of the DC strategy concluded in 2021, the Trustee deemed the default strategy was appropriate to continue meeting the Trustee's objectives.
- The DC section offers a range of self-select fund options, which give members a reasonable choice from which to select their own strategy. In the review of the DC strategy that concluded in 2021, the Trustee deemed the self-select options were reasonable in meeting the Trustee's objectives.
- The Trustee considered ESG, voting and engagement issues when reviewing the DC strategy to ensure that they are appropriately taken into account given the asset classes involved. The changes to the DB strategy over the accounting year involved implementation of a Liability Driven Investment ("LDI") strategy and an investment in an Asset Backed Securities ("ABS") fund, both with Insight. When making the investment into LDI, ESG considerations were not considered relevant (as the Trustee does not believe there is scope for ESG issues to materially improve risk-adjusted returns within these holdings). Conversely, the ESG and stewardship credentials of the ABS fund were a significant aspect of the Trustee's decision to invest in their chosen fund.
- The Trustee has a policy of meeting its investment managers from time to time to monitor performance and mitigate manager risk. During the year, the Scheme's Investment Subcommittee ("ISC") met with Insight (September 2021), Fundsmith (February 2022) and Baillie Gifford (May 2022) to receive updates on recent performance and relevant market challenges. In addition, where relevant, the managers provided information on their approach to incorporating environmental, social and governance factors, as well as stewardship.
- The Trustee held the view that the funds invested in by both the DB and DC sections were managed over the year in accordance with their views on financially material factors.
- The Trustee, via the ISC, received ESG, voting and engagement information from the Scheme's managers, collated by its investment consultants, including the information in this statement. The Trustee was satisfied that the managers' policies were reasonable and no further remedial action was required during the period. The Trustee previously received and reviewed a report from their investment consultants that summarised the approaches taken by the investment managers. In 2022, the Trustees also received a report summarising available ESG ratings (provided by their consultants) of each fund to help assess and monitor how the Scheme's investment managers take account of ESG issues.
- The SIP is reviewed alongside any changes to underlying funds or investment strategy (and at least every three years). The SIP was last updated in September 2021 to reflect an update to the protection portfolio of the DB Section.

**Prepared by the Trustee of the Linton Park Pension Scheme (2011)
January 2023**