Implementation Statement | Stannah 2017 Pension Scheme

Scheme year ended 31 December 2022

Introduction

This statement sets out how, and the extent to which the Statement of Investment Principles ("SIP") produced by the Trustees, has been followed during the year to 31 December 2022. The statement has been produced in accordance with The Penson Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the guidance published by the Pensions Regulator.

The 2017 Stannah Pension Scheme has both a Defined Benefit ("DB") section and a Defined Contribution ("DC") section. The DB section has fully secured members' benefits with annuities; remaining assets are very small and in a cash fund. As such, this document focuses on the DC section, which we refer to throughout this document as the "Scheme" for brevity.

Purpose of this statement

This implementation statement has been produced by the Trustees of the Stannah 2017 Pension Scheme **("the Scheme")** to set out the following information over the year to 31 December 2022:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.
- a summary of any changes to the Statement of Investment Principles (SIP) over the period.
- a description of how the Trustees' policies, included in their SIP, have been followed over the year.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at July 2022 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in July 2022 and has been made available online here: https://corporate.stannah.com/stannah-pension-governance/

No changes were made to the stewardship policy over the year.

The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's investment managers.

At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

Changes to the SIP over the year

As part of the changes to the Scheme's investment arrangements initiated in 2021, the default investment option was changed from one targeting the purchase of an annuity at retirement to one targeting drawdown: the Lifestyle Strategy Targeting Drawdown. The Lifestyle Strategy Targeting Drawdown is structured around a multi-phase approach where assets are progressively switched from the Stannah Long Term Growth Fund (in the growth phase) to the Stannah Cautious Growth Fund (in the mid phase) and then into a mix of the LGIM Retirement Income Multi-Asset Fund and BlackRock Sterling Liquidity Fund.

The Lifestyle Strategy Targeting Drawdown is now the default option for members who have not expressed an investment choice.

The Trustees also introduced a second self-select option over the year: the Stannah Annuity Targeting Lifestyle strategy. This strategy targets a different retirement benefit than that targeted by the default option, namely the purchase of an annuity at retirement.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its 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 fund managers.
- The Trustees reviewed the stewardship and engagement activities of the current managers as part of their meetings to discuss the Scheme's triennial investment strategy review and were satisfied that their policies were reasonable and no remedial action was required at that time.
- The Trustees obtained training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.

- The Trustees receives and reviewed voting information and engagement policies from the fund managers (e.g. in preparing this Implementation Statement), which they reviewed to ensure alignment with their own policies. The Trustees believe that the voting and engagement activities undertaken by the fund managers on their behalf have been in the members' best interests.
- As part of the Trustees' ongoing monitoring the fund managers' report on their adherence to the UK Stewardship Code on an annual basis.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are in alignment with the Scheme's stewardship policies.

How the SIP has been followed over the year

In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:

- The Scheme offers a suitable default strategy for members. This was reviewed in July 2021 and appropriate changes made based on the membership profile of the Scheme.
- The Scheme offers a range of self-select fund options which give members a reasonable choice from which to select their own strategy. The self-select fund range was reviewed in 2022.
- The Trustees monitor the performance of the fund managers quarterly to ensure that the funds are meeting their stated objectives. Their Investment Consultant and platform provider, Scottish Widows provide quarterly reports for review.
- The Trustees considered the ESG capabilities of each of the Scheme's fund managers as part of the triennial investment strategy review and agreed that the managers' policies are reasonable.
- The Trustees regularly review the ESG capabilities of the fund managers as part of the quarterly monitoring process.

Prepared by the Trustees of the Stannah 2017 Pension Scheme
July 2023

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Portfolio on behalf of the Trustees over the year to **31 December 2022**. The cash fund with BlackRock and the Fixed Income fund with Standard Life (namely the BlackRock Sterling Liquidity Fund and the Standard Life Corporate Bond Fund) have no voting rights and a limited ability to engage with key stakeholders given the nature of the mandate.

Manager	Artemis	Baillie Gifford	LGIM			Meridian	BNY Mellon Newton			Schroders
Fund name	Global Equity Fund	UK Equity Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged	Diversified Fund	Retirement Income Multi-Asset Fund	Global Equity Fund	Global Equity Fund	Global Balanced Fund	UK Equity Fund	Diversified Growth Fund
Structure	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	Pooled	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.									
No. of eligible meetings	161	56	7,259	9,567	10,048	86	46	58	62	1,934
No. of eligible votes	2.166	892	75,300	98,795	102,624	1,398	702	985	1,125	22,236
% of resolutions voted on	100%	100.0%	99.9%	99.8%	99.8%	100.0%	100.0%	100.0%	100%	97.6%
% of resolutions abstained from[1]	0%	0%	1.2%	0.7%	0.7%	0.0%	2.4%	0.0%	0.0%	2.1%

Manager	Artemis	Baillie Gifford	LGIM			Meridian	BNY Mellon Newton			Schroders
% of resolutions voted with management[1]	85%	99.10%	80.5%	77.4%	77.8%	95.1%	97.6%	89.9%	94.1%	97.6%
% of resolutions voted against management[1]	14%	0.9%	18.3%	21.9%	21.5%	4.51%	17.4%	10.1%	5.9%	0.3%
Proxy voting advisor employed	Artemis employ Institutional Shareholder Services ("ISS") as their proxy voting advisor, who's input helps facilitate their overall voting policy.	Baillie Gifford employ both ISS and Glass Lewis as proxy advisors; however, all decisions are made in-house in line with their own policies.	LGIM use ISS as their proxy advisor however all decisions are made by LGIM in line with their own policies.			Meridian employs ISS as their proxy advisor, however all voting decisions are made in-house.	Newton employs ISS as their proxy advisor. All decisions are made in-house, except in the case where they believe there is a material conflict of interest, in which case they will follow the recommendation from ISS.			Not provided
% of resolutions voted against proxy voter recommendation[1]	0%	Not provided	9.7%	12.5%	12.3%	Not provided	9.0%	7.6%	4.5%	Not provided

[1] As a percentage of the total number of resolutions voted on

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 Trustees over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement the Trustees have agreed to adopt the criteria used by their fund managers for determining what they believe to be a "significant vote". The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Artemis, Baillie Gifford and LGIM, Meridian and BNY Mellon Newton have provided a selection of 4, 7, 10, 10 and 10 votes, respectively, that that they deemed to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below. Schroders did not provide any significant votes.

Artemis, Global Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Sinotrans Limited	Sinotrans Limited	Sinotrans Limited
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.8%	0.8%	0.8%
Summary of the resolution	Approve Estimated Guarantees of the Company	Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights	Amend Articles of Association
How the manager voted	Against	Against	Against
Rationale for the voting decision	A vote against this resolution was warranted since the company will be taking in a disproportionate amount of risk relative to its ownership stake without compelling justification.	A vote against this resolution is warranted because the share issuance limit was greater than 10 percent of the relevant class of shares. The company has not specified the discount limit.	A vote against is warranted as shareholder rights are or could be reduced. The proposed articles and bylaw amendments are not considered to adequately provide for accountability and transparency to shareholders.
Outcome of the vote	Pass	Pass	Pass
Implications of the outcome	Not Provided		
Criteria on which the vote is considered "significant"	The vote is considered significant if the company have a greater than 1% share in the company, the company voted against management, the company voted against the proposal.		

Baillie Gifford, UK Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Rio Tinto LPC	Ocado Group PLC	Ocado Group PLC
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.9%	1.6%	1.6%
Summary of the resolution	Other	Remuneration	Remuneration
How the manager voted	Against	Against	Against
Rationale for the voting decision	Baillie Gifford opposed the conditional resolution in line with management recommendation.	Baillie Gifford opposed the extension of the value creation plan due to concerns with the potential size of awards.	Baillie Gifford opposed the resolution to approve the remuneration policy because they had concerns with the potential size of awards under the value creation plan.
Outcome of the vote	The resolution failed.	The resolution passed.	The resolution passed.
Implications of the outcome	This resolution relates to an Australian legal requirement to hold a fresh shareholder meeting if the remuneration resolution fails at two successive AGMs. As we supported remuneration at this AGM, we opposed this resolution in line with the management recommendation.	Following the submission of their votes Baillie Gifford contacted the company to reconfirm their decision to oppose the extension to the value creation plan. Baillie Gifford have concerns regarding the potential size of awards and in addition believe that given that this plan sits alongside an annual bonus scheme believe that the growth rate threshold should be set higher.	Following the submission of their votes Baillie Gifford contacted the company to reconfirm their decision to oppose the extension to the value creation plan. Baillie Gifford have concerns regarding the potential size of awards and in addition believe that given that this plan sits alongside an annual bonus scheme believe that the growth rate threshold should be set higher.
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 Baillie Gifford opposed remuneration.

Legal & General Investment Management, all growth funds

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Rio Tinto Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	4.8%	2.2%	1.9%
Summary of the resolution	Resolution 20 - Approve the Shell Energy Transition Progress Update	Resolution 3 - Approve Net Zero - From Ambition to Action Report	Resolution 17 - Approve Climate Action Plan
How the manager voted	Against	For	Against

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	LGIM remain concerned of the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is their view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.	LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile
Outcome of the vote	The resolution passed.	The resolution passed.	The resolution passed.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on these issues and monitor company and market-level progress.		
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Meridian, Global Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Comcast Corporation	Linde Plc	Oracle Corporation
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.8%	2.4%	1.8%
Summary of the resolution	Elect Director Edward D. Breen	Adopt Simple Majority Vote	Elect Directors (Compensation Committee)
How the manager voted	Against Management	Against Management	Against Management
Rationale for the voting decision	MFS may engage with issuers ahead of their vote at a shareholder meeting, we may not disclose their final vote decisions that are considered on a case-by-case basis prior to the meeting.	MFS may engage with issuers ahead of their vote at a shareholder meeting, we may not disclose their final vote decisions that are considered on a case-by-case basis prior to the meeting.	MFS may engage with issuers ahead of their vote at a shareholder meeting, we may not disclose their final vote decisions that are considered on a case-by-case basis prior to the meeting.
Outcome of the vote	The resolution passed.	The resolution passed.	The resolution passed.

	Vote 1	Vote 2	Vote 3
Implications of the outcome	MFS aim to engage with companies whose directors may be implicated by their overboarding policy. The goal of these engagements is to notify the company of their policy and to learn more about the circumstances surrounding the overboarded director.	This level of support demonstrates clear shareholder desire for the repeal of the company's supermajority vote provisions. MFS expect to see the issuer work to resolve the issue brought forth in this majority-supported proposal.	Multiple years of low-level support for the executive compensation plan indicates that the compensation committee continues to demonstrate insufficient responsiveness to shareholder concerns.
Criteria on which the vote is considered "significant"	MFS considers a vote significant if it has one of the following characteristics: the vote is linked to certain engagement priorities, the vote considered engagement with the issuer or the vote relates to certain thematic or industry trends.		

Newton (BNY Mellon), UK Equity Fund

	Vote 1	Vote 2	Vote 3
Company name	Barclays Plc	Bunzl Plc	Compass Group Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.8%	2.1%	2.2%
Summary of the resolution	Management Climate-Related Proposal	Elect Director (X4); Advisory Vote to Ratify Named Executive Officers' Compensation	Approve Remuneration Policy. Elect Directors x6.
How the manager voted	Against	Against	Against
Rationale for the voting decision	BNY Mellon voted against the proposed say on climate at the upcoming AGM. The bank is now utilizing a net zero by 2050 transition scenario for their loan book and is net zero by 2070. While the bank has made certain improvements, BNY Mellon believe the plan still has critical gaps. The bank has not published its absolute emissions or green financing targets and therefore BNY Mellon cannot make an informed decision now. Moreover, there is no commitment from the bank to have another say on climate in the future yet. BNY Mellon would have liked to have clarity on this, given the bank will disclose targets for its other sectors such as auto and real-estate by 2023 and for its entire exposure by 2024.	BNY Mellon voted against the remuneration report due to their concerns with the remuneration structure. The company had replaced its performance based long-term incentive plan with time-based restricted share plan (RSP) last year. The RSP is subject to underpin, however, the underpin consists of a broad list of performance indicators and the company has provided very generic description of these, and therefore the long-term incentives rely on a discretionary assessment by the remuneration committee.	BNY Mellon voted against the remuneration policy and, as a result, against the re-election to the board of the incumbent members of the remuneration committee. BNY Mellon were concerned with the increase in executives' maximum long-term incentive opportunities; rising from 300% to 400% of salary for the CEO, and from 250% to 350% of salary for the other executive directors. The rationale provided by the company was not sufficiently compelling to justify the substantial increase in award.

	Vote 1	Vote 2	Vote 3
Outcome of the vote	The resolution passed.	The resolution passed.	The resolution passed.
Implications of the outcome	The dissent on the proposal is significant and the company is expected to address shareholder concerns by initiating discussions. BNY Mellon will continue to engage with the company to encourage progress and provide feedback.	The lack of shareholder dissent suggests that shareholders are comfortable with the executive pay arrangements. BNY Mellon expect an increase in shareholder dissent for future pay-related votes should the company fail to address these concerns.	In terms of UK best practice guidance, votes against in excess of 20% warrants the company to engage with its largest shareholders to understand concerns. With 32.5% of votes against the remuneration policy, BNY Mellon expect the company to address shareholders' concerns.
Criteria on which the vote is considered "significant"	BNY Mellon determined this to be a significant vote owing to the increasing incidents financial institutions face in relation to climate change and the media attention that this subject is attracting.	While the voting outcomes were not significant, BNY Mellon expect to continue recognising their fundamental governance concerns through their voting and engagement activities.	BNY Mellon recognise this as a significant vote given the relatively high level of dissent from shareholders.

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. 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 cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Artemis Global Equity Fund does not provide number of engagements.

Manager	Artemis	Baillie Gifford	LGIM	Meridian	Newton	Schroders
Fund name	Global Equity Fund	UK Equity Fund	Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged Diversified Fund Retirement Income Multi-Asset Fund Pre-Retirement Fund	Global Equity Fund	Global Equity Fund Global Balanced Fund UK Equity Fund	Diversified Growth Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	N/A	1,255	Global Equity MW Fund – 663 Diversified Fund – 667 Retirement Income Multi-Asset Fund – 681 Pre-Retirement Fund – 168	29	Global Equity Fund – 33 Global Balanced Fund – 36 UK Equity Fund – 18	>1000

Manager	Artemis	Baillie Gifford	LGIM	Meridian	Newton	Schroders
Number of entities engaged on behalf of the holdings in this fund in the year	N/A	Not provided	Global Equity MW Fund – 428 Diversified Fund – 435 Retirement Income Multi-Asset Fund – 451 Pre-Retirement Fund – 82	21	Global Equity Fund – 20 Global Balanced Fund – 21 UK Equity Fund – 13	>600
Number of engagements undertaken at a firm level in the year	N/A	Not provided	711	220	193	>2800

Examples of engagement activity

Some examples of engagement activities for each of the investment managers have been provided below.

Baillie Gifford, UK Equity Fund

Hargreaves Lansdown: Corporate Governance

Baillie Gifford had a conversation with the general counsel and company secretary to assess the board's consideration of appointing the chair to an additional chairmanship. Baillie Gifford sought clarification on how much thought was given to the time commitment required for the new role to avoid over-boarding. The company was informed that there is a formal process in place to evaluate new appointments by board members, which was followed in this case. Baillie Gifford received assurance that the chair will not be joining any board committees in the new role and will be relinquishing several private commitments.

LGIM, firm level

Global Research & Engagement Groups focus: Water pollution in the UK

UK water companies have attracted plenty of press attention and criticism in recent months as there has been an increased concerns on their environmental performance, which the UK Environment Agency described as "the worst we have seen for years".

In the first quarter of 2023, LGIM arranged an engagement call with Macquarie Asset Management, Southern Water's majority shareholder, to share its views on the topic. This builds on LGIM's engagement over recent months, including with management at other companies in the sector such as Thames Water and with the regulator, Ofwat. LGIM also signed up to the Ceres investor-led 'Valuing Water Finance Initiative', aimed at engaging water users and polluters to address water risks and protect this precious and essential natural resource.

LGIM continues to limit its exposure to the bonds of weaker companies in the sector, pending evidence on progress on operational and financial issues. As one of the largest lenders in the sterling corporate bond market, LGIM directly engages when companies are marketing bonds, and also amplifies its voice through its leading role at ages with other sector stakeholders such as regulators and industry bodies as part of their broader aim not just to improve ESG factors at individual companies, but across the global markets in which their clients are invested.

Meridian, Global Equity Fund

Eni SpA, Danone, and Whitbread**:** Environmental

MFS engaged with Eni SpA, Danone, and Whitbread to discuss decarbonisation efforts and net zero targets. With Whitbread, the focus was on employee conditions and climate goals. MFS continued to engage with Danone on their climate change plans and hopes for a shareholder vote in the future. With Eni SpA, MFS discussed the net zero strategy and capital allocation alignment. MFS welcomed Eni's leadership in the climate agenda and their agreement to pilot the Net Zero Standard for Oil & Gas. MFS will monitor progress and encourage implementation of the standard. The companies' actions to reduce emissions are seen as positive, and MFS will closely monitor emission risks.

Newton (BNY Mellon), all growth funds

Climate change

Newton's objective was to understand how companies are managing risks and opportunities in a decarbonising world and to promote environmental responsibility. They acknowledged the risks faced by heavy emitting industries and the potential impact of rising natural capital costs on business models. Their engagement efforts, including long-term engagement with Royal Dutch Shell, have resulted in climate pledges and targets by companies.

Newton believes that addressing climate change is financially important across sectors and benefits companies in the long run. They have evolved their engagement strategy over the past two decades and actively participate in collaborative initiatives like Climate Action 100+. Newton plans to continue their individual and collaborative efforts, supporting shareholder proposals through voting action as an active manager with limited exposure to high-emitting companies.

Artemis, Global Equity Fund

Barclays: Climate change

Artemis has engaged with Barclays to discuss the bank's approach to climate change, both risks and opportunities. Barclays has committed to becoming a net-zero bank by 2050 and aligning its financing with the goals of the Paris Agreement. They have developed a methodology to measure financed emissions and have joined the Net Zero Banking Alliance. However, phasing out fossil fuel financing in the short term is challenging, so Barclays is working with clients and companies to facilitate their transition. Artemis also discussed board composition and the departure of the CEO with Barclays. The bank has set 2030 targets aligned with the IEA's 1.5 degrees centigrade scenario and has assessed financed emissions for various sectors, including auto manufacturing and UK Residential Estate portfolio. Barclays is investing in internal expertise and plans to set targets for high-emitting sectors and phase out financing for coal-fired power generation. Artemis's engagement with Barclays on this topic continues.