

# **W.A. Fairhurst & Partners 1997 Retirement Plan Implementation Statement for the year ended 30 June 2022**

## **Purpose**

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This Implementation Statement provides information on how, and the extent to which, the Trustees of the W.A. Fairhurst & Partners 1997 Retirement Plan (“the Scheme”) have followed the policies documented in their Statement of Investment Principles (“SIP”) during the year ended 30 June 2022 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## **Latest review of the Statement of Investment Principles**

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The Scheme’s SIP was last reviewed and amended from September 2020. This review was initiated due to new regulations that took effect on the 1<sup>st</sup> October 2020 requiring Trustees to update their SIP to include the following;

> Additional information on the Trustee’s policy in relation to:

- The exercise of rights (including voting rights) attaching to investments; and
- The undertaking of engagement activities in respect of the investments (e.g. the approach to monitoring investment managers over how they take into account performance, strategy, capital structure, management of actual or potential conflicts of interest and ESG issues in relation to issuers of debt or equity).

> The Trustee’s policy relating to arrangements with asset managers, including how the following matters are set out:

- Incentives for asset managers to align their investment strategy and decisions with the Trustee’s investment policies;
- Incentives for asset managers to make decisions based on medium to long term financial and non-financial performance assessments of an issuer of debt or equity and to engage with the issuer in order to improve performance over the medium to long term;
- How the method and time horizon of the evaluation of an asset manager’s performance and the remuneration for their services are in line with the Trustee’s investment policies;
- The monitoring of “portfolio turnover costs” incurred by the asset manager and how the trustees define and monitor targeted portfolio or turnover range; and
- The duration of the arrangement with the asset manager.

No review of the statement took place in this reporting year.

## **Investment-related activity during the reporting year**

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During the year, the Trustees received semi-annual Governance reports from the Investment Advisor, XPS. These detail asset valuations at quarter end, any significant cashflows that occurred over the period, and performance details of each fund the Scheme is invested in. There were no material changes made to the investment policy of the Plan over the year in question.

## **The Trustees’ investment policies**

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The Trustees have various investment policies for the Scheme on the topics listed in the table below; the table also provides commentary on how and the extent to which the various policies were followed during the reporting year.

Policy	How the policy was followed	The extent to which the policy was followed
Exercise of rights (including voting rights) attaching to investments	The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Manager and the managers of the underlying funds.	The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements (See voting section).
Undertaking of engagement activities in respect of the investments	The Trustees encourage the Investment Manager to engage with investee companies and funds and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks (including climate change), social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Manager to report on significant votes made on behalf of the Trustees.	The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements (See voting section).
Incentives for asset managers to align their investment strategy and decisions with the Trustees' investment policies	The Investment Manager is incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Manager for the Plan's investment strategy is dependent upon them doing so. The Investment Manager is therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations.	The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements.
Incentives for asset managers to make decisions based on medium to long term financial and non-financial performance assessments of an issuer of debt or equity and to engage with the issuer in order to improve performance over the medium to long term	The Trustees encourage the Investment Manager to make decisions in the long-term interests of the Plan. 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 the Investment Manager to mitigate risk and improve long term returns. The Trustees also require the Investment Manager to take ESG factors and climate change risks into consideration within their decision-making, where possible, as the Trustees believe these factors could have a material financial impact in the long-term.	The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements.
How the method and time horizon of the evaluation of an asset manager's performance and the remuneration for their services are	The Trustees receive regular performance monitoring reports from the Investment Manager, which consider performance over the quarter, one year and three-year periods, and since inception. In addition, XPS Investment provide semi-annual	The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements.

<p>in line with the Trustees' investment policies</p>	<p>governance reports to review the performance of the Investment over the short and longer terms. Monitoring over the longer term, in this way, is particularly aligned with the Trustees taking a long term perspective on investment performance. This monitoring helps to determine the Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review.</p> <p>The Trustees monitor the investment manager's fees as part of the semi-annual governance reports provide by XPS Investment. The Trustees are therefore regularly reminded of the additional importance to be attributed to considering the Investment Manager's performance (both in terms of pure investment performance and the value provided in other governance aspects), when considering the Investment Manager's ongoing involvement with the Plan. If consideration is given to changing Investment Manager, the ongoing charging structure would become a higher priority.</p>	
<p>The monitoring of "portfolio turnover costs" incurred by the asset manager and how the Trustees define and monitor targeted portfolio or turnover range</p>	<p>The Trustees will consider monitoring turnover only when deemed appropriate in the context of their wider performance monitoring. The Trustees understand that the Investment Manager's performance is quoted net of turnover costs therefore these are not specifically monitored.</p>	<p>The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements.</p>
<p>The duration of the arrangement with the asset manager</p>	<p>The appointment of the Investment Manager is expected to be long-term, but the Trustees will review the appointment of the Investment Manager in accordance with their responsibilities.</p> <p>If the Trustees are not satisfied with the performance of the Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, they will remove the Investment Manager and appoint another.</p>	<p>There was no need to consider removing the investment managers during the year under review.</p>
<p>Delegating monitoring/ management of ESG/climate change risks</p>	<p>The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's Investment Managers. The Trustees require the Plan's Investment Managers to take ESG and climate change risks into</p>	<p>The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements.</p>

	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.	
Approach to non-financial matters	Non-financial matters (such as member views) should not be taken into account in the selection, retention and realisation of investments.	The Trustees were satisfied that they followed the policy to a sufficient extent under the existing investment arrangements.

The Trustees conclude that the policies detailed in the relevant Statement(s) of Investment Principles have been followed during the reporting year.

## Voting

The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Plan'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.

The main asset class where the investment managers will have voting rights is equities. The Scheme has specific allocations to equities, in UK and overseas markets. Investments in equities will also form part of the strategy for the multi-asset funds in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the investment manager organisations for the relevant funds is shown below.

Please note that the following voting data is sourced from the investment managers and so reference to 'I'/'We' is reference to the Investment Managers directly and not to the scheme Trustees.

### Baillie Gifford Global Alpha Growth Fund

The manager voted on 96.43% of resolutions of which they were eligible out of 1231 eligible votes.

### Investment Manager Client Consultation Policy on Voting

All voting decisions are made by our Governance & Sustainability team in conjunction with investment managers. We do not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then we will engage with them on this. If a vote is particularly contentious, we 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 our clients' holdings is an integral part of our commitment to stewardship. We believe that voting should be investment led, because how we vote is an important part of the longterm investment process, which is why our strong preference is to be given this responsibility by our clients. The ability to vote our clients' shares also strengthens our position when engaging with investee companies. Our Governance and Sustainability team oversees our voting analysis and execution in conjunction with our investment managers. Unlike many of our peers, we do not outsource any part of the responsibility for voting to third-party suppliers. We utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with our Governance & Sustainability Principles and Guidelines and we endeavour to vote every one of our 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 we have opposed mergers and acquisitions
- Where we have opposed the financial statements/annual report
- Where we have opposed the election of directors and executives.

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

Whilst we are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), we do not delegate or outsource any of our stewardship activities or follow or rely upon their recommendations when deciding how to vote on our clients' shares. All client voting decisions are made in-house. We vote in line with our in-house policy and not with the proxy voting providers' policies. We also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
<b>ABIOMED, INC.</b>	<b>Remuneration - Say on Pay</b>	<b>Against</b>	<b>Pass</b>
Ahead of voting we had a call with the company to discuss the executive compensation resolution. Following discussions with the company and internally we took the decision to oppose the resolution and following the submission of our votes we communicated this to them. We continue to engage with the company on compensation and other ESG issues.			
<b>TESLA, INC.</b>	<b>Shareholder Resolution - Social</b>	<b>Against</b>	<b>Pass</b>
We took the decision to oppose this proposal as we believe the company has made great strides in their approach to diversity, equity and inclusion and associated reporting, and continue to be responsive to our feedback.			
<b>BHP GROUP PLC</b>	<b>Shareholder Resolution - Climate</b>	<b>For</b>	<b>Pass</b>
In advance of the AGM we engaged with the company on a number of climate related and shareholder resolutions. One resolution we engaged on was requesting the company to strengthen its review of industry associations to ensure that it identifies areas of inconsistency with the Paris Agreement. This resolution had been put forward at the 2019 and 2020 AGMs however failed only receiving 27% and 22% support respectively. Previously we had opposed the resolution as we were comfortable management were making sufficient progress however this year management recommended support for the resolution, and as such we voted in favour. The resolution received over 98% support.			
<b>THE CHARLES SCHWAB CORPORATION</b>	<b>Shareholder Resolution - Governance</b>	<b>Against</b>	<b>Fail</b>
We acknowledge managements willingness to progress their governance practices and we supported the management resolution.			
<b>THE TRADE DESK, INC.</b>	<b>Remuneration</b>	<b>Against</b>	<b>Pass</b>
We did not feel that the executive compensations large quantum and poor performance aligned with shareholders interests.			

### Baillie Gifford Managed Pension Fund

The manager voted on 98.54% of resolutions of which they were eligible out of 2947 eligible votes.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
<b>B3 SA - BRASIL BOLSA BALCAO</b>	<b>Elect Director(s)</b>	<b>Against</b>	<b>Fail</b>
This is a routine resolution in Brazil which we always oppose as a matter of principle as we do not believe it is in the best interests of shareholders who vote by proxy to allow our votes to be applied to director candidates that we have not had the chance to review in advance.			
<b>STANDARD CHARTERED PLC</b>	<b>Remuneration</b>	<b>Against</b>	<b>Pass</b>
We have been opposing remuneration at Standard Chartered for a number of years as we do not agree with the inclusion of fixed pay allowances (FPA) within executive remuneration. We responded to a remuneration consultation before the AGM. We remained concerned with the payment of shares (formerly known as FPAs) in addition to cash as part of base salary, the inclusion of the shares based pay in the pension contribution calculation, and the inclusion of total fixed pay (which includes cash, shares and pension) to calculate total variable pay opportunity. We explained our concerns to the company and opposed remuneration at the AGM as our concerns were not addressed. We will continue to engage with the company on this issue to encourage change.			
<b>GALAXY ENTERTAINMENT GROUP LTD</b>	<b>Amendment of Share Capital</b>	<b>Against</b>	<b>Pass</b>
We opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. We have opposed similar resolutions in previous years and will continue to advise the company of our concerns and seek to obtain proposals that we can support.			
<b>GALAXY ENTERTAINMENT GROUP LTD</b>	<b>Amendment of Share Capital</b>	<b>Against</b>	<b>Pass</b>
As above			
<b>DASSAULT SYSTEMES SE</b>	<b>M&amp;A Activity</b>	<b>Against</b>	<b>Pass</b>
These resolutions were proposed in accordance with a change in the relevant law in France which introduced the possibility for companies to delegate powers "with regard to mergers, demergers and partial demergers." While the board should			

have sufficient flexibility to direct the activities of the company, we chose to oppose these resolutions as we believe that it important that shareholders have a say on activities related to mergers given their potentially significant implications for the company.



### LGIM Diversified Fund

The manager voted on 99.64% of resolutions of which they were eligible out of 97430 eligible votes.

### Investment Manager Client Consultation Policy on Voting

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

### Investment Manager Process to determine how to Vote

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

### How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also

provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at:  
<https://vds.issgovernance.com/vds/#/MjU2NQ==/>

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

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

### Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Prologis, Inc.	Resolution 1a - Elect Director Hamid R. Moghadam	Against	92.9% of shareholders supported the resolution
<p>A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: 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. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>			
Apple Inc.	Resolution 9 - Report on Civil Rights Audit	For	53.6% of shareholders supported the resolution
<p>A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>			
Union Pacific Corporation	Resolution 1e - Elect Director Lance M. Fritz	Against	91.7% of shareholders supported the resolution
<p>A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>			
NextEra Energy, Inc.	Resolution 1j - Elect Director Rudy E. Schupp	Against	85.9% of shareholders supported the resolution
<p>A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: 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. LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>			
Microsoft Corporation	Elect Director Satya Nadella	Against	94.7% of shareholders supported the resolution
<p>LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.</p>			

Signed: \_\_\_\_\_, Chair of Trustees

Date: \_\_\_\_\_