

# Don & Low Pension Fund Implementation Statement

## Purpose

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This statement provides information on how, and the extent to which, the Trustees' policies in relation to the exercising of rights (including voting rights), attached to the Fund's investments, and engagement activities have been followed during the year ended 31 December 2020 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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During 2020, the Trustees considered how to update their policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers' own equivalent policies. The Trustees' new policy was documented in the updated Statement of Investment Principles dated September 2020.

## The Trustees' updated policy

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The Trustees believe that there can be financially material risks relating to ESG issues. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Fund's investment managers. The Trustees require the Fund'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.

As the Fund 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 Fund's investments to the Investment Managers.

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' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees 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 was only one such exercise, which was driven by the closure of Baillie Gifford's index-linked bond fund, and the selection of Legal & General Investment Management as a replacement. These funds had no material voting or ESG issues, as they are fully invested in UK Government bonds.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Fund, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

## Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this statement.

Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Fund’s investment managers. The Trustees require the Fund’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.

Beyond the governance work currently undertaken, the Trustees believe 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.

## Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their 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 Fund has specific allocations to both public and private equities, and investments in equities will also form part of the strategy for the diversified growth funds in which the Fund invests. Therefore, a summary of the voting behaviour and most significant votes cast by each of the relevant investment manager organisations 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.

***Please note that all information provided on voting activity has been written by the investment managers, and this is reflected in the use of “we” throughout. Any views expressed are not necessarily those of the Trustee.***

### Baillie Gifford Diversified Growth Fund

Voting Information
<b>Baillie Gifford Diversified Growth Fund</b>
The manager voted on 94.53% of resolutions of which they were eligible out of 877 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 long-term 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>Covivio REIT</b>	<b>Remuneration - Policy</b>	<b>Against</b>	<b>Pass</b>

Following the AGM in 2020, we informed the company of our voting decision and advised that we expect more stretching performance criteria to apply to long term incentives going forward. We have yet to see improvements in the targets so will continue dialogue with the company and to take appropriate voting action.

**Baillie Gifford Global Stewardship Fund**
**Voting Information**
**Baillie Gifford Global Stewardship Fund**

The manager voted on 100% of resolutions of which they were eligible out of 790 eligible votes.

**Top 5 Significant Votes during the Period**

Company	Voting Subject	How did the Investment Manager Vote?	Result
<b>Sumitomo Mitsui Trust</b>	<b>Approve Allocation of Income</b>	<b>Abstain</b>	<b>Pass</b>
We believe the company is in a position to utilise its balance sheet more effectively. In normal circumstances, when we determine the dividend to be inappropriate, we generally vote against the dividend proposal. Given the current market environment, we abstained on the dividend proposal and we will monitor this again next year.			
<b>Alphabet Inc</b>	<b>Remuneration - Say on Pay</b>	<b>Against</b>	<b>Pass</b>
We had concerns regarding the short vesting period attached to the transitional award, the short performance period for the PSUs – 50% based on 2 year performance, and the weak TSR hurdles for threshold and target payouts. Given the quantum of pay, we did not think the structure and stringency of objectives were appropriate.			
<b>Alphabet Inc</b>	<b>Shareholder Resolution - Governance</b>	<b>For</b>	<b>Fail</b>
The board is currently elected by according to a plurality voting standard. Majority voting raises the threshold for re-election and therefore greater accountability. We will continue to assess similar proposals in the future.			
<b>Amazon.com</b>	<b>Shareholder Resolution - Governance</b>	<b>For</b>	<b>Fail</b>
Amazon provides good disclosure of its direct political expenditures and there is board level oversight of its activities by the audit committee. However, areas for improvement relate to its indirect spending through trade associations, coalitions and charities. Whilst the company discloses the gross amounts of trade association payments, it does not break out payment by group and does not disclose the portion of these payments that are used for lobbying. Peer companies Facebook and Alphabet publish a list of trade associations where they maintain membership, while Amazon only discloses names of those associations it made payments >\$10,000. Greater transparency of all political expenditures and lobbying would enable shareholder to assess alignment with Amazon's values and corporate goals.			
<b>Cosmo Pharmaceuticals</b>	<b>Remuneration - Policy</b>	<b>Against</b>	<b>Pass</b>

We have previously opposed this because non-executives are eligible to participate in the Employee Stock Option Plan. Additionally, there are other aspects of the policy which also fall below best practice, for example a lack of disclosure of metrics and targets in relation to the short-term incentive plan. We shall continue to engage with the company on this matter.

### **Baillie Gifford UK Equity Core Fund**

#### **Voting Information**

#### **Baillie Gifford UK Equity Core Fund**

The manager voted on 100% of resolutions of which they were eligible out of 1124 eligible votes.

#### **Top 5 Significant Votes during the Period**

<b>Company</b>	<b>Voting Subject</b>	<b>How did the Investment Manager Vote?</b>	<b>Result</b>
<b>Just Eat Takeaway.com</b>	<b>Grant Board Authority to Issue Shares Up to 25 Percent of Issued Capital</b>	<b>For</b>	<b>Pass</b>
We have made an exception in the current environment as we understand board/mgmt may need flexibility to deploy capital quickly and have encouraged the company to be lower this value in the future.			
<b>Bodycote</b>	<b>Amendment of Share Capital</b>	<b>For</b>	<b>Pass</b>
We have supported the higher level of issuance authority this year to provide companies with additional flexibility in the current market environment. We will monitor this at next years AGM.			
<b>British American Tobacco</b>	<b>Remuneration - Report</b>	<b>Against</b>	<b>Pass</b>
We continued to oppose remuneration due to concern that pay is not aligned with performance. The company has steadily increased pay over recent years whilst the company has delivered poor value to shareholders. This year, the CEO's, Jack Bowles, salary has increased by 9.5%, taking his salary to a rate comparable to his predecessor (£1.3m). In addition, we have previously taken issue with the high maximum award on the LTIP, which is still 500% for the CEO, and has increased from 350% to 400% of salary for the CFO (for 2020 onwards). We will continue to engage with the company on this matter.			
<b>Bunzl</b>	<b>Amendment of Share Capital</b>	<b>For</b>	<b>Pass</b>
We have supported the higher level of issuance authority this year to provide companies with additional flexibility in the current market environment. We will monitor this at next years AGM.			
<b>FDM Group</b>	<b>Amendment of Share Capital</b>	<b>For</b>	<b>Pass</b>

We have supported the higher level of issuance authority this year to provide companies with additional flexibility in the current market environment. We will monitor this at next years AGM.			