

Lithgows Limited Pension Scheme

Implementation Statement for the year ended 5 April 2024

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Lithgows Limited Pension Scheme (the "Scheme") have followed their policies in relation to the exercising of ownership rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 5 April 2024 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year where relevant.

The Trustees' responsible investment policies

The Trustees' policies in relationship to the responsible investment of the Scheme's assets are documented in the Statement of Investment Principles. The latest version of this document is dated September 2020, with an updated version in the process of being prepared following recent changes to the Scheme's investment strategy.

The Trustees believe there can be financially material risks relating to ESG and climate change. Reflecting this, the Trustees have delegated the ongoing monitoring and management of ESG risks to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take into consideration ESG factors and climate change risks within their decision-making recognising that how they do this will be dependent on the asset class characteristics.

The Trustees will take their views on ESG factors and climate change into account in any future investment manager selection exercises for the underlying investments that the Scheme makes. Further to this, the Trustees will monitor the ESG integration practices of the managers they are invested in to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Manager selection exercises during the year

One of the main ways in which the Trustees' responsible investment policies are expressed is via manager selection exercises. When appointing a new investment manager or fund the Trustees seek advice from XPS on the extent to which the investment fund is aligned with the Trustees' responsible investment policies.

During the reporting year, the Trustees made new investments in the abrdn Liability Aware Real Profile Fund and the abrdn Liability Aware Nominal Profile Fund. Whilst it was acknowledged by the Trustees that the manager's restricted remit for these funds (investment in levered gilts) offered practically no scope to incorporate responsible investment practices, it was nonetheless noted that abrdn as an organisation were considered by XPS to have a credible ESG capabilities.

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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 the SIP. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' responsible investment policies.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustees have not (to date) introduced specific stewardship priorities, they may monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

Adherence to the Statement of Investment Principles

During the reporting year, the Trustees are satisfied that they followed their policy on the exercise of asset ownership rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers have voting rights is listed equities. The Scheme has ownership of listed equity assets through the Baillie Gifford Diversified Growth Fund. The Scheme also has exposure to listed equities through two abrdn equity-linked LDI funds, however the exposure to listed equities within these funds is through a futures contract on an equity index and therefore the Scheme does not physically own the equity shares in individual companies (and therefore has no associated voting rights).

A summary of the voting behaviour and most significant votes cast by Baillie Gifford for the Diversified Growth Fund is shown below. This voting information has been provided by Baillie Gifford. The Trustees, with the help of their Investment Consultant, have considered the votes the investment manager considers to be "significant", and has selected 5 such votes to disclose below.

Please note that all information provided on voting activity has been written by the investment manager, and this is reflected in the use of "we/us" throughout. Any views expressed are not necessarily those of the Trustees.

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Baillie Gifford Diversified Growth Fund

Headline voting statistics					
The manager voted on 94.1% of resolutions of which they were eligible out of 690 eligible votes.					
Investment Manager Client Consultation Policy on Voting					
All voting decisions are made by our ESG 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 ESG 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 ESG 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?					
<ul style="list-style-type: none"> • Baillie Gifford's holding had a material impact on the outcome of the meeting • Management resolutions that receive 20 per cent or more opposition in the prior year • Egregious remuneration • Controversial equity issuance • Shareholder resolutions that received 20 per cent or more support from shareholders in the prior year • Where there has been a significant audit failing • Mergers and acquisitions • Where we have opposed the financial statements/annual report • Where we have opposed the election of directors and executives • Where we identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management 					
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	Date of Vote	Size of fund holdings (%)	Voting subject	How did the Manager Vote	Outcome
MONTEA NV	25/01/2024	0.18	Amendment of Share Capital	For	Pass

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<p>Why the vote was deemed significant: This resolution is significant because it received greater than 20% opposition.</p> <p>Where voted against the company, was this communicated: N/A</p> <p>Rationale: We supported two proposals which related to the renewal of the authorisation to increase share capital. We believe it is in the interest of shareholders for the company to have unfettered access to equity to enable them to exploit the current window of opportunity of external growth.</p> <p>Implication: The company sought our opinions ahead of the shareholder meeting. We were supportive of their request for capital as it puts them into a good position to exploit the current window of opportunity for external growth.</p>					
Company	Date of Vote	Size of fund holdings (%)	Voting subject	How did the Manager Vote	Outcome
MONTEA NV	25/01/2024	0.18	Routine Business	For	Pass
<p>Why the vote was deemed significant: This resolution is significant because it received greater than 20% opposition.</p> <p>Where voted against the company, was this communicated: N/A</p> <p>Rationale: We supported two proposals which related to the renewal of the authorisation to increase share capital. We believe it is in the interest of shareholders for the company to have unfettered access to equity to enable them to exploit the current window of opportunity of external growth.</p> <p>Implication: The company sought our opinions ahead of the shareholder meeting. We were supportive of their request for capital as it puts them into a good position to exploit the current window of opportunity for external growth.</p>					
Company	Date of Vote	Size of fund holdings (%)	Voting subject	How did the Manager Vote	Outcome
DP AIRCRAFT I LIMITED	19/09/2023	0.01	Amendment of Share Capital	Against	Pass
<p>Why the vote was deemed significant: This resolution is significant because it received greater than 20% opposition.</p> <p>Where voted against the company, was this communicated: No</p> <p>Rationale: We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.</p> <p>Implication: Although the proposal passed, it did receive over 30% dissent from shareholders. Our decision to oppose was informed by our assessment that a request to issue shares below NAV would be dilutive for existing shareholders.</p>					
Company	Date of Vote	Size of fund holdings (%)	Voting subject	How did the	Outcome

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				Manager Vote	
DP AIRCRAFT I LIMITED	19/09/2023	0.01	Remuneration	Against	Pass

Why the vote was deemed significant:

This resolution is significant because it received greater than 20% opposition.

Where voted against the company, was this communicated:

No

Rationale:

We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.

Implication:

After opposing both the remuneration policy and report in 2022 we took the decision to support the remuneration report this year, given the absence of any additional fees being paid to non-executive directors. We will continue to relay our expectations regarding remuneration to the company.

Company	Date of Vote	Size of fund holdings (%)	Voting subject	How did the Manager Vote	Outcome
DP AIRCRAFT I LIMITED	19/09/2023	0.01	Remuneration	Against	Fail

Why the vote was deemed significant:

This resolution is significant because we opposed remuneration.

Where voted against the company, was this communicated:

No

Rationale:

We opposed the remuneration policy as we do not feel the ability to provide additional fee payments is appropriate given the current operating environment for the business.

Implication:

We took the decision to continue opposing the remuneration policy due to the provision allowing for non-executive directors to receive additional fees. We will continue to relay our expectations regarding remuneration to the company.