



## **Thornton & Ross Limited 1978 Pension & Life Assurance Scheme Implementation Statement for the year ended 30 June 2022**

### **Purpose**

This Implementation Statement provides information on how, and the extent to which, the Trustee of the Thornton & Ross Limited 1978 Pension & Life Assurance Scheme ("the Scheme") has followed the policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities 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.

### **Background**

The Trustee continues to follow the updated policies in relation to environmental, social, and governance ('ESG') and voting issues which have been documented in the Statement of Investment Principles updated on 30 September 2020.

### **The Trustee's policy**

The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustee requires the Scheme's Investment Managers to take ESG and climate change risks into 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.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers and encourages 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.

### **Manager selection exercises**

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustee will seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, there have been no such manager selection exercises.

### **Ongoing governance**

The Trustee monitors the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this statement.

Beyond the governance work currently undertaken, the Trustee believes that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.



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## Adherence to the Statement of Investment Principles

During the reporting year the Trustee is satisfied that it followed the Scheme's policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

## Voting activity

The main asset class where the Investment Managers will have voting rights is equities. The Scheme currently has exposure to equities through the LGIM Retirement Income Multi-Asset Fund and the Baillie Gifford Diversified Growth Fund. A summary of the voting behaviour and most significant votes cast by each of the relevant Investment Managers is shown below.

Based on this summary, the Trustee concludes that the Investment Managers have exercised their delegated voting rights on behalf of the Trustee in a way that aligns with the Trustee's relevant policies in this regard.

Voting Information
<b>Baillie Gifford Diversified Growth Fund</b> The manager voted on 86.73% of resolutions of which they were eligible out of 1,387 eligible votes.
<b>Investment Manager Client Consultation Policy on Voting</b> All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then Baillie Gifford will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.
<b>Investment Manager Process to determine how to Vote</b> Thoughtful voting of their clients' holdings is an integral part of Baillie Gifford's commitment to stewardship. Baillie Gifford believes that voting should be investment led, because how Baillie Gifford votes is an important part of the long-term investment process, which is why its strong preference is to be given this responsibility by its clients. The ability to vote Baillie Gifford's clients' shares also strengthens its position when engaging with investee companies. Baillie Gifford's Governance and Sustainability team oversees its voting analysis and execution in conjunction with its investment managers. Unlike many of their peers, Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. It utilises research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and it endeavours to vote every one of its clients' holdings in all markets.
<b>How does this manager determine what constitutes a 'Significant' Vote?</b> The list below is not exhaustive, but exemplifies potentially significant voting situations: <ul style="list-style-type: none"> <li>• Baillie Gifford's holding had a material impact on the outcome of the meeting;</li> <li>• The resolution received 20% or more opposition and Baillie Gifford opposed;                             <ul style="list-style-type: none"> <li>• Egregious remuneration;</li> <li>• Controversial equity issuance;</li> </ul> </li> <li>• Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;</li> </ul>



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<ul style="list-style-type: none"> <li>• Where there has been a significant audit failing;</li> <li>• Where Baillie Gifford has opposed mergers and acquisitions;</li> <li>• Where Baillie Gifford has opposed the financial statements/annual report; and</li> <li>• Where Baillie Gifford has opposed the election of directors and executives.</li> </ul>			
Does the manager utilise a Proxy Voting System? If so, please detail			
<p>Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), Baillie Gifford does not delegate or outsource any of its stewardship activities or follow or rely upon its recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide more nuanced market specific information.</p>			
Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
GALAXY ENTERTAINMENT GROUP LTD	Amendment of Share Capital	Against	Pass
Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels were not in the interests of shareholders.			
GREGGS PLC	Remuneration	Against	Pass
Baillie Gifford voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.			
CBRE GROUP, INC.	Shareholder Resolution – Governance	Against	Fail
Baillie Gifford opposed a shareholder resolution to lower the threshold for shareholders to call a special meeting as Baillie Gifford believed that the existing threshold was appropriate.			
LEG IMMOBILIEN SE	Remuneration	Against	Pass
Baillie Gifford opposed the executive compensation policy as Baillie Gifford did not believe the performance conditions are sufficiently stretching.			
FRAPORT AG FRANKFURT AIRPORT SERVICES WORLDWIDE	Remuneration	Against	Pass





Baillie Gifford opposed the resolution to approve the remuneration report because the company exercised discretion to amend the performance conditions attached to the 2018 LTIP, which Baillie Gifford did not believe to be in the best interest of shareholders.

## Voting Information

### Legal and General Investment Management Retirement Income Multi-Asset Fund

The manager voted on 99.79% of resolutions of which they were eligible out of 102,473 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 their clients. Their voting policies are reviewed annually and consider feedback from their 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 they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also consider 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 their 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 their 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 they continue to help their clients in fulfilling their reporting obligations. They also believe public transparency of their vote activity is critical for their clients and interested parties to hold them to account.

For many years, LGIM has regularly produced case studies and/or summaries of LGIM's vote positions to clients for what they deemed were 'material votes'. They are evolving their approach in line with the new regulation and are committed to provide their clients access to 'significant vote' information.

In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the Pensions & Lifetime Savings Association consultation (PLSA). 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 they note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;



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• Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

They will provide information on significant votes in the format of detailed case studies in their 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. LGIM also provides the rationale for all votes cast against management, including votes of support to shareholder resolutions. LGIM publicly discloses its vote instructions on its 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 they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their 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 they receive from ISS for UK companies when making specific voting decisions.

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

They retain the ability in all markets to override any vote decisions, which are based on their 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 them to apply a qualitative overlay to their voting judgement. They have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

## Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
Microsoft Corporation	Elect Director Satya Nadella	LGIM voted against the resolution.	94.7% of shareholders supported the resolution.
LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.			
Prologis, Inc	Resolution 1a – Elect Director Hamid R. Moghadam	LGIM voted against the resolution.	92.9% of shareholders supported the resolution.
A vote against was applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.			
Royal Dutch Shell, Plc		LGIM voted against the resolution.	

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	<b>Resolution 20 – Approve the Shell Energy Transition Progress Update</b>		<b>79.9% of shareholders supported the resolution.</b>
A vote against is applied though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.			
<b>Apple, Inc</b>	<b>Resolution 9 – Report on Civil Rights Audit</b>	<b>LGIM voted for the resolution.</b>	<b>53.6% of shareholders supported the resolution.</b>
A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as LGIM considers these issues to be a material risk to companies.			
<b>Rio Tinto, Plc</b>	<b>Resolution 17 – Approve Climate Action Plan</b>	<b>LGIM voted against the resolution.</b>	<b>84.3% of shareholder supported the resolution.</b>
LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.			

Signed: [REDACTED] on behalf of the Trustee

Date: 18 January 2023

XPS Investment