

## GRF Services Defined Benefits Pension Scheme Implementation Statement Year Ending 31 December 2022

### Glossary

ESG	Environmental, Social and Governance
Investment Adviser	First Actuarial LLP
Scheme	GRF Services Defined Benefits Pension Scheme
Scheme Year	1 January 2022 to 31 December 2022
SIP	Statement of Investment Principles
UNPRI	United Nations Principles for Responsible Investment

### Introduction

This Implementation Statement reports on the extent to which, over the Scheme Year, the Trustees have followed their policy relating to the exercise of rights (including voting rights) attaching to the Scheme's investments. In addition, the Implementation Statement summarises the voting behaviour of the Scheme's investment managers and includes details of the most significant votes cast and the use of the services of proxy voting advisers.

In preparing this statement, the Trustees have considered guidance from the Department for Work & Pensions which was updated on 17 June 2022.

## ■ Relevant Investments

The Scheme's assets are invested in pooled funds and some of those funds include an allocation to equities. Where equities are held, the investment manager has the entitlement to vote.

At the end of the Scheme Year, the Scheme invested in the following funds which included an allocation to equities:

- Baillie Gifford Multi-Asset Growth Fund
- Schroders Diversified Growth Fund
- The Partners Fund

Based on the immateriality of the listed equity holding within the Partners fund, we have excluded it from further analysis.

## ■ The Trustees' Policy Relating to the Exercise of Rights

### Summary of the Policy

The Trustees' policy in relation to the exercise of rights (including voting rights) attaching to the investments is set out in the SIP. A summary of this wording is as follows:

- The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole and the Trustees wish to encourage best practice in terms of stewardship.
- The Trustees invest in pooled investment vehicles and therefore accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by the investment managers' own policies on such matters.
- When selecting a pooled fund, the Trustees consider, amongst other things, the investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the pooled fund.
- When considering the ongoing suitability of an investment manager, the Trustees (in conjunction with their Investment Adviser) will take account of any particular characteristics of that manager's engagement policy that are deemed to be financially material.
- The Trustees will normally select investment managers who are signatories to the UNPRI.
- If it is identified that a fund's investment manager is not engaging with companies the Trustees may look to replace that fund. However, in the first instance, the Trustees would normally expect their Investment Adviser to raise the Trustees' concerns with the investment manager.

### Has the Policy Been Followed During the Scheme Year?

The Trustees' opinion is that their policy relating to the exercise of rights (including voting rights) attaching to the investments has been followed during the Scheme Year. In reaching this conclusion, the following points were taken into consideration:

- There has been no change to the Trustees' belief regarding the importance of good stewardship.
- The Scheme's invested assets remained invested in pooled funds over the period.
- The Trustees did not select any new funds which included an allocation to equities during the period.
- During the Scheme Year, the Trustees considered the voting records of the investment managers over the period ending 31 December 2021.
- Since the end of the Scheme Year, an updated analysis of the voting records of the investment managers based on the period ending 31 December 2022 has been undertaken as part of the work required to prepare this Implementation Statement. A summary of the key findings from that analysis is provided below.
- All the investment managers used by the Scheme are UNPRI signatories.

## The Investment Managers' Voting Records

A summary of the investment managers' voting records is shown in the table below.

Investment Manager	Number of votes	Split of votes:		
		For	Against / withheld	Did not vote/ abstained
<b>Baillie Gifford</b>	14,000	92%	4%	5%
<b>Schroders</b>	7,300	86%	13%	1%

### Notes

*Split of votes may not sum to 100% due to rounding.*

*These voting statistics are based on each manager's full voting record over the 12 months to 31 December 2022 rather than votes related solely to the funds held by the Scheme.*

## Use of Proxy Voting Advisers

Investment Manager	Who is their proxy voting adviser?	How is the proxy voting adviser used?
<b>Baillie Gifford</b>	No Proxy Voting Adviser	All done in-house, Manager aims to participate in all votes
<b>Schroders</b>	ISS and IVIS	Proxy advisers provide research and administer votes but voting is determined by Schroders.

## The Investment Managers' Voting Behaviour

The Trustees have reviewed the voting behaviour of the investment managers by considering the following:

- broad statistics of their voting records such as the percentage of votes cast for and against the recommendations of boards of directors (i.e. "with management" or "against management");
- the votes they cast in the year to 31 December 2022 on the most contested proposals in nine categories across the UK, the US and Europe;

- the investment managers' policies and statements on the subjects of stewardship, corporate governance and voting.

The Trustees have also compared the voting behaviour of the investment managers with their peers over the same period.

Further details of the approach adopted by the Trustees for assessing voting behaviour are provided in the Appendix.

The Trustees' key observations are set out below.

### **Voting in Significant Votes**

Based on information provided by the Trustees' Investment Adviser, the Trustees have identified significant votes in nine separate categories. The Trustees consider votes to be more significant if they are closely contested. i.e. close to a 50:50 split for and against. A closely contested vote indicates that shareholders considered the matter to be significant enough that it should not be simply "waved through". In addition, in such a situation, the vote of an individual investment manager is likely to be more important in the context of the overall result.

The five most significant votes in each of the nine categories based on shares held by the Scheme's investment managers are listed in the Appendix. In addition, the Trustees considered each investment manager's overall voting record in significant votes (i.e. votes across all stocks not just the stocks held within the funds used by the Scheme).

### **Analysis of Voting Behaviour**

#### **Baillie Gifford**

Baillie Gifford has a tendency to support management proposals. To some extent Baillie Gifford's active management style provides justification; it supports the management of companies it has chosen to invest in. Possibly though, the voting record indicates some over-confidence in management boards.

In the wake of poor performance of many of Baillie Gifford's holdings, the manager has been less supportive of high executive pay in recent quarters.

Baillie Gifford has held companies to account on climate change issues and has opposed director proposals in this area which were deemed not to go far enough. There are also signs that Baillie Gifford is adopting a more supportive stance towards shareholder proposals aimed at tackling social issues. However, a failure to support a proposal looking to find out how plastic use by Amazon could be reduced will disappoint some - a message which the Investment Adviser has reported back to Baillie Gifford.

The Trustees have no material concerns regarding Baillie Gifford's voting record.

### Schroders

Analysis of Schroders' voting record reveals that the investment manager is prepared to vote against management on a range of issues and opposes management in closely contested votes to a greater extent than many of its peers.

Schroders has also consistently been supportive of closely contested shareholder proposals brought to tackle a range of issues including climate change, gender inequality, diversity and human rights.

Schroders supports directors looking to transition companies to a low carbon economy but has opposed such plans in instances where Schroders does not feel company management is going far enough.

The Trustees have no concerns regarding Schroder's voting record.

The Trustees' Investment Advisers provide regular feedback to the Scheme's investment managers where online voting disclosure is lacking or where an investment manager's voting behaviour differs materially from their peers.

### **Conclusion**

Based on the analysis undertaken, the Trustees have no material concerns regarding the voting records of the investment managers.

The Trustees will keep the voting actions of the investment managers under review.

John Williams

Date: 18 May 2023

Signed on behalf of the Trustees of the GRF Services Defined Benefits Pension Scheme

## Significant Votes

The table below records how the Scheme's investment managers voted in the most significant votes identified by the Trustees.

Company	Meeting Date	Proposal	Votes For (%)	Votes Against (%)	Schroders	Ballie Gifford
<b>Audit &amp; Reporting</b>						
MODERNA INC	28/04/2022	Appoint the Auditors	75	24	Not held	For
WORLDLINE SA	09/06/2022	Renew Appointment of Deloitte & Associates as Auditor	77	23	For	Not held
STHREE PLC	20/04/2022	Re-appoint PricewaterhouseCoopers LLP as Auditors	74	21	For	Not held
SARTORIUS STEDIM BIOTECH SA	29/03/2022	Approve Auditors' Special Report on Related-Party Transactions	20	80	Not held	For
PARTNERS GROUP AG	25/05/2022	Appoint the Auditors	84	16	Against	For
<b>Shareholder Capital &amp; Rights</b>						
PLAYTECH PLC	30/06/2022	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital	58	42	Not held	Not held
FERRARI NV	13/04/2022	Grant Board Authority to Issue Special Voting Shares	71	29	Against	Not held
PLUSO0 LTD	03/05/2022	Approve Additional Allotment of Shares to Jacob Frenkel	74	26	For	Not held
BOUYGUES SA	28/04/2022	Authorise Share Repurchase	77	23	Against	Not held
MITIE GROUP PLC	26/07/2022	Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital	78	22	For	Not held
<b>Pay &amp; Remuneration</b>						
THE COCA-COLA COMPANY	26/04/2022	Advisory Vote on Executive Compensation	50	49	Against	Abstain
THE TJX COMPANIES INC.	07/06/2022	Advisory Vote on Executive Compensation	48	49	Against	Not held
ORANGE S.A	19/05/2022	Approve Remuneration Policy of Chairman and CEO, CEO and Vice-CEOs	50	49	Against	Not held
HENRY SCHEIN INC.	18/05/2022	Advisory Vote on Executive Compensation	51	48	Against	Not held
FUTURE PLC	03/02/2022	Approve the Remuneration Report	42	53	Against	Not held
<b>Constitution of Company, Board &amp; Advisers</b>						
INTEL CORPORATION	12/05/2022	Elect Alyssa Henry - Non-Executive Director	50	49	For	Not held
M&T BANK CORPORATION	25/04/2022	Elect John R. Scannell - Non-Executive Director	51	49	For	Not held
LEGRAND SA	25/05/2022	Elect Edward A. Gilhuly - Non-Executive Director	57	43	Against	Not held
DELTA AIR LINES INC	16/06/2022	Elect Leslie D. Hale - Non-Executive Director	58	42	For	Not held
CREDIT SUISSE GROUP	29/04/2022	Discharge the Board for Fiscal 2020	36	60	Against	Not held
<b>Merger, Acquisition, Sales &amp; Finance</b>						
BALTIC CLASSIFIEDS GROUP PLC	28/09/2022	Approve Waiver of Rule 9 of the Takeover Code	66	34	Not held	For
BOUYGUES SA	28/04/2022	Authorise Board to Issue Free Warrants with Preemptive Rights During a Public	76	24	Against	Not held
DEUTSCHE POST AG	06/05/2022	Issue Bonds	92	8	For	Not held
FRESENIUS SE	13/05/2022	Approve Issuance of Warrants/Bonds	95	5	For	Not held
DEUTSCHE BANK AG	19/05/2022	Approve Issuance of Participatory Certificates and Other Hybrid Debt Securities up to Aggregate Nominal Value of EUR 9 Billion	95	5	For	Not held
<b>Climate Related Resolutions</b>						
CENTRICA PLC	07/06/2022	Approve Climate Transition Plan	79	20	For	Not held
Royal Dutch Shell	24/05/2022	Approve the Shell Energy Transition Progress	77	19	For	Not held
Barclays Plc	04/05/2022	Approve Barclays' Climate Strategy, Targets and Progress 2022	80	19	For	Not held
STANDARD CHARTERED PLC	04/05/2022	Approve Net Zero Pathway	83	17	For	For
RIOTINTO PLC	08/04/2022	Say on Climate	82	15	Against	Against
<b>Other Company Resolutions</b>						
INVESTEK PLC	04/08/2022	Investek plc: Approve Political Donations	70	29	For	Not held
SSP GROUP PLC	04/02/2022	Meeting Notification-related Proposal	79	21	For	For
HOSTELWORLD GROUP PLC	11/05/2022	Approve Political Donations	83	17	For	Not held
NCC GROUP PLC	02/11/2022	Approve Political Donations	83	15	For	Not held
SFGRO PLC	21/04/2022	Meeting Notification-related Proposal	86	14	Not held	For
<b>Governance &amp; Other Shareholder Resolutions</b>						
ABBVIE INC	06/05/2022	Shareholder Resolution: Submit Severance Agreement (Change-In-Control) to	50	49	For	Not held
APPLIED MATERIALS INC	10/03/2022	Shareholder Resolution: Right to Call Special Meetings	49	49	For	Not held
MCKESSON CORPORATION	22/07/2022	Shareholder Resolution: Adopt Policy on 10b5-1 Plans	49	50	For	Not held
APPLE INC	04/03/2022	Shareholder Resolution: Report on Concealment Clauses	49	49	For	Abstain
TESLA INC	04/08/2022	Shareholder Resolution: Adopt Proxy Access Right	51	48	Not held	Against
<b>Environmental &amp; Socially Focused Shareholder Resolutions</b>						
AMAZON.COM INC.	25/05/2022	Shareholder Resolution: Report on Efforts to Reduce Plastic Use	49	51	For	Against
APPLE INC	04/03/2022	Shareholder Resolution: Civil Rights Audit	53	46	For	Abstain
MCDONALD'S CORPORATION	26/05/2022	Shareholder Resolution: Report on Third-Party Civil Rights Audit	55	44	For	For
LOWES COMPANIES INC.	27/05/2022	Shareholder Resolution: Report on Median Gender/Racial Pay Gap	56	40	For	Not held
CHARTER COMMUNICATIONS INC	26/04/2022	Shareholder Resolution: Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics	44	55	For	Not held

### Note

Where the voting record has not been provided at the fund level, we rely on periodic information provided by investment managers to identify the stocks held. This means it is possible that some of the votes listed above may relate to companies that were not held within the Scheme's pooled funds at the date of the vote. Equally, it is possible that there are votes not included above which relate to companies that were held within the Scheme's pooled funds at the date of the vote.

## Methodology for Determining Significant Votes

The methodology used to identify significant votes for this statement uses an objective measure of significance: the extent to which a vote was contested - with the most Significant Votes being those which were most closely contested.

The Trustees believe that this is a good measure of significance because, firstly, a vote is likely to be contentious if it is finely balanced, and secondly, in voting on the Trustees' behalf in a finely balanced vote, an investment manager's action will have more bearing on the outcome.

If the analysis was to rely solely on identifying closely contested votes, there is a chance many votes would be on similar topics which would not help to assess an investment manager's entire voting record. Therefore, the assessment incorporates a thematic approach; splitting votes into nine separate categories and then identifying the most closely contested votes in each of those categories.

A consequence of this approach is that the total number of Significant Votes is large. This is helpful for assessing an investment manager's voting record in detail but it presents a challenge when summarising the Significant Votes in this statement. Therefore, for practical purposes, the table on the previous page only includes summary information on each of the Significant Votes.

Trustees have not been provided the following information which DWP's guidance suggests could be included in an Implementation Statement:

- Approximate size of the Scheme's holding in the company as at the date of the vote .
- If the vote was against management, whether this intention was communicated by the investment manager to the company ahead of the vote.
- An explanation of the rationale for the voting decision, particularly where: there was a vote against the board; there were votes against shareholder resolutions; a vote was withheld; or the vote was not in line with voting policy.
- Next steps, including whether the investment manager intends to escalate stewardship efforts.

The Trustees are satisfied that the approach used ensures that the analysis covers a broad range of themes and that this increases the likelihood of identifying concerns about an investment manager's voting behaviour. The Trustees have concluded that this approach provides a more informative assessment of an investment manager's overall voting approach than would be achieved by analysing a smaller number of votes in greater detail.