

Implementation Statement, covering the Scheme Year from 1 September 2022 to 31 August 2023 (the “Scheme Year”)

The Trustees of the Alfa Laval Limited Pension Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustees have had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions \(“DWP’s guidance”\) in June 2022.](#)

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The Trustees are currently in the process of updating the SIP to reflect its new stewardship priorities to comply with the DWP’s guidance.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme Year.

2. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies for the investment managers that hold equities can be found on the following websites:

- [LGIM - responsible investment policy](#)
- [Baillie Gifford - responsible investment policy](#)
- [Newton - responsible investment policy](#)

However, the Trustees take ownership of the Scheme’s stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q1 2023 meeting, the Trustees discussed and agreed stewardship priorities for the Scheme which were: Climate change, Human Rights, and Business Ethics. The Trustees intend to communicate these priorities with the managers during the next Scheme Year.

These priorities were selected because the Trustees view these issues as market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustees believe it is in the members’ best interests that the Scheme’s managers adopt strong practices in these areas. The Trustees communicated these stewardship priorities to its investment managers during the Scheme Year and have tried to focus on votes that relate to the chosen stewardship priorities.

The Trustees regularly invite the Scheme’s investment managers to present at Trustees meetings, seeing each manager approximately once every two years. The Trustees invited Baillie Gifford to present at the Trustees meeting in February 2023. Baillie Gifford presented an overview of the fund’s performance and portfolio positioning. Responsible investment and engagement policies of Baillie Gifford were also discussed.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenge managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- Baillie Gifford Multi Asset Growth Fund;
- LGIM Low Carbon Transition Global Equity Index Fund; and
- Newton (BNY Mellon) Real Return Fund.

In addition to the above, the Trustees also contacted the Scheme's other investment managers who manage non-equity assets on behalf of the Scheme, to ask if any of the assets had voting opportunities over the period. Newton confirmed there were voting opportunities within its Global Dynamic Bond Fund, but Newton did not consider any of these votes to be 'most significant' under their criteria.

9.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which its managers have in place. The Trustees set their stewardship priorities in Q1 2023, and intend to review their managers' voting and engagement policies against these priorities in the next Scheme Year.

Baillie Gifford

Baillie Gifford's Governance and Sustainability Team, in collaboration with the relevant investment teams, is responsible for making voting decisions whilst taking account of guidelines.

Thoughtful voting of clients' holdings is an integral part of Baillie Gifford's commitment to stewardship. They believe that voting should be investment led, because how they vote is an important part of their long-term investment process. They believe their ability to vote on their clients' shares also strengthens their position when engaging with investee companies.

Baillie Gifford do not outsource any part of the responsibility for voting to third-party suppliers. They utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with their Governance & Sustainability Principles and Guidelines and endeavour to vote on every one of their clients' holdings in all markets.

LGIM

LGIM's voting and engagement activities are driven by ESG professionals and are reviewed annually, taking into account feedback from its clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach is fully integrated into the engagement and voting decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS's recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with LGIM's position on ESG, they have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice. LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy.

Newton

Newton's head of Responsible Investment is responsible for the decision-making process of the Responsible Investment team when reviewing meeting resolutions for contentious issues. Newton do not maintain a strict proxy voting policy. Instead, they prefer to take into account a company's individual circumstances, their investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, Newton may confer with the company or other interested parties for further clarification in order to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior Investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

Newton employ a variety of research providers that aid in the vote decision-making process, including proxy advisors such as ISS. They utilise ISS for the purpose of administering proxy voting, as well as for its research reports on individual company meetings.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ISS) will take precedence. It is also only in these circumstances when Newton may register an abstention given their stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures they do not provide confusing messages to companies.

9.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	Baillie Gifford	LGIM	Newton
Fund name	Baillie Gifford Multi Asset Growth Fund	LGIM Low Carbon Transition Global Equity Index Fund	Real Return Fund
Total size of fund at end of the Scheme Year	£851m	£3,433m	£3,200m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£14.0m / 9.4%	£23.3m / 15.6%	£13.6m / 9.1%
Number of equity holdings at end of the Scheme Year	43	2,811	69
Number of meetings eligible to vote	52	4,546	73
Number of resolutions eligible to vote	517	46,501	1,154
% of resolutions voted	95.7%	99.9%	99.3%
Of the resolutions on which voted, % voted with management	96.0%	79.6%	92.3%
Of the resolutions on which voted, % voted against management	2.8%	19.8%	7.7%
Of the resolutions on which voted, % abstained from voting	1.2%	0.6%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	19.2%	64.4%	44.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	n/a*	11.7%	4.7%

Note figures may not sum due to rounding.

*Baillie Gifford could not provide an answer to this question as they do not follow or rely upon proxy advisers' voting recommendations when deciding how to vote on their clients' shares.

9.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustees did not inform its managers which votes it considered to be most significant in advance of those votes. However, during the Scheme Year, the Trustees communicated their stewardship priorities to the Scheme's investment managers.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist.

By informing the managers of its stewardship priorities and through regular interactions with the managers, the Trustees believes that their managers will understand how they expect them to vote on issues for the companies they invest in on the Trustees' behalf.

The Trustees have interpreted "significant votes" to mean those that align with their stewardship priorities and may have the most significant financial impact for the Scheme. This has been determined by assessing the size of the holding in the fund at the date of the vote.

The Trustees have reported on two of these significant votes per fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

Baillie Gifford

Baillie Gifford provided the following examples of what may be considered a significant vote, although also noted that it is not an exhaustive list:

- Baillie Gifford's holding had a material impact on the outcome of the meeting;
- The resolution received 20% or more opposition and Baillie Gifford opposed;
- Egregious remuneration;
- Controversial equity issuance;
- Shareholder resolutions that Baillie Gifford supported and received 20% or more support from shareholders;
- Where there has been a significant audit failing;
- Where Baillie Gifford opposed mergers and acquisitions;
- Where Baillie Gifford opposed the financial statements/annual report; and
- Where Baillie Gifford opposed the election of directors and executives.

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/~/media/PLSA/Assets/Reports/2019/PLSA_Voting_Template.pdf). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Company	Duke Realty Corporation	Prysmian Group S.P.A
Date	September 2022	April 2023
Summary of resolution	Say on pay frequency	Approval of remuneration policy for executive committee
Management recommendation	For	For
Manager vote	Against	Against
Outcome	Not passed	Passed
Rationale	Whilst Baillie Gifford were supportive of the proposed merger with Prologis, it opposed the compensation arrangement planned for the Duke Realty executive committee.	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. Baillie Gifford believes the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business. It is not convinced that this use of discretion meets that threshold.
Approx size of the holding at the date of the vote	0.9%	1.4%
Relevant stewardship priority	Business ethics	Business ethics
Criteria against which this vote has been assessed as “most significant”	It relates to a stewardship priority set by the Trustees.	It relates to a stewardship priority set by the Trustees.
Next steps	Baillie Gifford plans to continue its engagement with the company going forwards.	Baillie Gifford plans to continue its engagement with the company going forwards.

LGIM Low Carbon Transition Global Equity Index Fund

LGIM has confirmed the following voting situations are considered as “most significant”, but has noted that this is not an exhaustive list:

- 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 annual Stakeholder roundtable event, or where it notes a significant increase in requests from clients on a particular vote;
- Sanction vote because of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign.

Company	Royal Bank of Canada	JP Morgan Chase & Co.
Date	April 2023	May 2023
Summary of resolution	Resolution to report on 2030 absolute greenhouse gas reduction goals	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets.
Management recommendation	Against	Against
Manager vote	For	For
Outcome	Not passed	Not passed
Rationale	LGIM has embedded scope 3 disclosure and targets into its minimum expectations for all sectors, with specific detail within individual sectors. LGIM will generally support resolutions that seek to expand and improve the level of emissions disclosure and target-setting for the high-emitting sectors in line with	LGIM generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how'

	energy scenario analysis and market expectations of absolute reductions over time.	rather than the ‘what’, including activities and timelines) can further focus the board’s attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
Approx size of the holding at the date of the vote	0.2%	0.7%
Relevant stewardship priority	Climate change	Climate change
Criteria against which this vote has been assessed as “most significant”	It relates to a stewardship priority set by the Trustees.	It relates to a stewardship priority set by the Trustees.
Next steps	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Newton Real Return Fund

Newton’s significant holdings universe is determined based on the proportion of a shares of investee companies held, as well as the size of the investment based on its value above certain thresholds. The significant votes will be drawn from this universe and are defined as votes that are likely to generate significant scrutiny from end clients or other stakeholders. They may relate to resolutions that receive a particularly high proportion of dissent from investors or involve a corporate transaction or resolutions raised by shareholders.

Company	NextEra Energy, Inc.	Lockhead Martin
Date	May 2023	April 2023
Summary of resolution	Disclose Board Skills and Diversity Matrix.	Shareholder request for a report on the company’s efforts to reduce its full value chain greenhouse gas emissions (GHG) in alignment with the Paris Agreement.
Management recommendation	Against	Against
Manager vote	For	For
Outcome	Not passed	Not passed
Rationale	Newton supported this shareholder proposal requesting the disclosure of a board skills and diversity matrix as they believed it would help shareholders to assess how the company is managing related risks.	Newton believes that more information on the company’s plans to transition towards a low carbon economy would help shareholders better assess the company’s climate risk.
Approx size of the holding at the date of the vote	0.5%	1.0%
Relevant stewardship priority	Business ethics	Climate change
Criteria against which this vote has been assessed as “most significant”	It relates to a stewardship priority set by the Trustees.	It relates to a stewardship priority set by the Trustees.
Next steps	The vote received a high-level of support so shows that the issue is significant to shareholders.	Given the significant support for the vote, even though it didn’t pass, Newton expects the company to provide enhanced disclosures especially around setting timelines to

		implement a scope 3 emission reduction goal and finding efficiencies in processes. It will continue to engage with the company on this.
--	--	---