

Implementation Statement



STONEPORT
PENSIONS

Implementation Statement

The Stoneport Pension Scheme

This is the Implementation Statement prepared by the Trustees of Stoneport Pension Scheme (“the Scheme”) and sets out:

-) How the Trustees’ policies on exercising rights (including voting rights) and engagement have been followed over the year to 31 December 2023.
-) The voting and engagement behaviour of the Trustees, or that undertaken on their behalf, over the year.

Stewardship policy

The Trustees’ Statement of Investment Principles (SIP) in force at 31 December 2023 describes the Trustees’ stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in October 2020 and has been made available online here:

<https://www.stoneport.co.uk/wp-content/uploads/2020/10/Statement-of-Investment-Principles.pdf>

Since the end of December 2023, the Trustees have been in the process of making changes to the investment strategy and are currently updating the SIP. Once finalised, a copy of the updated SIP will be made available online.

There were no changes made to the stewardship policy over the year.

The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and the undertaking of engagement activities to the Fund’s investment managers.

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

How voting and engagement policies have been followed

Voting and engagement policies

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers mitigate risk and improve long term returns.

Where the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme’s investments to the Investment Managers. Where the Scheme invests in segregated mandates the Trustees will have greater influence on the policies and practices of the companies in which the Investment Managers invest. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees’ expectations, then the Trustees may consider terminating the relationship with that Investment Manager.

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Policy implementation

The Scheme's assets currently consist of an Investment Fund, invested in growth assets, and a Matching Fund invested in protection assets. The Investment Fund is fully invested in an underlying fund managed by Baillie Gifford & Co ("Baillie Gifford") and is administered by Mobius Life via their platform. The Matching Fund is invested in underlying funds managed by Legal and General Investment Management ("LGIM") and Insight Investment Management ("Insight"). The Matching Fund assets are administered by Mobius Life via their platform.

When appointing Baillie Gifford, the Trustees' investment consultant provided a fund manager recommendation paper which covered ESG and stewardship matters. Based on this report, the Trustees were comfortable that the fund manager's overall approach to these matters was reasonable in the context of their own policies. The Trustees also met with Baillie Gifford in December 2023 where they discussed how Baillie Gifford incorporate ESG matters into the investment process.

The Matching Fund with Mobius is invested in a mix of LDI, gilts and cash funds. There are no voting rights attached to these investments and the scope for engagement is extremely limited given the nature of these asset classes.

The Trustees have reviewed the stewardship and engagement activities of their managers through the preparation of this Implementation Statement. They are satisfied that their stewardship policy has been followed and that no further action is required as a result.

Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are broadly in alignment with the Scheme's stewardship policies.

**Prepared by the Trustees of the Stoneport Pension Scheme
April 2024**

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Voting Data

Voting only applies to equities held in the portfolio. The Scheme's equity investments at the year-end were held through an underlying pooled fund with Baillie Gifford, and as such Baillie Gifford votes on behalf of the Trustees.

Manager	Baillie Gifford
Fund name	Diversified Growth Fund
Structure	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
Number of company meetings the manager was eligible to vote at over the year	66
Number of resolutions the manager was eligible to vote on over the year	703
Percentage of resolutions the manager voted on for which they were eligible	94.6%
Percentage of resolutions the manager abstained from	0.3%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	97.0%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	2.7%
Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor	N/A

The use of proxy voting is summarised below:

- J Baillie Gifford – Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource stewardship activities or follow or rely upon their recommendations when deciding how to vote. All client voting decisions are made in-house. Baillie Gifford votes in line with their in-house policy and not with the proxy voting providers' policies.

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 Trustees over the year to be set out. 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 or themes. At this time, the Trustees have not set stewardship priorities or 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. As a result, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a "significant vote". The Trustees have not communicated voting preferences to their investment managers over the period, including in relation to what they considered to be significant votes prior to these votes taking place. This is because the

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Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities or themes.

Baillie Gifford have provided a selection of 10 votes which they believe to be significant. In the absence of agreed stewardship priorities or themes, the Trustees have selected 3 votes that cover a range of themes to represent what they consider 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.

Baillie Gifford, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Prysmian S.P.A.	Prologis, Inc.	American Tower Corporation
Date of vote	19 April 2023	4 May 2023	24 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	5.9%	6.3%	2.3%
Summary of the resolution	Remuneration	Remuneration	Appoint/Pay Auditors
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	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. They believe the use of discretion should be carefully evaluated, and used to support and prioritise the long-term prospects of the business. Baillie Gifford are not convinced that this use of discretion meets that bar.	Baillie Gifford opposed executive compensation because they do not believe the performance conditions for the long term incentive plan are sufficiently stretching.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. They believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.
Outcome of the vote	Pass	Fail	Pass
Implications of the outcome	Baillie Gifford will communicate their rationale for voting against the remuneration report. Baillie Gifford supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.	Baillie Gifford will re-iterate their expectation to the Company and monitor the evolution of pay going forward.	Although not a regulatory requirement in the U.S., Baillie Gifford consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. They asked about plans to tender last year but did not receive a response. This year

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		Baillie Gifford decided to escalate their voting action to oppose the auditor and will continue to share their expectations with the company.
Criteria on which the vote is considered "significant"	Baillie Gifford have deemed the resolution significant because it received greater than 20% opposition.	This resolution is significant because Baillie Gifford opposed the election of auditors.

Fund level engagement

The table below provides a summary of available engagement information for Baillie Gifford. The scope for engagement within the Matching Fund (invested in a mix of gilts, LDI and cash funds) is extremely limited given the nature of the asset classes and so engagement data has not been provided for these funds.

Manager (fund names)	Baillie Gifford Diversified Growth Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	32
Number of engagements undertaken at a firm level in the year	744

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Examples of engagement undertaken

The table below provides an example of engagement activity undertaken by Baillie Gifford during the year.

Fund	Engagement example
Baillie Gifford Diversified Growth Fund	<p>China Longyuan (CL): Climate Change</p> <p>Baillie Gifford met with management to discuss three climate-related matters. Firstly, they reached out to commend the company for its first-time Scope 1 and 2 emissions disclosure in its 2022 ESG Report, increasing transparency. Secondly, they engaged to request details around Scope 3 emissions disclosure timelines. And thirdly, they urged the company to make a formal commitment to an emissions reduction target to increase accountability.</p> <p>Baillie Gifford believe that decarbonising the power sector is vital in achieving global climate ambitions, and while this is the largest wind power operator in the world, the company still emitted >10 million tons of carbon dioxide from its coal power generation during 2022. Baillie Gifford's discussion centered around the company's environmental disclosure and what its intentions are regarding the establishment of emission reduction targets. Although this meeting confirmed to them that the company seems to be making progress in improving its environmental management and disclosure, Baillie Gifford believe this is slow and short-term in nature, given the environmental materiality of its operations. To complement the short-term coal disposal commitment (three years from IPO in 2022), Baillie Gifford would have also expected more to have been done to link the company's strategic ambitions to be a wind power leader and China's overarching and longer-term net zero ambition. Nevertheless, Baillie Gifford see the coal disposal as a game-changer for the company's emissions (itself a question of when rather than if).</p> <p>Learnings from this engagement are feeding into Baillie Gifford's ongoing review of the investment case for this holding.</p>