

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 2023:

- 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.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at 31 December 2023 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/statement-of-investment-principles)

The Trustee has set diversity, equity and inclusion as a stewardship priority for the Scheme. The Statement of Investment Principles is being updated to reflect this.

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.
- The Trustee obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.

- As part of ongoing monitoring of the Scheme's investment managers, the Trustees use ESG ratings information available within the pensions industry or 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 Trustees are comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies.

**Prepared by the Trustees of the Scott Bader Retirement Benefits Scheme
April 2024**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustee over the year to 31 December 2023. 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 and General Investment Management ("LGIM")
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	6,569
No. of eligible votes	64,915
% of resolutions voted	99.90%
% of resolutions abstained	0.52%
% of resolutions voted with management¹	79.43%
% of resolutions voted against management¹	20.05%
Proxy voting advisor employed¹	ISS
% of resolutions voted against proxy voter recommendation	11.32%

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, more 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. In February 2024, the Trustee set diversity, equity and inclusion as a stewardship priority for the Scheme.

LGIM have provided a selection of 945 votes which they believe to be significant. The Trustee selected 3 of the most significant votes for each fund which relate to the stewardship priority of the Scheme.

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

LGIM global equity fund (currency hedged and unhedged)

	Vote 1	Vote 2	Vote 3
Company name	NVIDIA Corporation	Amazon.com, Inc.	Tesla, Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.46%	1.52%	0.69%
Summary of the resolution	Resolution 1i - Elect Director Stephen C. Neal	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps	Resolution 1.2 - Elect Director Robyn Denholm
How the manager voted	Against (against management recommendation)	For (Against Management Recommendation)	Against (against management recommendation)
Rationale for the voting decision	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	Classified Board: A vote against is applied as LGIM supports a declassified board as directors should stand for re-election on an annual basis. Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female. A vote AGAINST audit committee chair Robyn Denholm is warranted given concerns on the risk oversight function of the board, in light of the pledging of a significant amount of the company's stock by certain directors and executives.
Outcome of the vote	Data not provided	29% (Fail)	Data not provided
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor

	Vote 1	Vote 2	Vote 3
	company and market-level progress.		company and market-level progress.
Criteria on which the vote is considered "significant"	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. 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	LGIM	M&G Investments
Fund name	Global Equity Fund	Credit Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	898	9
Number of entities engaged on behalf of the holdings in this fund in the year	626	7
Number of engagements undertaken at a firm level in the year	2,486	304

Examples of engagement activity undertaken over the year to 31 December 2023

LGIM

Volkswagen

Volkswagen is one of the largest automotive manufacturers in the world, having multiple production facilities across a number of regions. Volkswagen has a particularly large presence in China, where it has been present since the 1980s. In 2022, China comprised just under 40% of the company's global vehicle deliveries. Volkswagen opened a plant in Urumqi, Xinjiang in 2013 via one of its joint ventures ('JV'). Over recent years, multinational corporations have faced allegations of using forced labour in their operations in this region. In late 2022, MSCI responded to allegations of forced labour by assigning a red controversy flag to Volkswagen.

As part of their engagement, LGIM are looking to:

1. Understand the nature of Volkswagen's presence in Xinjiang and how it enforces its governance practices via the JV.
2. Work with the company as they identify a solution to obtain the removal of the red flag from the external agency.

3. Determine long-term solutions to prevent future governance controversies relating to human rights or labour-related practices.

For many years LGIM have maintained a regular and continuous dialogue with the company regarding strategic direction and other governance questions, e.g. following the 'Diesel-gate' scandal in 2015. Since MSCI assigned a red flag controversy in late 2022, LGIM increased dialogue with the company further, and have engaged on the question of human rights and the company's presence in Urumqi with senior management including the CFO and head of treasury, as well as investor relations. Communication has taken place via multiple communication channels, including in person, conference calls and written correspondence.

LGIM's engagement with Volkswagen has been well received and they are happy that the company has taken the issue very seriously and acted to attempt to resolve the situation in a proactive and pragmatic manner. Following multiple discussions with investors, Volkswagen resolved to obtain an independent audit of its JV plant in Xinjiang, which was conducted in December 2023. This audit was conducted by a high profile and well-respected body and appears to address the main concerns around operations at the plant. The completion of the audit resulted in MSCI subsequently removing its red controversy flag. As a result of the removal of the red flag, it is now possible for a greater proportion of LGIM funds to participate in new bond issuances.

M&G

IPD 3 BV

M&G engaged with IPD 3 BV on the topic of Social Inequality. M&G requested that the Borrower domiciled in the Netherlands improve their compliance with the Scottish Housing Quality Standard ("SHQS"). M&G requested and held a video call with senior management to discuss actions being taken to improve compliance and make their expectations known to the Borrower. SHQS is a measure of the quality of social housing stock and information submitted by the Borrower to the Scottish Housing Regulator (SHR) as at 31 March 2022 was as follows: Compliant: 41%, Non-Compliant: 39% and Exempt: 20%. The proportion of the Borrower's housing stock rated Compliant with SHQS has dropped significantly from 96% the previous year. The average level of compliance by Scottish housing associations is 73%. Management stated this drop had been driven by the introduction of new regulations, specifically:

1. The requirement to test electrical systems in a property and renew EICR certificates every five years, previously every 10 years, and
2. Install interlinked fire detector systems.

The remediation plan to improve the poor level of compliance was discussed, with the Borrower confirming it was allocating additional resources to complete electrical checks. There are currently two in-house electricians, and the aim is to double this to four in the coming financial year, with approximately 1,600 electrical checks to complete. There was a supply issue with interlinked fire detectors which has already been resolved and the Borrower noted it expected to be compliant with this regulation by 31 March 2023. The Borrower also has 20% of housing stock classified as Exempt. The Borrower advised that these are properties that do not have a valid Energy Performance Certificate ("EPC") and a programme to issue up-to-date EPCs is underway, to enable properties to be re-classified as Compliant. Management emphasised their view that the quality of properties had not deteriorated in the past year but the issue was a lack of formal certification. M&G reiterated that they were very focused on seeing an improvement in the level of compliance and requested that at least 90% of housing stock is rated SHQS Compliant by 31 March 2024, with an interim target that 50% of housing stock is rated SHQS Compliant by 31 March 2023. Management noted this and agreed with the targets.