# T Crossling & Co Limited 1972 Pension and Life Assurance Scheme

# Implementation Statement for Scheme Year Ending 5 April 2022

## Purpose of the Implementation Statement

The Implementation Statement has been prepared by the Trustees of the T Crossling & Co Limited 1972 Pension and Life Assurance Scheme (“the Scheme”) to set out the following information over the year to 31 March 2022:

* The voting activity undertaken by the Scheme’s investment manager on behalf of the Trustees over the year, including information regarding the most significant votes.
* How the Trustees’ policies on exercising rights (including voting rights) and engagement activities have been followed over the year.

The voting behaviour is not given over the Scheme year end to 5 April 2022 because investment managers only report on this data quarterly. We have therefore given the information over the year to 31 March 2022.

## The Trustee’s policies on voting and engagement

The following extracts from the Scheme’s Statement of Investment Principles (“SIP”) in force at 31 March 2022 describes the Trustees’ policy on the exercise of rights (including voting rights) and engagement activities. The Trustees’ full policies on Environmental, Social and Governance (“ESG”) considerations, stewardship and investment manager arrangements are set out in the SIP.

*“The Trustees’ 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 Trustees’ behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' 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 Scheme’s SIP was last reviewed in September 2020 and has been made available online here:

https://www.crossling.co.uk/documents/2020 09 Crossling SIP.docx

## Investment manager and funds in use

At the Scheme year-end, the Scheme’s investments were managed by a single investment manager, Baillie Gifford & Co Limited (“Baillie Gifford”). The following table details the investment managers and funds in use at the Scheme year end:

|  |  |  |
| --- | --- | --- |
| **Manager** | **Fund** | **Asset Class** |
| Baillie Gifford & Co Limited | Diversified Growth Fund | Diversified Growth |
| Managed Fund | Multi-asset |
| Investment-Grade Long Bond Fund | Investment-grade bonds |

## How voting and engagement policies have been followed

Based on the information provided by Baillie Gifford, the Trustees believe that their policies on voting and engagement have been met in the following ways:

* The Scheme invests entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Scheme’s investment manager. Investment rights (including voting rights) have been exercised by the manager in line with their general policies on corporate governance. The Trustees also expect the manager to have engaged with the companies in which they invest in relation to ESG matters.
* The Trustees receive and review voting and engagement data from the Scheme’s investment manager on an annual basis, which they review and report in their annual Implementation Statement.

The Trustees have reviewed the summary data below in respect of the manager’s voting and engagement activities and are comfortable that the actions of the investment manager are in alignment with the Scheme’s stewardship policies. The Trustees have not undertaken a formal review of the voting and engagement activities (outside of the information contained within the Implementation Statement) over the year.

**Prepared by the Trustees of the T Crossling & Co Limited 1972 Pension and Life Assurance Scheme**

**June 2022**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment manager within the Scheme’s portfolio on behalf of the Trustees over the year to **31 March 2022**.

There are not expected to be any voting rights attached to the Investment-Grade Long Fund given the nature of the mandate. Therefore, this fund is not included in the table below.

| **Manager** | **Baillie Gifford** |
| --- | --- |
| **Fund name** | **Diversified Growth Fund** | **Managed Fund** |
| **Structure** | Pooled |
| **Ability to influence voting behaviour of manager**  | The pooled fund structure means that there is limited scope for the Trustees to influence the manager’s voting behaviour. |
| **Number of company meetings the manager was eligible to vote at over the year** | 133 | 238 |
| **Number of resolutions the manager was eligible to vote on over the year** | 1,537 | 2,953 |
| **Percentage of resolutions the manager voted on**  | 88.1 | 98.5 |
| **Percentage of resolutions the manager abstained from** | 0.6 | 1.5 |
| **Percentage of resolutions voted *with* management, as a percentage of the total number of resolutions voted on**  | 96.0 | 97.0 |
| **Percentage of resolutions voted *against* management, as a percentage of the total number of resolutions voted on** | 3.4 | 1.5 |
| **Percentage of resolutions voted contrary to the recommendation of the proxy advisor** | n/a | n/a |

*Source: Baillie Gifford*

### Proxy Voting

Whilst Baillie Gifford are cognisant of proxy advisers’ voting recommendations (Institutional Shareholder Services (“ISS”) and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon proxy advisers’ recommendations when deciding how to vote on their clients’ shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers’ policies.

### 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 guidance does not currently define what constitutes a “significant” vote, so for this Implementation Statement the Trustee has asked the investment manager to determine what they believe to be a “significant vote”.

The Scheme’s investment consultant, Barnett Waddingham, requested data on significant votes during the reporting period from Baillie Gifford. Details of their responses are given in the tables below.

Where Baillie Gifford provided details of more than three significant votes, we have shown a sample of the votes provided. Further detail about the significant votes not shown here and about the managers’ voting rationales is available upon request.

**Baillie Gifford Diversified Growth Fund**

|  | **Vote 1** | **Vote 2** | **Vote 3** |
| --- | --- | --- | --- |
| **Company name** | Galaxy Entertainment Group Ltd | Greggs PLC | Booking Holdings Inc. |
| **Date of vote** | 13 May 2021 | 14 May 2021 | 3 June 2021 |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 0.18 | 0.27 | 0.19 |
| **Summary of the resolution** | Incentive plan | Remuneration - Report | Shareholder resolution - Climate |
| **How the manager voted** | Against | Against | For |
| **If the vote was against management, did the manager communicate their intent to the company ahead of the vote?** | No | No | Yes |
| **Rationale for the voting decision** | Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. In addition, Baillie Gifford felt the level of dilution was not in the interests of shareholders. | Baillie Gifford opposed the resolution to approve the Remuneration Report because of the Remuneration Committee's decision not to align executive directors' pensions with the workforce until four years after the Investment Association's guidance. | Baillie Gifford supported a shareholder resolution requesting a climate transition report as they believe better disclosure is in shareholders’ best interests. |
| **Outcome of the vote** | Pass | Pass | Pass |
| **Implications of the outcome** | Baillie Gifford will continue express their concerns to the company and seek to obtain proposals that they can support. | Following the submission of their votes, Baillie Gifford communicated their concerns to the company who acknowledged their concerns and stated that they would review pension alignment at their next remuneration policy review, ahead of the 2023 AGM. Baillie Gifford will continue to engage on this issue. | While Baillie Gifford are encouraged by the company's progress on this issue, they would like to see the company go further than its current reporting and plans. Baillie Gifford would like to see targets to reduce emissions, rather than only focussing on offsetting, and long-term scenario planning on transition risk. Baillie Gifford will continue to monitor this topic in their discussions with the company. |
| **Criteria on which the vote is considered “significant”**  | This resolution is significant because it received greater than 20% opposition. | This resolution is significant because Baillie Gifford opposed remuneration. | This resolution is significant because it was submitted by shareholders and received greater than 20% support. |

**Baillie Gifford Managed Fund**

|  | **Vote 1** | **Vote 2** | **Vote 3** |
| --- | --- | --- | --- |
| **Company name** | Netflix Inc. | Tesla Inc. | Mesoblast |
| **Date of vote** | 3 June 2021 | 7 October 2021 | 29 November 2021 |
| **Approximate size of fund's holding as at the date of the vote (as % of portfolio)** | 0.67 | 0.92 | 0.03 |
| **Summary of the resolution** | Shareholder resolution for a report on political contributions. | Shareholder resolution requesting a report on the company’s use of arbitration to resolve employee disputes. | Grant of options to a non-executive director. |
| **How the manager voted** | For | For | Against |
| **If the vote was against management, did the manager communicate their intent to the company ahead of the vote?** | No | Yes | No |
| **Rationale for the voting decision** | Baillie Gifford believe enhanced disclosure on the company's policies and procedures is in shareholders' best interests. | Baillie Gifford think additional disclosure and transparency on this provision would clarify Tesla's workplace practices. | Baillie Gifford opposed the grant of options due to concerns that it could compromise the director’s independence. |
| **Outcome of the vote** | Pass | Fail | Pass |
| **Implications of the outcome** | This proposal passed with more than 80% support. At the time the vote took place, Netflix did not disclose any information regarding its political contributions management or oversight, and it did not disclose information on amounts spent on political contributions or monies given to trade associations. Netflix also did not provide a list of trade associations or other advocacy groups it may support. Baillie Gifford supported given the lack of information and continue to engage on this and other topics with Netflix. | This was the second time this resolution was put forward, and at the 2020 AGM it received over 26% support, with Baillie Gifford also voting in favour. Baillie Gifford felt nothing material had changed over the year, and so continued to support the proposal. Baillie Gifford have communicated their opinion to the board. | The resolution received significant dissent with a 26% opposition. In general, Baillie Gifford are hesitant to support the granting of options to non-executive directors when there is no compelling rationale from the company to support, as they feel payment in options can significantly undermine a director's independence. In addition, payment in options is not consistent with market practice in Australia, in which the company is based. Baillie Gifford plan to communicate their decision with the company at the next engagement opportunity. Baillie Gifford will look to encourage them to remunerate independent directors through a fixed annual fee. |
| **Criteria on which the vote is considered “significant”**  | This resolution is significant because it was submitted by shareholders and received greater than 20% support. | This resolution is significant because it was submitted by shareholders and received greater than 20% support. | This resolution is significant because it received greater than 20% opposition. |

### Fund level engagement

The Scheme’s investment manager may engage with their investee companies on behalf of the Trustees. The table below provides a summary of the engagement activity undertaken by the Scheme’s investment manager within each fund. The information is given over the year to 31 March 2022 where available.

|  |  |  |  |
| --- | --- | --- | --- |
| **Fund name** | Diversified Growth Fund | Managed Fund | Investment Grade Long Bond Fund |
| **Does the manager perform engagement on behalf of the holdings of the fund** | Yes | Yes | Yes |
| **Has the manager engaged with companies to influence them in relation to ESG factors in the year?** | Yes | Yes | Yes |
| **Number of engagements undertaken on behalf of the holdings in this fund in the year** | 43 \* | 179 \* | *Not available for entire period;4 for Q1 2022* |
| **Number of engagements undertaken at a firm level in the year** | 491 |

*\*Data over the year to 31 March 2022 is not available at the fund level. The figures stated here are over the year to 31 December 2021.*

### Examples of engagement activities undertaken over the year to 31 March 2022

| **Manager**  | **Example engagements and engagement themes at firm level** |
| --- | --- |
| **Baillie Gifford** | **Enel:** Baillie Gifford engaged with Enel, an Italian energy manufacturer and distributor, to better understand their role within the energy transition. The company disclosed to Baillie Gifford that one of their key roles is to educate customers on the best source of energy for their individual needs. Enel do this by providing customers with insights into the financial and environmental benefits of each available energy source. Enel also set ambitious targets, such as a commitment to achieve full decarbonisation by 2040. This is of particular importance for Enel’s customers who are reliant on utility supplies achieving net zero to facilitate their own net zero targets.**TwentyFour:** On 23 September 2021, Baillie Gifford met with the investment team of the TwentyFour Income Fund. This fund is a closed-ended fixed income mutual fund, managed by TwentyFour Asset Management LLP, investing in the fixed income markets of Europe. During the meeting, TwentyFour discussed its approach to investing in different types of securities including bonds, asset-backed securities and collateralised loan obligations. The challenge the team identified in integrating ESG consistently into the investment process is the lack of ESG disclosure and metrics available for its investment universe. This was a key driver to developing TwentyFour AM’s approach, opting not to have a separate ESG team from the outset; the team also use a combination of third party and proprietary ESG scoring to fill the gaps. The explanation of how the process works in practice was consistently supported by relevant ESG scorecard and engagement examples, resulting in a quantitative ESG score for each investment opportunity. Baillie Gifford enjoyed hearing about the effort the company is putting into its systematic assessment of ESG, its engagement with industry initiatives to try to increase the data availability for its areas of focus and that the investment team each have an annual 20 per cent ESG appraisal objective.**Zoom Video Communications:** In September,Baillie Gifford engaged with Zoom to better understand their contribution to climate change. Zoom appointed an environmental consultancy to help in their analysis of their carbon emissions and has intentions of sharing the results of this. It is estimated that the use of Zoom has reduced travel, and therefore saved several megatonnes of carbon dioxide emissions. To complement this analysis, Baillie Gifford suggested that users could be surveyed at the end of each Zoom meeting to ask if the meeting replaced commuting and understand that Zoom are now considering incorporating a survey into Zoom to track this. Baillie Gifford are committed to monitoring Zoom’s progress in its carbon accounting and disclosures. |