

Farrel Limited Retirement Benefits Scheme

Implementation Statement

Purpose of this statement

This implementation statement has been produced by the Trustees of the **Farrel Limited Retirement Benefits Scheme (the Scheme)** to set out the following information over the year to **5 April 2023**:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- 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.

The voting behaviour is not given over the Scheme year end to 5 April 2023 because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 March 2023.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 5 April 2023 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities as follows:

"The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit."

The Trustees' SIP was last reviewed in September 2020 and has been made available online here:

[Microsoft Word - 2020 09 Farrel Statement of Investment Principles Final \(hf-mixinggroup.com\)](#)

The SIP will shortly be updated, following changes to the investment strategy made shortly after the year-end. No changes were made to the stewardship policy over the year.

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.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment manager, 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 fund manager.

- Baillie Gifford is invited to attend regular Trustee meetings to provide an investment update.
- The Trustees have reviewed and will continue to monitor the ESG policies of Baillie Gifford. The Trustees have noted that the investment manager considers ESG risks within their investment due diligence processes and take the view that proper management of ESG risks leads to better long-term outcomes for all shareholders.
- Having reviewed the data presented below and in accordance with their policies, the Trustees are comfortable the actions of the investment manager are in alignment with the Scheme's stewardship policies.

**Prepared by the Trustees of the Farrel Limited Retirement Benefits Scheme
August 2023**

Voting Data

As at 5 April 2023, the Scheme's assets were all invested in the Baillie Gifford Diversified Growth Fund. This fund invests across a diverse range of asset classes, and the equity holdings carry voting rights. Voting data for this fund over the year to 31 March 2023 is shown below.

Manager	Baillie Gifford
Fund name	Diversified Growth 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.
No. of eligible meetings	97
No. of eligible votes	1,061
% of resolutions voted	97.9%
% of resolutions abstained¹	1.0%
% of resolutions voted with management¹	95.7%
% of resolutions voted against management¹	3.3%
Proxy voting advisor employed	Baillie Gifford employ ISS and Glasshouse Lewis to provide voting recommendations but vote in line with their in-house policy and not with the proxy voting providers' policies.
% of resolutions voted against proxy voter recommendation	n/a

¹As 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 asked the investment manager to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment manager 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.

Baillie Gifford have provided a selection of votes which they believe to be significant. In the interest of concise reporting, the Trustees have selected three votes, that cover a range of themes to represent a selection significant votes cast on behalf of the Scheme.

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

Baillie Gifford, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
Company name	Duke Realty Corporation	CBRE Group, Inc	Booking Holdings Inc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	15.0%	6.2%	5.8%
Summary of the resolution	Remuneration	Shareholder Resolution – Governance	Remuneration
How the manager voted	Against	Against	Against
Rationale for the voting decision	Baillie Gifford opposed the advisory proposal to approve executive compensation to be paid in connection with the company merger due to concerns regarding single trigger provisions and the introduction of excise tax gross-ups in connection with severance payments.	Baillie Gifford opposed a shareholder resolution to lower the threshold for shareholders to call a special meeting, as they consider the existing threshold to be appropriate.	Baillie Gifford opposed executive compensation due to concerns with adjustments made to the plan and the granting of retention awards.
Outcome of the vote	Fail	Fail	Fail
Implications of the outcome	While Baillie Gifford were supportive of the proposed merger, they were uncomfortable with the compensation arrangements planned for Duke Realty NEOs in connection with the merger and therefore opposed this resolution, which ultimately received 91.64% dissent from shareholders. Baillie Gifford unsuccessfully attempted to engage the company on its approach to compensation at this year's AGM and will continue their efforts to do so going forward.	Baillie Gifford were comfortable with the current 25% threshold in place and do not believe that lowering it would be reasonable. Ahead of voting, Baillie Gifford had an engagement call with the company to discuss the proposed agenda. They were satisfied to learn about the company's efforts to engage with their holders, including the proponent, who according to the company did not have any particular concerns over CBRE but backs a lower threshold out of principle. Baillie Gifford intend to follow up with the company later in a year to speak about governance developments.	Baillie Gifford engaged with the company in advance of the AGM, specifically discussing executive compensation. Baillie Gifford outlined their concerns that the adjustments to executive pay and the special payments do not align with shareholders' experience or provide appropriate incentives for management. Baillie Gifford decided to oppose the executive compensation resolution and communicated this decision. Baillie Gifford have plans to re-engage with the company to learn the intended response to the vote outcome and the addressing of shareholders' concerns.
Criteria on which the vote is considered "significant"	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.

Fund level engagement

The Trustees consider it a part of their investment manager's role 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 manager invests on behalf of the Scheme. The table below provides a summary of the engagement activities undertaken by the manager during the year.

Manager	Baillie Gifford
Fund name	Diversified Growth Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	37
Number of entities engaged on behalf of the holdings in this fund in the year	30
Number of engagements undertaken at a firm level in the year	1,255

Baillie Gifford report their engagement data on a calendar year basis, so these figures are for the year to 31 December 2022.

Example of engagement activity undertaken over the year to 31 March 2023

Baillie Gifford, Diversified Growth Fund

Baillie Gifford engaged with Bridgestone and DENSO on the topic of environmental issues that arise from the manufacturing process of tyres and rubber products that use significant amounts of carbon. Baillie Gifford engaged with Bridgestone at a meeting with their dedicated sustainability and development teams to discuss their future approaches to reducing carbon emissions. Baillie Gifford encouraged them to invest in technology that would enable future change.