

Implementation Statement

Rotork Pension and Life Assurance Scheme

Purpose of this statement

This implementation statement has been produced by the Trustee of the Rotork Pension and Life Assurance Scheme ("**the Scheme**") to set out the following information over the year to 31 March 2023:

- how the Trustee's 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 Trustee over the year, including information regarding the most significant votes.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at September 2020 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in 2020 and has been made available online here:

<https://www.rotork.com/en/documents/publication/24474>

The Trustee has delegated the exercise of rights attached to investments, including voting rights, and the undertaking of engagement activities to the Scheme's investment managers.

The tables provided in the remainder of this statement provide an indication of the investment managers' overall voting and engagement activities.

At this time, the Trustee has 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 the Scheme's other risks and its long-term objectives.

How voting and engagement/stewardship policies have been followed

At the Scheme year end, the Scheme's investment managers were: M&G Investments ("M&G"), Legal and General Investment Management ("LGIM"), Columbia Threadneedle Investments ("CT"), and Baillie Gifford & Co ("Baillie Gifford"). Note during the year to 31 March 2023, since the acquisition of BMO by CT, all BMO funds will now be referred to as CT funds.

The Trustee considers the performance of the funds held with the investment managers on a regular basis, and any significant developments that arise. Over the Scheme year, the Trustee reviewed the Environmental, Social and Governance ("ESG"), stewardship and engagement activities of the current managers and was satisfied that their policies were reasonable, and no remedial action was required at that time. During the year, the Scheme fully disinvested from the CT Dynamic Real Return Fund as part of a wider de-risking exercise.

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 delegates responsibility for carrying out voting and engagement activities to the Scheme’s fund managers.
- The Trustee undertook an initial review of the stewardship and engagement activities of the current managers at their September 2022 meeting and was satisfied that their policies were reasonable, and no remedial action was required at that time.
- The Trustee has previously received training on ESG considerations in order to understand how ESG factors including climate change could impact the Scheme and its investments.

Annually, the Trustee receives and reviews voting information and engagement policies from the asset managers which it reviews to ensure alignment with the Trustee’s stewardship policies. The Trustee believes that the voting and engagement activities undertaken by the asset managers on its behalf have been in the members’ best interests.

- As part of ongoing monitoring of the Scheme's investment managers, the Trustee used 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.
- The Trustee has a policy to consider an investment manager’s approach to ESG as part of any new investment manager or fund selection exercise (“selection of investments”). The Trustee last carried out a selection exercise in 2020.
- The Trustee also has a policy to request that all 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 (“retention of investments”). These reports are received via the Trustee’s investment consultant. This exercise was undertaken in September 2022.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund managers is in alignment with the Scheme’s stewardship policies.

During the year the Trustee received training in the following areas:

Date	Topic
September 2022	<i>Liability Driven Investment (LDI), given by Barnett Waddingham</i>
	<i>Scheme Valuation & Funding TKU – provided by Barnett Waddingham</i>
October 2022	<i>Post the gilts crisis, gilts, hedging and collateral training by Barnett Waddingham</i>
	<i>De-risking and potential buy-in contract given by LCP and Gowlings</i>

**Prepared by the Trustee of the Rotork Pension and Life Assurance Scheme
September 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustee over the year to **31 March 2023**.

There are no voting rights attached to the other assets held by the Scheme, which includes: bonds, property, cash and other debt instruments.

Manager	LGIM	Baillie Gifford
Fund name	Future World Global Equity Index Fund	Multi Asset Growth Fund
Structure	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.	
No. of eligible meetings	5,067	84
No. of eligible votes	54,368	885
% of resolutions voted	99.88%	97.06%
% of resolutions abstained	1.03%	1.16%
% of resolutions voted with management¹	80.37%	95.23%
% of resolutions voted against management¹	18.60%	3.61%
% of resolutions voted against proxy voter recommendation	10.47%	<i>Data not provided</i>

Source: LGIM and Baillie Gifford

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 Trustee 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 Trustee has not set stewardship priorities / themes for the Scheme but will be considering the extent that it wishes to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustee has asked the investment managers to determine what they believe to be a “significant vote”. The Trustee has not communicated voting preferences to its investment managers over the period, as the Trustee has not developed a specific voting policy.

LGIM and **Ballie Gifford** have provided a selection of 10 votes which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustee has 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.

A summary of the significant votes provided is set out below.

LGIM, Future World Global Equity Index Fund

In determining significant votes, LGIM’s investment stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (“PLSA”). This guidance dictates significant votes include, but are not limited to:

- A high profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote, directly communicated by clients to the investment stewardship team at LGIM’s Stakeholder roundtable event, or where LGIM notes there has been a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and
- A vote linked to an LGIM engagement campaign.

We have provided some detailed examples of significant votes that LGIM have provided for ease of reporting. However, if you would like to review further significant votes this information can be found online.

<https://www.lgimblog.com/categories/esg-and-long-term-themes/lgims-voting-intentions-for-2023/>

	Vote 1	Vote 2	Vote 3
Company name	Amazon.com, Inc.	NVIDIA Corporation	Alphabet Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.70%	1.20%	0.89%
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 1g - Elect Director Harvey C. Jones	Resolution 7 - Report on Physical Risks of Climate Change

	Vote 1	Vote 2	Vote 3
How the manager voted	Against	Against	For
Rationale for the voting decision	A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	A vote against was applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM targeted the largest companies as they believed that these should demonstrate leadership on this critical issue. Another reason for why a vote against was applied was that LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	A vote in favor was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Outcome of the vote	Passed - 93.3% shareholders Supported the resolution	Passed - 83.8% shareholders Supported the resolution	Failed - 17.7% shareholders Supported the resolution
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM views diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.	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.

Baillie Gifford, Multi-Asset Growth Fund

In determining significant votes, Baillie Gifford takes into account the following criteria:

- Whether Baillie Gifford's holding has a material impact on the outcome of the vote;
- The resolution received 20% or more opposition, and Baillie Gifford also opposed;
- Egregious remuneration;
- Controversial equity issuance;
- Shareholder resolutions that Baillie Gifford supported, and the resolution received 20% or more support from shareholders;
- Where there has been a significant audit failing; and

- Where Baillie Gifford have opposed: mergers and acquisitions, financial statements, and/or the election of directors and executives.

The Trustee have summarised some detailed examples of significant votes that Baillie Gifford have provided, in line with the above criteria.

	Vote 1	Vote 2	Vote 3
Company name	Galaxy Entertainment Group LTD	GREGGS PLC	Royal Caribbean Cruises LTD.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.06%	0.25%	0.07%
Summary of the resolution	Amendment of Share Capital	Remuneration	Appoint/Pay Auditors
How the manager voted	Against	Against	Against
Rationale for the voting decision	They opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	They voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.	They opposed the appointment of the external auditor due to concerns with the length of tenure.
Outcome of the vote	Passed	Passed	Passed
Implications of the outcome	They have opposed similar resolutions in previous years and will continue to advise the company of their concerns and seek to obtain proposals that we can support.	Following casting a vote, they reached out to the Company to provide reasons for their opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged their feedback on pensions and pay increases for one executive and explained how the new CEO's salary was set.	The existing auditor has been in place since 1989, and Baillie Gifford had previously raised this excessive tenure with the company. As no change in auditor has taken place, they chose to oppose.
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 the election of auditors.

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 LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	LGIM	Baillie Gifford	M&G	
Fund name	LGIM Future World Global Equity Index Fund	Multi-Asset Growth Fund	UK Property Fund	Alpha Opportunities Fund

Manager	LGIM	Baillie Gifford	M&G	
Number of engagements undertaken on behalf of the holdings in this fund in the year	725	29*	0	13
Number of engagements undertaken at a firm level in the year	1088	1255*	138	

Source: LGIM, Baillie Gifford, and M&G

*Data provided over the year to 31 December 2022

Note the Scheme disinvested from the CT Dynamic Real Return Fund on 7 July 2022 and the Global Absolute Return Bond Fund on 10 September therefore they have not been included the reporting.

Manager and Fund	Engagement themes and examples of engagements undertaken with holdings in the fund
<p>LGIM LGIM conduct all engagements at a firm level, so no engagements are specific to a single fund.</p>	<p>Toyota: LGIM originally started their engagement with Toyota in September 2021, alongside fellow shareholders. Their second meeting was held earlier this year to discuss climate change, board composition and capital allocation. They spoke with TMC's Chief Sustainability Officer. LGIM expressed concerns around the company's cross shareholdings, the lack of supervisory function at the board level given the low level of independence, and the company's climate transition strategy and related public policy engagements. Given the company's size and influence at Japan's largest business federation and in industry associations, LGIM have always questioned the company's lobbying stance and its alignment with a 1.5°C world. LGIM are delighted to see improved transparency from the company as they published their views on climate public policy in December 2021. Nonetheless, they view corporate transparency to be the first step and they hope that this will enable them to have more in-depth conversations on its views on climate and how the company plans to shift its strategy. Given a recent controversy at one of Toyota's group companies (Hino*), LGIM will continue to engage with the company on corporate governance issues and push for better practices both in terms of corporate governance and climate strategy.</p>
<p>M&G Alpha Opportunities Fund</p>	<p>Thermo Fisher: M&G met with the company's investor relations and the senior director of corporate social responsibility to discuss the issue of Thermo Fisher's STR DNA products equipment being used in the violation of human rights. They are usually used in, for example, forensics - to match DNA to an established database - and cannot, in and of itself, be used to identify or profile ethnic minority populations.</p> <p>M&G were satisfied that Thermo Fisher had taken the issue seriously and responded by improving its policies and procedures. It has adopted and implemented a Code of Business Conduct and Ethics, applicable to all directors, officers, and employees, who receive annual training on the code. In order to help ensure that no products or services are sold that could potentially be used in unintended ways to violate human rights, the company implemented a multi-level purchasing process designed to prevent the ordering and resale of HID products to public security bureaus in the region.</p>
<p>Baillie Gifford Multi-Asset Growth Fund</p>	<p>Iberdrola: Baillie Gifford has set Iberdrola as an engagement priority due to being a top five contributor to portfolio carbon emissions, a number of environmental controversies having been identified and historical concerns remaining regarding relations with indigenous communities related to a Brazilian dam project. In the meeting they discussed the critical aspects of its sustainability report</p>

and the group's risk management approach. Baillie Gifford's controversy monitoring made them aware of a number of contentious issues in Mexico relating to the environmental impact of operations. This ESG-focused engagement enabled Baillie Gifford to better understand how Iberdrola is managing its sustainability risks. It also gave them the opportunity to share what matters to them and their clients, namely good disclosure practices and credible sustainability goals. They updated the milestones tracker and noted a follow-up with the company to continue discussions.
