

SME Centralised Pension Scheme – Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the stewardship policy and related policies on environmental, social and governance ('ESG') factors and climate change set out in the Statement of Investment Principles ('SIP') have been followed during the one year period to 5 April 2023 ("Scheme year"). This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2019 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant versions of the SIP that were in place over the Scheme year: the SIP dated September 2021 (covering the period between 5 April 2022 and 28 February 2023) and the SIP dated March 2023 (covering the period between 1 March 2023 and 5 April 2023).

Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives it has set. As set out in the SIP, the Trustee primary investment objective is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due. In doing so, the Trustee also aims to maximise returns at an acceptable level of risk, taking into consideration the circumstances of the Scheme.

The objectives set out above provide a framework for the Trustee when making investment decisions.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustee's financial considerations on ESG factors, stewardship and climate change. A copy of the latest SIP can be found here:

[SME CPS - SIP - March 2023](#)

The Trustee understands that it must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance ("ESG") factors.

The Trustee recognises that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustee further recognises that investing with a manager who approaches investments in a responsible way and takes account of ESG related risks will lead to better risk adjusted performance as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

The Trustee has delegated the task of incorporating ESG, including climate change issues, to the investment managers and these matters will be included in the consideration of the appointment of these managers. Also, the Trustee accepts the fact that it has very limited ability to influence the ESG policies and practices of the companies in which its managers invest.

The Trustee is therefore satisfied that ESG factors are appropriately reflected in the overall investment approach.

Scheme's Investment Structure

The Scheme invests in pooled investment vehicles managed by an investment manager. As such, the Trustee has no direct relationship with the Scheme's underlying investment managers. The Trustee has the responsibility of selecting the pooled funds, in conjunction with advice received from their investment advisor, Mercer.

Trustee's Engagement

Given the limited influence on ESG policies and practices of the companies in which its managers invest, the Trustee opted to invest in well-respected investment managers where ESG principles are an established part of the investment decision making process. The Trustee will therefore rely on the policies and judgement of the investment managers when assessing the impact on the value of the Scheme's investments. Thus, the Trustee has delegated the task of incorporating ESG, including climate change issues, to the investment managers and that these matters will be included in the consideration of the appointment of these managers going forward. The Trustee will also periodically assess the responsible investment policies of the managers.

The Trustee will review ESG considerations at future reviews of the SIP, to make sure that the policy evolves in line with emerging trends and developments.

Throughout the scheme year, notable changes were made to the investment strategies of the Keith Motors and John F Hutchings sections of the Scheme. Considering the potential pursuit of a buy-in (prior to a complete buy-out) of the Scheme's liabilities with an insurance company, the strategies were moved to a low-risk, buy-out aware approach utilising funds from the manager LGIM. On the other hand, the investment strategy

for the H Bower and Pertwee & Back sections remained unchanged from the previous year. Lastly, the Reynard's section entered the PPF and is no longer a part of the Scheme.

The Trustee received details of relevant engagement activity for the Scheme year from each of the sections investment managers, covering a wide range of different issues, including ESG factors. The following examples provided cover the period up to which the relevant manager or fund was terminated, if the appointment was terminated during the scheme year.

- **Baillie Gifford** engaged with companies on a number of issues, including governance and social related issues such as board diversity and qualifications matrix and effectiveness of diversity, equity and inclusion efforts, as well as environmental issues, namely transparency of health and safety reporting and the prospect of environmental targets.

Examples of engagements conducted by **Baillie Gifford (BG)** are listed below:

- The manager had a meeting with the new Chair of the Board (COB), Richard Morse, to discuss aspects of The Renewables Infrastructure Group's (TRIG's) governance set-up and essential factors that impact our investment case. This meeting was an excellent chance to gain insight into the board dynamics of this investment trust while learning how the chair transition process is going. Baillie Gifford briefly touched on this topic with management in Q2 2022. This meeting was against the backdrop of announcements of a revenue cap in the UK, and the manager started the conversation on this development to try and gauge portfolio implications. This makes it an interesting time to be taking over as COB, and as such, Baillie Gifford covered several governance topics, from the skills and experience of TRIG's board to its relationship with the management teams. Discount rates and the various mechanisms used to manage this were also discussed at the meeting. In the end, TRIG conveyed that it aims to maintain its strong ESG credentials and continue providing dividends. The board appreciated the interest in the governance set-up, and it was good to share the investment manager's thinking. Through the manager's interactions, Baillie Gifford learned about a new candidate for the board, and looked forward to hearing more about this change in due course. As Helen Mahy, the outgoing COB, was a leading force for ESG, Baillie Gifford was pleased to hear that this would remain a continued focus. The manager also listened to her parting reflections on the market environment and the managers of the fund.
- The manager met with the head of sustainability and IR at Nexans to better understand how the company reports its emissions and what role it feels it has in reducing these emissions. Nexans reports significant scope 3 emissions. The manager wanted to understand more about the methods and motivations underlying this disclosure, as well as the company's broader sustainability philosophy. Nexans includes the energy lost due to resistance across all cabling, and for the whole usable lifetime of each cable. This has amounted to a staggering scope 3 emission figure for a company of this size. Three reasons underlying this reporting are:
 - o 1) a belief that it drives innovation in product design

- 2) to enable constructive conversations with customers, and
- 3) to put Nexans on the front foot against its competition (an edge for more environmentally conscious customers).

Nexans appears to be optimistic that it will be able to meet its annual reduction targets. The manager also learned more about the harmony between its new business and sustainability strategies. By reducing its number of stock keeping units and customers, thus fostering closer relationships, Nexans can have a more meaningful dialogue with each customer. Nexans also foresees the demand for copper outpacing supply by 2024. Therefore, it hopes to develop its capacity for recycling as a defensive strategy to this trend and another value-add service for its customers. The manager came away encouraged by the ambition that Nexans demonstrated both in setting sustainability goals and integrating sustainability into its business model. As Nexans continues to explore reporting methods, Baillie Gifford looks forward to seeing how new data will help inform its decision-making going forward.

- **Schroders** engaged with several companies regarding a number of topics. Engagement focused on climate change related topics, namely usage of resources, pollution and waste. On social related themes, the manager engaged on conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), human capital management (e.g. inclusion & diversity, employee terms, safety) and human and labour rights (e.g. supply chain rights, community relations). Lastly, on a governance related issues Schroders engaged with companies on remuneration, shareholders rights, leadership and board effectiveness.

Examples of engagements conducted by **Schroders** are listed below:

- Schroders engaged with North American Bank on climate alignment topics, namely decarbonising and minimising emissions. This was part of an ongoing dialogue Schroders has been having with the bank since 2021 relating to their response to climate-related financial risks. The bank were keen to share their views on “Say on Climate” resolutions, and provide an update on their activities. The manager is continuing to encourage the bank to strengthen its approach to climate change. In this meeting, Schroders emphasised the importance of disclosure about the bank’s activities to support its clients’ transition to net zero. In 2022, there were a total of seven different engagements with this bank. This included a collaborative engagement with the Institutional Investor Group on Climate Change (IIGCC), sending a letter to convey Schroders’ Net Zero expectations. This communication mirrored what the manager had requested in 2021. The letter was followed by a group call with the company, in which Schroders voiced its concerns that despite the recent progress made in setting scope 3 financed emissions targets, the bank’s current fossil fuel policies and approach to setting targets for financed emissions will not be sufficient to achieve the bank’s Net Zero goals. To make a final decision, Schroders sought clarification on commitments and progress from the Chair of the board. While the manager felt the bank is a laggard by global standards, the company seemed satisfied with this standing so long as they were not behind their local market, which Schroders considered to be a low bar. The manager

proceeded to support the “Say on Climate” resolution and voted against the Chair of the board. Towards the end of the year, a meeting was held on the company’s views on the “Say on Climate” resolutions and related activities. During the discussion, Schroders shared its views on good practice in the European market. Overall, the bank is making some progress against the initial objectives, although this is a low bar. The company’s willingness for an open dialogue on the climate transition has been encouraging. The manager will continue pushing the company for more ambitious climate action, monitoring progress, and escalating concerns where needed.

- Schroders also engaged with Amazon on human capital management related themes such as health, safety, and wellbeing. Health and Safety (H&S) issues are important to manage and avoid employee injury, along with other knock-on effects like poor morale, high turnover, and legal issues. This is especially true considering a leaked internal memo in 2022, noting that the company could run out of people to hire in warehouses by 2024. More recently, Amazon published a company-wide report on Health and Safety (H&S) in April 2022. Some points in the report were unclear, particularly on contractor safety. Schroders had a meeting to clarify these issues and felt that HMC is increasingly material for Amazon. The manager aimed to see progress in analysing the root cause of their safety issues and improving disclosures, especially regarding the difference between part-time, seasonal, and contract workers. The company has higher workplace accident incidence rates than the industry average. As such, the manager started with understanding the underlying reasons behind this and then pushing for more disclosure. After these engagements, Schroders felt progress was insufficient, leading it to escalate the engagement. Schroders went public with this concern by pre-declaring the voting intentions on their workforce issues ahead of the 2022 AGM and will continue to engage with Amazon to strive for more disclosure on HMC, helping our desks make more informed investment decisions.
- LGIM engaged with companies over the year on a wide range of different ESG related topics, including environmental issues such as deforestation, climate change, energy and water related themes, as well as social issues such as gender diversity, public health, inequality, human rights, labour standards and ethnic diversity. Lastly, the more common themes LGIM engaged on governance related topics were remuneration, shareholders rights, board composition, LGIM ESG score and nominations and successions.

Examples of engagements conducted by LGIM are listed below:

- In the context of environmental engagement, LGIM and 34 other investors, representing over US\$7 Trillion, participated in a collaboration aiming to decarbonise European chemical companies organised by ShareAction, a charity that promotes Responsible Investment, . LGIM has been engaging with a number of leading global chemical companies to encourage them to implement credible decarbonisation strategies. The engagements have included 13 of the largest European chemical companies, including Koninklijke DSM, Air Liquide and BASF. The collaboration has requested that the companies formulate strategies to electrify chemical production processes, increase their use of renewable energy sources, phase in non-petrochemical feedstocks, and set Scope 3 targets aligned with a 1.5°C pathway. Progress has been made, with some companies (for example, BASF and LyondellBasell) confirming plans to reach net zero by 2050. Nevertheless,

there is still much progress to be made, and the collaboration has continued this during 2023 focusing on clear plans to make the transition happen. Letters have been sent out to targeted companies and engagements started to take place at the end of the first quarter of 2023. At LGIM, the chemical sector is included within the Climate Impact Pledge as the manager believes that decarbonisation of the sector is a crucial part of the global journey to net zero, as the sector has links to and dependencies between many other industries and supply chains. The manager also announced the expansion of its Climate Impact Pledge engagement programme in October 2022 to cover 5000+ companies, with 100+ in-depth engagements, and can report at the end of the first quarter of 2023 that it has sent a total of 250 letters to companies identified as not meeting our minimum standards, ahead of the main AGM season.

- On the Social context, the LGIM Investment Stewardship team has long promoted diversity across its investee companies, but the focus has so far been placed largely on developed markets such as the UK, US, Europe and Japan. Diversity (for example, of gender or ethnicity) in emerging markets has not yet been widely explored or advocated in the asset management industry. LGIM is now expanding its engagement to strategic and representative emerging markets: Brazil, India, China and, South Africa. LGIM began by setting up meetings with key stakeholder groups in each market, such as corporate governance groups and proxy voting firms, to better understand the lay of the land. The manager then sent a letter to the chair of the board at the 10 largest companies in each of these markets, requesting to engage on organisational diversity, as well as any market-specific drivers of diversity. The aim for 2022 was to identify how these companies were thinking about diversity, and if any improvements in diversity have been driven by external forces – such as regulation, investor pressure, societal norms; or internal forces – such as employee engagement, corporate culture, leadership of the board or executive team, etc. Along with observing what leads to improvements in diversity, LGIM also wants to identify what is hindering progress on diversity in each market. Through its engagements, LGIM reaffirmed that diversity expectations cannot be applied in the same way across all markets, and that the specifics and maturity of conversations and practices vary significantly among emerging market countries. The manager would like to be cognisant of cultural and historical dynamics in each of these markets as it begins to expand its policies and consider minimum expectations. Another company-specific takeaway is to know your workforce diversity data, and if/how that reflects the population of where you live. At the same time, board directors of LGIM’s investee companies need to have oversight of these issues and understand the importance of diversity in achieving their strategic and business objectives, regardless of where a company operates. It ultimately believes that improving demographic diversity at the helm of these large corporations will lead to cognitive diversity and improve the quality of board and senior executive discussions.
- LGIM also engaged with Kansai Electric Power on governance and climate related issues. Kansai Electric Power is one of the largest electric utilities companies in Japan. LGIM identified several governance areas for improvement and the company appears to lag some of LGIM’s minimum expectations on board composition. The manager believes that through its improvement, it could have a positive influence more broadly upon its sector in Japan. Following a bribery scandal in 2020 involving former directors, the company underwent significant changes to improve governance. These changes have been positive but LGIM still observes some areas where it thinks improvements

could be made, relative to the minimum expectations. Specifically, these included director independence and the presence of executives on committee which LGIM thinks should be fully independent (e.g. the Remuneration Committee), cross shareholdings and limits to tenure of senior advisors to the board. The manager was pleased to note that the company was meeting their expectations for gender diversity in Japan of 15% female representation in the board, which is also expected to increase over time. Regarding climate change and LGIM's expectations under the Climate Impact Pledge, it was noted its lack of interim emissions targets and lack of time-bound commitment to exit coal-fired power generation as an area for discussion. In the meeting with Kansai Electric Power, LGIM was able to discuss these areas in detail to better understand its approaches to governance and climate, and to talk in-depth about related areas such as responsibility for executing the net zero transition plan.

- **Aegon** engaged with companies on a number of issues, relating to climate change, remuneration, human and labor rights, conduct, culture and ethics, strategy, financial and reporting corporate reporting and other related topics. The company efforts are focused on identifying and managing financially-material ESG-related investment risks. To that end, Aegon exercises its stewardship responsibilities on behalf of its clients; builds a more complete understanding of the companies in which it invests; Understands and mitigates investment risk; and Fulfills client expectations with respect to products and portfolios.

Examples of engagements conducted by **Aegon** are listed below:

- Aegon engaged with a company established in the exploration, mining and processing of mineral resources sector. Aegon's engagement aimed to encourage the company to strengthen its climate ambitions through both engagement and voting. In 2022, the company sought shareholder approval for its Climate Action Plan, detailing its emissions targets and associated actions. In 2021, the company made progress on its climate change aspirations by committing to a 50% reduction in Scope 1 and 2 emissions by 2030 and allocating US\$7.5 billion to support meeting this target. However, the same ambition had not been applied to Scope 3 emissions. Aegon felt the company was lagging peers in this area. In 2022, Scope 3 emissions comprised 95% of its total carbon footprint. As such, Aegon can expect it to be leading in its Scope 3 measurement and ambitions. Aegon sought the opinion of external expertise on the company's climate ambitions, as well as engaging with the company directly. This allowed to form a balanced view on its progress and whether its commitments are sufficiently ambitious. Aegon came to the decision that abstaining on the approval of the Climate Action Plan was the most appropriate action. The company had made progress in numerous areas of its approach to climate management. However, it was still lacking in key climate disclosures, timelines and measurable targets around Scope 3. The outcome of the engagement was that the Climate Action Plan received 84% support at the Annual General Meeting (AGM) and there will be no further opportunity to vote on the climate plan until

2025. Regarding Milestone 3, Aegon will analyse the company's progress against the commitments it has already made and any further updates that strengthen its approach. While Aegon does not have an opportunity to vote on its plan for some time, it will continue to engage with the company to encourage continuous improvement.

- **BNY Mellon** engaged with companies on a number of issues, including environmental, governance and social related issues such as low carbon/Net Zero transition plans, human rights in Supply chain and board quality.

Examples of engagements conducted by **BNY Mellon** are listed below:

- BNY Mellon had a follow-up meeting with Volkswagen following MSCI deeming it to be in breach of the UN Global Compact (UNGC). While BNY acknowledge the company's clarification that it has exposure to the plant in question via a joint venture, rather than direct ownership, BNY shared its view that this argument was technical in nature and appeared defensive. Instead, the company needs to better communicate its approach to supply-chain audits and risk management, particularly in sensitive regions. Furthermore, while the company's exposure is via a joint venture, it still has accountability on expectations placed on the practices of its joint-venture partner. Despite this follow-up discussion, BNY's concerns remain regarding how the company is properly managing this risk, particularly as it appears committed to continuing with the partnership, which is important for the company to be able to sell vehicles into this market. BNY does acknowledge the challenges of maintaining supply chains in this region and notes that there is a lesser chance of this being a high-risk exposure for the company given the skilled nature of the roles and the smaller size of the plant. Furthermore, the company does not use intermediaries to manage this risk better.

Stewardship

The Trustee is supportive of the UK Stewardship Code (the "Code"). The Trustee expects its managers who are authorised in the UK to comply with the UK Stewardship Code, including public disclosure of support via an external website. As at 15 February 2023 all investment managers with the exception of BNY were signatories of the current version of the UK Stewardship code.

Over the scheme year, the Trustee did not set any investment restrictions on the appointed investment managers in relation to particular products or activities.

Voting Activity

The Scheme's investment managers, where applicable, actively exercise voting rights and engage in collaborative or other forms of engagement, aligning with their individual corporate governance policies and considering climate change factors. These activities, including escalation procedures to protect investment value, are reported regularly to the Trustee along with the managers' policies. The Trustee did not use the direct services of a proxy voter over the year.

As of this scheme year's statement, the Trustee has also considered their own definition of a "significant vote" based on their engagement priorities, and examples of where these arose with respect to the voting carried out on their behalf by the investment managers are set out in the following.

The Trustee annually looks at the significant votes of the underlying holdings of the Scheme. The Trustee has decided to consider the following areas of focus for the Scheme, being the top area the most important and the bottom area the least important:

- **Climate Action;**
- **Environmental Pollution;**
- **Good Board Governance.**

To be deemed a "most significant" vote, the Trustee has set a threshold for the approximate size of the fund's holding as at the date of the vote at 0.2% of the fund in question. The Trustee will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustee did not inform managers of what they considered to be the most significant votes in advance of voting.

Over the scheme year, the voting activity on behalf of the Trustee was as follows.

Schroder Life Diversified Growth Fund

Schroders uses Institutional Shareholder Services (ISS) as its one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with its own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by its in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

A summary of the voting undertaken over the scheme year is provided below:

- Schroders was eligible to vote in 1,270 meetings and 15,662 votable proposals.
- Schroders has voted on 95% of resolutions where they were eligible to vote. In around 89% of these votes for proposals, Schroders has indicated their support to the companies’ management, while voting against management in around 10% of the proposals.

Schroders considers significant votes all resolutions when the manager votes against the board’s recommendations, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders. There were 9 votes that fell under the Trustee definition of significant votes over the scheme year:

Holding Details	Resolution Details	How the manager voted	Reason for manager’s vote and next steps	Outcome of the vote	Why vote is Significant
<p>Company name: Amazon.com, Inc.</p> <p>Approximate size of holding as at date of the vote: 0.3%</p>	<p>Summary of resolution:</p> <p>Report on Retirement Plan Options Aligned with Company Climate Goals</p> <p>Date of vote: 25/05/2022</p>	Against	<p>A vote AGAINST this resolution is warranted. The company offers an option to employees that want to invest more responsibly, even if it is not well-promoted. The Department of Labour is finalising rules on how ESG factors should be considered by fiduciaries. Still, this may be a growing potential risk for the company if it does not make any changes.</p> <p>Schroders may tell the company of its intention to vote against the recommendations of the board before voting, in particular if Schroders is a large shareholder or if it has an active engagement on the issue. Schroders always inform companies after voting against any of the board’s recommendations.</p>	Fail	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.
<p>Company name: Amazon.com, Inc.</p>	<p>Summary of resolution:</p>	For	Shareholders would benefit from additional information on how the company is managing risks related to plastic	Fail	The Trustee has deemed votes related to

<p>Approximate size of holding as at date of the vote: 0.3%</p>	<p>Report on Efforts to Reduce Plastic Use</p> <p>Date of vote: 25/05/2022</p>				<p>Climate action and the approximate size of the holding at more than 0.2% to be a significant vote.</p>
<p>Company name: Alphabet Inc.</p> <p>Approximate size of holding as at date of the vote: 0.55%</p>	<p>Summary of resolution: Report on Climate Lobbying</p> <p>Date of vote: 01/06/2022</p>	For	The company is asked to produce a report on climate lobbying. Shareholders are likely to benefit from a review of how the company and its trade associations' lobbying positions align with Paris Agreement	Fail	The Trustee has deemed votes related to Climate action and the approximate size of the holding at more than 0.2% to be a significant vote.
<p>Company name: Alphabet Inc.</p> <p>Approximate size of holding as at date of the vote: 0.55%</p>	<p>Summary of resolution: Report on Physical Risks of Climate Change</p> <p>Date of vote: 01/06/2022</p>	For	Schroders believes its vote for this item will maximise the value to its clients. The company is asked to report on the physical risks of climate change. Schroders feels that shareholders would benefit from increased disclosure regarding how the company is assessing and managing its climate change risks	Fail	The Trustee has deemed votes related to Climate Action and the approximate size of the holding at more than 0.2% to be a significant vote.
<p>Company name:</p>	<p>Summary of resolution:</p>	For	The company does not comprise 33% women and the board does not address global diversity as requested in the	Fail	The Trustee has deemed votes

Alphabet Inc. Approximate size of holding as at date of the vote: 0.55%	Report on Steps to Improve Racial and Gender Board Diversity Date of vote: 01/06/2022		proposal. Given the nature of the company's business Schroders believe that the board needs to address its global stakeholders in its response to the proposal		related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.
Company name: Alphabet Inc. Approximate size of holding as at date of the vote: 0.55%	Summary of resolution: Establish an Environmental Sustainability Board Committee Date of vote: 01/06/2022	Against	A vote AGAINST this resolution is warranted, as the company's existing board framework appears adequate to allow for robust oversight of issues related to environmental issues and, absent clear performance concerns, the board is generally given latitude to determine its committee structure. Schroders may tell the company of its intention to vote against the recommendations of the board before voting, in particular if Schroders is a large shareholder or if it has an active engagement on the issue. Schroders always inform companies after voting against any of the board's recommendations.	Fail	The Trustee has deemed votes related to Climate Action and the approximate size of the holding at more than 0.2% to be a significant vote.
Company name: Alphabet Inc. Approximate size of holding as at date of the vote: 0.55%	Summary of resolution: Adopt a Policy to Include Non-Management Employees as Prospective Director Candidates	Against	A vote AGAINST this proposal is warranted, as the company seems to listen employee feedback and has practices for employees to voice opinions.	Fail	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a

	Date of vote: 01/06/2022				significant vote. vote
Company name: Alphabet Inc. Approximate size of holding as at date of the vote: 0.55%	Summary of resolution: Report on Metrics and Efforts to Reduce Water Related Risk Date of vote: 01/06/2022	For	Shareholders would benefit from increased disclosure regarding how the company is managing climate-related water risks.	Fail	The Trustee has deemed votes related to Climate action and the approximate size of the holding at more than 0.2% to be a significant vote.
Company name: Microsoft Corporation Approximate size of holding as at date of the vote: 0.43%	Summary of resolution: Assess and Report on the Company's Retirement Funds' Management of Systemic Climate Risk Date of vote: 13/12/2022	Against	A vote AGAINST this resolution is warranted. The company offers an option to employees that want to invest more responsibly, and the Department of Labour is finalising rules on how ESG factors should be considered by fiduciaries. Schroders may tell the company of its intention to vote against the recommendations of the board before voting, in particular if Schroders is a large shareholder or if it has an active engagement on the issue. Schroders always inform companies after voting against any of the board's recommendations.	Fail	The Trustee has deemed votes related to Climate action and the approximate size of the holding at more than 0.2% to be a significant vote.

Baillie Gifford Diversified Growth Fund

Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), but do not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. They vote in line with their in-house policy and not with the proxy voting providers' policies.

A summary of the voting undertaken over the scheme year is provided below:

- Baillie Gifford was eligible to vote in 97 meetings and 1,061 votable proposals.
- Baillie Gifford has voted on 98% of resolutions where they were eligible to vote. In around 96% of these votes for proposals, Baillie Gifford has indicated their support to the companies’ management, while voting against management in around 3% of the proposals and abstaining or withholding less than 1% of the time.

The list below is not exhaustive, but exemplifies potentially significant voting situations for Baillie Gifford:

- 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 Baillie Gifford has opposed mergers and acquisitions;
- Where Baillie Gifford has opposed the financial statements/annual report;
- Where Baillie Gifford has opposed the election of directors and executives.

There were 13 significant votes over the scheme year:

Holding details	Resolution Details	How the manager voted	Reason for manager’s vote and next steps	Outcome of the vote	Why vote is Significant
Company name: Italgas S.p.A	Summary of resolution: Appointment of members of the board of directors.	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and

<p>Approximate size of holding as at date of the vote: 0.5%</p> <p>05/04/2022</p>	<p>List presented by the shareholders cdp reti s.p.a. and snam s.p.a representing together the 39.491 pct of the share capital.</p> <p>Date of vote:</p> <p>26/04/2022</p>				<p>the approximate size of the holding at more than 0.2% to be a significant vote.</p>
<p>Company name:</p> <p>Italgas S.p.A</p> <p>Approximate size of holding as at date of the vote: 0.5%</p> <p>05/04/2022</p>	<p>Summary of resolution:</p> <p>Appointment of the members to the internal audits. List presented by the shareholder cdp reti, representing the 26.009 pct of the share capital.</p> <p>Date of vote:</p> <p>26/04/2022</p>	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.
<p>Company name:</p> <p>Nexans</p> <p>Approximate size of holding as at date of the vote: 0.9%</p>	<p>Summary of resolution:</p> <p>Approval of the elements of compensation paid or awarded in</p>	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and the approximate size of the

05/04/2023	respect of the financial year ended December 31, 2021 to Christopher Guerin, chief executive officer Date of vote: 11/05/2022				holding at more than 0.2% to be a significant vote.
Company name: Nexans Approximate size of holding as at date of the vote: 0.9% 05/04/2023	Summary of resolution: Setting of the maximum amount of annual compensation allocated to members of the board of directors Date of vote: 11/05/2022	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.
Company name: Nexans Approximate size of holding as at date of the vote: 0.9% 05/04/2023	Summary of resolution: Approval of the compensation policy for members of the board of directors for the 2022 financial year	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more

	Date of vote: 11/05/2022				than 0.2% to be a significant vote.
Company name: Nexans Approximate size of holding as at date of the vote: 0.9% 05/04/2023	Summary of resolution: Approval of the compensation policy for the chairman of the board of directors for the 2022 financial year Date of vote: 11/05/2022	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.
Company name: NextEra Energy Approximate size of holding as at date of the vote: 0.9% 05/04/2022	Summary of resolution: Election of director: Kenneth B. Dunn Date of vote: 19/05/2022	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.
Company name: NextEra Energy	Summary of resolution: Election of director: Naren K. Gursahaney	For	There is no voting reason as the vote was in line with management recommendation.	Pass	The Trustee has deemed votes related to Good board governance and

<p>Approximate size of holding as at date of the vote: 0.9%</p> <p>05/04/2022</p>	<p>Date of vote:</p> <p>19/05/2022</p>				<p>the approximate size of the holding at more than 0.2% to be a significant vote.</p>
<p>Company name:</p> <p>NextEra Energy</p> <p>Approximate size of holding as at date of the vote: 0.9%</p> <p>05/04/2022</p>	<p>Summary of resolution:</p> <p>A proposal entitled board matrix to request disclosure of a board skills matrix</p> <p>Date of vote:</p> <p>19/05/2022</p>	For	<p>Baillie Gifford supported a shareholder proposal requesting a board diversity and qualifications matrix because the manager believes that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications.</p>	Fail	<p>The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.</p>
<p>Company name:</p> <p>NextEra Energy</p> <p>Approximate size of holding as at date of the vote: 0.9%</p> <p>05/04/2022</p>	<p>Summary of resolution:</p> <p>A proposal entitled diversity data reporting to request quantitative employee diversity data</p> <p>Date of vote:</p> <p>19/05/2022</p>	For	<p>Baillie Gifford supported a shareholder proposal requesting employee diversity data because the manager believes that shareholders would benefit from reporting on the outcomes of the company's diversity, equity and inclusion efforts such as recruitment, retention, and promotion rates of employees by gender, race, and ethnicity.</p>	Withdrawn	<p>The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.</p>
<p>Company name:</p> <p>Prismian</p>	<p>Summary of resolution:</p>	For	<p>Italian governance allows shareholders to submit 'slates' of directors for election at the annual general meeting. Baillie Gifford voted in favour of the 'slate' where the majority of</p>	Pass	<p>The Trustee has deemed votes related to Good</p>

<p>Approximate size of holding as at date of the vote: 1.1%</p> <p>05/04/2023</p>	<p>Appointment of the internal auditors and of its chairman for 2022-2024 period. list presented by Clubtre s.r.l., Albas s.r.l. and Angelini Partecipazioni Finanziarie s.r.l., representing together the 1.65 ptc of the share capital</p> <p>Date of vote: 12/04/2022</p>		<p>directors currently sit on the board. This is routine and non-contentious.</p>		<p>board governance and the approximate size of the holding at more than 0.2% to be a significant vote.</p>
<p>Company name: Prysmian</p> <p>Approximate size of holding as at date of the vote: 1.1%</p> <p>05/04/2023</p>	<p>Summary of resolution:</p> <p>Appointment of the internal auditors and of its chairman for 2022-2024 period. List presented by different fund jointly, representing together the 3.69206 ptc of the share capital of Prysmian s.p.a.</p> <p>Date of vote:</p>	<p>For</p>	<p>Italian governance allows shareholders to submit 'slates' of directors for election at the annual general meeting. Baillie Gifford voted in favour of the 'slate' where the majority of directors currently sit on the board. This is routine and non-contentious.</p>	<p>Pass</p>	<p>The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.</p>

	12/04/2022				
<p>Company name: RWE</p> <p>Approximate size of holding as at date of the vote: 0.4%</p> <p>05/04/2022</p>	<p>Summary of resolution:</p> <p>Resolution on the accelerated implementation of the sustainability strategy of RWE Aktiengesellschaft by preparing a spin-off pursuant to sec. 83 (1) of the German stock corporation act</p> <p>Date of vote: 28/04/2022</p>	Against	Baillie Gifford opposed the shareholder resolution requesting a spin-off of RWE Power AG to accelerate the company's sustainability strategy because the manager believes that the company has a credible sustainability strategy and additionally believe that the proposed spin-off could be subject to legal challenge.	Fail	The Trustee has deemed votes related to Good board governance and the approximate size of the holding at more than 0.2% to be a significant vote.