

Hendrickson Europe Limited Pension and Assurance Scheme

Statement of Investment Principles

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Hendrickson Europe Limited Pension and Assurance Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustee has consulted Hendrickson Europe Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority .
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

2. Choosing investments

- 2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of its managers against that target. In doing so, the Trustee considers the advice of its professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in Appendix 1 of this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustee is closely involved in the issues relating to overall investment strategy but are not involved in day-to-day decisions. In particular, the selection of particular investments is left to the investment managers.
- 2.4. The Trustee is aware that, when investing in managed funds, the suitability of a particular kind of investment is at the fund manager's discretion and this is taken into account when deciding on the appropriateness of a particular managed fund.
- 2.5. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustee will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee's main investment objectives are:

- to ensure that it can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimize the long-term costs of the Scheme by maximizing the return on the assets whilst having regard to the above objectives.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustee has obtained exposure to investments that it expects will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. Subject to the requirements of the Scheme's documentation and legislation generally, the Trustee is not restricted in the kind of investment they can make.
- 4.2. Investments in currencies other than Sterling are permitted. The Trustee may also invest in collective funds such as managed fund arrangements or units in unit trusts.
- 4.3. The Trustee monitors from time-to-time the Employer-related investment content of the portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 of this Statement.
- 5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in Appendix 1 of this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.
- 5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to their investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in Appendix 1 of this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets the Scheme's investment manager as frequently as is appropriate, in order to review performance.

8. Realisation of investments

- 8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

- 9.1. The Trustee has set policies in relation to these matters. These matters are set out in Appendix 2.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

- 10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustee carries out a strategy review typically at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and

constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

- 10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed.
- 10.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.
- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.
- 10.10. The Scheme invests exclusively in pooled funds. The investment managers, including those used by any platform, are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment managers to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are assessed by the Scheme's platform manager on behalf of the Trustee on an ongoing basis.

Portfolio turnover costs

- 10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the bi-annual investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

- 11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Signed: R. WILLIAMS ON BEHALF OF THE TRUSTEE

Date: 20 JANUARY 2021

On behalf of the Hendrickson Europe Limited Pension and Assurance Scheme

Appendix 1 Note on investment policy of the Plan in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Fund	Target Allocation (%)
Growth portfolio	Baillie Gifford Diversified Growth Fund	32.5
	Ruffer Absolute Return Fund	32.5
Protection portfolio	LGIM 2032 Index-Linked Gilt Fund	4.4
	LGIM 2040 Index-Linked Gilt Fund	5.4
	LGIM 2042 Index-Linked Gilt Fund	4.9
	LGIM 2050 Index-Linked Gilt Fund	7.6
	LGIM 2055 Index-Linked Gilt Fund	5.7
	LGIM 2058 Index-Linked Gilt Fund	1.1
	LGIM 2062 Index-Linked Gilt Fund	3.6
	LGIM 2068 Index-Linked Gilt Fund	2.3
Total		100.0

Rebalancing and cashflow management

The Trustee recognises that the above allocation will vary over time as a result of market movements and disinvestment requirements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalancing. The Trustee compares actual asset allocation against benchmark allocation on a quarterly basis. The Trustee may take any steps deemed necessary to align actual asset allocation with the benchmark allocation.

New money is invested to rebalance the overall asset allocation towards its overall benchmark.

The Scheme's cash flow requirements are expected to be met by the principal employer's contributions, however where this is insufficient the Trustee may disinvest some of its investments, usually to move the overall asset allocation in line with the long term asset allocation.

2. Choosing investments

The Trustee has appointed the following investment managers via a platform operated by Legal & General Investment Management ("LGIM") to carry out the day-to-day investment of the Scheme:

- LGIM;
- Baillie Gifford;
- Ruffer LLP ("Ruffer")

The investment managers are authorised and regulated by the Financial Conduct Authority.

Details of the funds in which the Scheme invests (including benchmark and performance objectives), which are unaffected by the platform arrangement, are included below. The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Investment manager	Fund	Benchmark	Objective
Baillie Gifford	Diversified Growth Fund	UK Base Rate	Outperform the UK base rate by at least 3.5% per annum (after fees) over rolling five year periods with an annual volatility of less than 10%
Ruffer	Absolute Return Fund	UK Base Rate	Informal target of not losing money on a rolling 12 month period and to generate returns meaningfully ahead of the 'risk-free' alternative of placing money on deposit
LGIM	2032 Index-Linked Gilt Fund	Treasury 2032 Index-Linked Gilt	To perform in line with the respective benchmark
	2040 Index-Linked Gilt Fund	Treasury 2040 Index-Linked Gilt	
	2042 Index-Linked Gilt Fund	Treasury 2042 Index-Linked Gilt	
	2050 Index-Linked Gilt Fund	Treasury 2050 Index-Linked Gilt	
	2055 Index-Linked Gilt Fund	Treasury 2055 Index-Linked Gilt	
	2058 Index-Linked Gilt Fund	Treasury 2058 Index-Linked Gilt	

2062 Index-Linked Gilt Fund	Treasury 2062 Index-Linked Gilt
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2068 Index-Linked Gilt Fund	Treasury 2068 Index-Linked Gilt
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Appendix 2 Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer. This is likely to be not less than five years from the date of this statement of investment principles.

The Trustee has elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee, and the managers of the underlying funds, takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:-

- The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustee will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

2. Non-financially material considerations

The Trustee does not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

The Trustee will review its policy on whether or not to take account of non-financial matters on an annual basis.

3. Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

Implementation Statement

Hendrickson Europe Limited Pension and Assurance Scheme

This Implementation Statement has been prepared by the Trustee of the Hendrickson Europe Limited Pension and Assurance Scheme ("the Scheme") and sets out the following information over the year to 31 December 2021:

- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustee over the year, including information regarding the most significant votes; and
- how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

Trustee policies on voting and engagement

The Trustee's Statement of Investment Principles (SIP) in force as at 31 December 2021 describes the Trustee's policy on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses."

The Trustee's SIP was last reviewed in January 2021 following an update to the Scheme's investment strategy. The SIP has been made available online here:

<https://schemedocs.com/hendrickson-europe-statement-investment-principles.html>

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers.
- LGIM, Baillie Gifford and Ruffer have all confirmed that they are signatories to both the Financial Reporting Council's UK Stewardship Code 2012 and UK Stewardship Code 2020.
- The Trustee, with input from their investment consultant, annually receives and reviews (through its Implementation Statement), the voting information and engagement policies of their investment managers to ensure alignment with its own policies.
- Based on the data currently available, which is presented below, the Trustee is comfortable that the actions of the investment managers are in alignment with the Scheme's stewardship policies.

**Prepared by the Trustee of the Hendrickson Europe Limited Pension and Assurance Scheme
May 2022**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers on behalf of the Trustee over the year to **31 December 2021**.

The Scheme's index-linked gilt holdings with LGIM have been excluded from the table below as they have no voting rights and limited ability to engage with key stakeholders given the nature of the mandate. The Ruffer and Baillie Gifford funds invest in both equity and fixed income markets; and are therefore included below as the equity holdings can carry voting rights.

Manager	Ruffer	Baillie Gifford
Fund name	Ruffer Absolute Return Fund	Baillie Gifford Diversified Growth Fund
Structure	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour	
Number of company meetings the manager was eligible to vote at over the year	95	132
Number of resolutions the manager was eligible to vote on over the year	1250	1505
Percentage of resolutions the manager voted on	100.0%	88.8%
Percentage of resolutions the manager abstained from, as a percentage of the total number of resolutions voted on	1.7%	0.6%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	91.8%	96.0%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	6.5%	3.4%
Proxy voting advisor employed	Institutional Shareholder Services (ISS)	n/a
Percentage of resolutions voted <i>contrary to the recommendation of the proxy advisor</i>	7.4%	Not available – 100% of recommendations were manually reviewed in line with their in-house policy

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The PLSA's

guidance currently does not define what constitutes a “significant” vote, so for this Implementation Statement we have allowed the investment managers to determine what they believe to be a significant vote. Baillie Gifford and Ruffer have provided a selection of 10 votes which they believe to be significant, and in the interest of concise reporting the tables below show two of these votes for each fund over the year to 31 December 2021.

	Ruffer Absolute Return Fund		Baillie Gifford Diversified Growth Fund	
	Vote 1	Vote 2	Vote 1	Vote 2
Company name	Countryside Properties	Royal Dutch Shell	Vonovia SE	Six Flags Entertainment Corporation
Date of vote	05/02/2021	18/05/2021	16/04/2021	05/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.34%	1.33%	0.58%	0.20%
Summary of the resolution	Governance – board composition and remuneration	Vote on management resolution relating to the company's climate transition plan	Amendment of Share Capital	Remuneration – Say on Pay
How the manager voted	Abstain	For	Against	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Ruffer wrote to the company explaining their decision prior to the AGM.	Not applicable	Yes	No
Rationale for the voting decision	Ruffer met with the Chair of the Board to discuss the company's capital allocation strategy. They shared their view that the company would benefit from a non-executive director with a proven track record in capital allocation. Given the changing strategy of the business, significant changes need to be made to the remuneration policy to ensure management is incentivised to deliver on the revised strategy and, importantly, to align their interests with shareholders.	Ruffer supported Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made as a result of engagement and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100+. The management resolution gained support of 88.7% of its shareholder base.	Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	Baillie Gifford opposed the executive's remuneration as several aspects are not in line with best practice.
Outcome of the vote	Re-election proposals passed with a range of 78-93% shareholder approval for votes	The resolution passed with 88.7% votes in favour.	Pass	Pass

	Ruffer Absolute Return Fund		Baillie Gifford Diversified Growth Fund	
	Vote 1	Vote 2	Vote 1	Vote 2
Implications of the outcome	<p>Whilst Ruffer value the engagements with the non-executive directors so far, they have not received acknowledgement their concerns will be addressed. Consequently, Ruffer decided to abstain on their votes in relation to the re-election of all non-executive directors. Ruffer wrote to the company explaining their decision prior to the AGM.</p>	<p>Ruffer will monitor how the company progresses and improves over time, and continue to support credible energy transition strategies and initiatives.</p>	<p>In advance of the AGM Baillie Gifford contacted the company to see if they could provide an assurance they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance therefore Baillie Gifford did not feel it was in their clients' interest to support the two equity issuance resolutions. Baillie Gifford encourage the company to provide this additional assurance so they could consider supporting in future.</p>	<p>Baillie Gifford opposed executive compensation for a multitude of reasons however their primary concern was the size of the long-term incentive award paid to the CEO. In light of COVID-19, when reviewing proposals relating to executive compensation Baillie Gifford assess whether executive pay is aligned with the experience of employees and shareholders. Baillie Gifford felt they could not justify supporting a sizeable long-term incentive award for the CEO, which was equal to the previous year, when framed against a background of company-wide salary reductions and employee lay-offs. Although this proposal was passed, 41% of shareholders opposed it.</p>
Criteria on which the vote is considered "significant"	<p>Votes abstaining or against the re-election of directors for material holdings are significant. These arise after discussion between members of the research, portfolio management and responsible investment teams</p>	<p>Ruffer believe this vote will be of particular interest to clients. The management resolutions aimed to increase the transparency of the company's climate transition planning and outcomes.</p>	<p>This resolution is significant because it received greater than 20% opposition.</p>	<p>This resolution is significant because it received greater than 20% opposition.</p>

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustee. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's index-linked gilt funds due to the nature of the underlying holdings, so engagement information for these assets has not been shown.

Investment Manager	Ruffer	*Baillie Gifford
Fund name	Ruffer Absolute Return Fund	Baillie Gifford Multi Asset Growth Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	25	43
Number of engagements undertaken at a firm level in the year	37	n/a

Data as at 31 December 2021.

*Baillie Gifford have not provided the number of firm level engagements for the year end 31 December 2021.

Examples of engagement activity undertaken over the year to 31 December 2021

Baillie Gifford Multi Asset Growth Fund

CATCo Reinsurance Opportunities Fund Ltd

The CatCo Reinsurance Opportunities Fund invests in a range of fully collateralised reinsurance arrangements, primarily providing reinsurance to reinsurers, as well as including other insurance-based investments and financial instruments. Markel bought CatCo's management firm in 2015, and the fund has suffered substantial losses since then, due to the large volume of natural catastrophes (hurricanes and wildfires) in 2017 and 2018.

Over the fourth quarter of 2021, Baillie Gifford continued conversations with the management and board of the fund, as well as senior representatives of parent firm Markel, to understand their proposal to, in effect, buy out much of the remaining CatCo business. While the slow-motion wind-up of the funds (Ordinaries and C-Shares) has been going on for a couple of years, this expedited end has been spurred on by the threat of legal action from several plaintiffs, which would prevent further shareholder distributions. In addition, sufficient assets have been returned already so Markel is able and willing to assume the remaining risk (except for a tail of business which would still allow shareholders to benefit from any material upside).

Baillie Gifford discussed the detail around the company seeking approval for the proposal. Their engagements confirmed to them that, on balance, this would be in the best interests of their clients, as it offers the quickest,

easiest and probabilistically the most valuable way to see a return of capital to shareholders, should the shareholder vote achieve the required super-majority to proceed. A first vote saw that majority being reached and they await the closing and related distributions in the first quarter of 2022.

Ruffer Absolute Return Fund

Barclays

By way of background, Barclay's progress on their climate change policies began with a benchmarking exercise in autumn 2019, followed by several meetings with activist group Share Action ahead of the 2020 AGM. This allowed the company to propose and pass their own resolution to further their commitment to tackling climate change. The aim of this meeting was to better understand the company's timeline to developing its climate change policies, the impact of the last two shareholder resolutions at the 2020 and 2021 AGMs, their current policies on the issue and how they aim to take these forward.

Ruffer met with Nigel Higgins (Chair of the Board), Stephen Shapiro (Group General Counsel) and James Ankers (ESG Investor Relations Director). This was Ruffer's first meeting with the Chairman and was arranged following the 2021 Annual General Meeting (AGM) in May, where Ruffer supported the Board and voted against a shareholder resolution brought by Market Forces, an Australian environmental campaign group.

They discussed the financing of certain sectors, where it was explained the company take an engage rather than disinvest approach, which Ruffer is supportive of. This applies to lending in the energy and power sectors currently, with the aim of extending the reporting and data analysis to all sectors covered by their financing portfolio, including metals. Management acknowledged the need for more detailed data and targets which will be the aim for the second half of 2021. Barclays also accepted it needs to provide more interim targets to provide internal impetus and benchmarking to their initial net zero 2050 commitment, however, it is unclear whether these will be 2025 or 2030 targets. The company made the point the acceptable frontier of policy and action had been brought forward, and it aims to be a leader in the area with the understanding this will require significant internal resources. It was noted Sasha Wiggins, Group Head of Public Policy and Corporate Responsibility, leads the development here and there is a Climate Committee of the Executive board. They also discussed succession planning for the CEO, and historic engagements the board has had with activist investor Edward Bramson, via Sherborne Investors.

This was an initial, exploratory meeting and Ruffer intend to continue their engagement including through involvement in future discussions on setting additional targets and further refining climate change policies.