

Implementation Statement, covering the Scheme Year from 1 September 2021 to 31 August 2022

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.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The SIP (including this associated policy wording) was formally reviewed in January 2022 and no changes were made.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes (although no manager selection exercises were carried out during the year under review). The Trustees took a number of steps to review the Scheme’s existing managers and funds over the period, as described in the next section.

2. Voting and engagement

In July 2022, the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2022.

The highest score available is 4 (strong) and the lowest is 1 (weak). The Trustees have agreed to write to any investment manager who receives a score of 2 or lower or a red flag, to request that they improve their RI practices. All of the Scheme’s managers were rated above average for their ESG practices and therefore no action was taken.

When Baillie Gifford and LGIM presented to the Trustees in February and July respectively, both managers discussed their ESG practices. The Trustees were satisfied with the comments they received from the managers and also requested further information on the Sustainable Baillie Gifford Multi Asset Fund with specific climate objectives that was due to be launched in Q2 2022.

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.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) 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.

We have also included voting information on the Newton (BNY Mellon) Global Dynamic Bond Fund. Although this fund does not hold listed equities, Newton did participate in voting activity for this fund over the period in question.

12.1 Description of the voting processes

Explanations provided by the Trustees' investment managers of their voting processes are set out below:

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.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour (as provided by the managers) over the Scheme Year is provided in the table below.

| Manager name | Baillie Gifford | LGIM | Newton |
|--|---|---|-----------------------------|
| Fund name | Baillie Gifford Multi Asset Growth Fund | LGIM Low Carbon Transition Global Equity Index Fund | BNY Mellon Real Return Fund |
| Total size of fund at end of reporting period | £1865m | £2746m | £4742m |
| Value of Scheme assets at end of the reporting period (£ / % of total assets) | £14.9m / 9.2% | £23.6m / 14.5% | £14.1m / 8.7% |
| Number of equity holdings within the fund at end of reporting period | 41 | 2904 | 74 |
| Number of meetings eligible to vote | 95 | 4693 | 82 |
| Number of resolutions eligible to vote | 1051 | 48903 | 1332 |
| % of resolutions voted | 94.5% | 99.82 | 100.0% |
| Of the resolutions on which voted, % voted with management | 96.4% | 78.6% | 87.9% |
| Of the resolutions on which voted, % voted against management | 2.9% | 20.2% | 12.1% |
| Of the resolutions on which voted, % abstained from voting | 0.7% | 1.1% | 0% |
| Of the meetings in which the manager voted, % with at least one vote against management | 19.0% | 66.0% | 45% |
| Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor | N/A | 11.3% | 8.1% |

Figures may not sum due to rounding.

12.3 Most significant votes over the year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have included an explanation of each of the managers' interpretations of "most significant votes".

Where managers provided multiple examples of votes they deemed to be significant over the year, we have included three based on the votes made for the largest stock holdings as a proportion of the total fund on the date the votes were cast. Detail of further votes that may be deemed to be significant can be provided upon request.

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.

| Company | JCDecaux SA | LEG Immobilien SE | Greggs Plc |
|-----------------------|--|--|---|
| Date | May 2022 | May 2022 | May 2022 |
| Summary of resolution | Remuneration – say on pay | Remuneration – say on pay | Remuneration Report |
| Rationale | <p>Baillie Gifford opposed five resolutions to approve executive compensation due to concerns over the lack of a clear link between pay and performance.</p> <p>Baillie Gifford has offered to engage with the company on pay transparency before the next AGM.</p> <p>This vote was selected as significant by Baillie Gifford as they opposed remunerations.</p> | <p>Baillie Gifford opposed the executive compensation policy as they did not believe the performance conditions were sufficiently stretching.</p> <p>This vote was selected as significant by Baillie Gifford as they opposed remunerations.</p> | <p>Baillie Gifford opposed the resolution to approve the Remuneration Report due to concerns over executive pay increases and misalignment of pension rates.</p> <p>This vote was selected as significant by Baillie Gifford as they opposed remunerations.</p> |
| Vote | Against | Against | Against |
| Outcome | Pass | Pass | Pass |

LGIM

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

- A high profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- A vote with significant client interest: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- A sanction vote as a result of a direct or collaborative engagement; or
- A vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

| Company | Apple Inc | Microsoft Corporation | Amazon.com, Inc. |
|-----------------------|---|---|---|
| Date | March 2022 | November 2021 | May 2022 |
| Summary of resolution | Report on Civil Rights Audit | Elect Director Satya Nadella | Elect Director Daniel P. Huttenlocher |
| Rationale | LGIM applied a vote in favour as they support proposals related to diversity and inclusion policies. LGIM | LGIM voted against as it expects companies to separate the roles of Chair | LGIM voted against as the director is a long-standing member of the Leadership Development & Compensation Committee |

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| | <p>considers these issued to be a material risk to companies.</p> <p>LGIM recognised this as a significant vote because LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p> | <p>and CEO due to risk management and oversight.</p> <p>LGIM deemed this vote significant as it is linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes</p> | <p>which is accountable for human capital management failings.</p> <p>LGIM pre-declared its vote intention for this resolution, demonstrating its significance.</p> |
| Vote | For | Against | Against |
| Outcome | Pass | Pass | Pass |

Newton (BNY Mellon)

In general, Newton considers all votes against management as significant.

| Company | Greencoat UK Wind PLC | Microsoft Corporation | Greencoat UK Wind PLC |
|------------------------------|---|--|--|
| Date | November 2021 | November 2021 | April 2022 |
| Summary of resolution | Approve Capital Raising | Elect Directors, Advisory Vote to Ratify Named Executive Officers' Compensation, Ratify Auditors, Gender Pay Gap, Workplace Sexual Harassment Report, Report on Political Activities. | Elect Director, Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights, Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights |
| Rationale | <p>Newton opposed two resolutions relating to a proposed share issuance. Newton were concerned with the discount to market price at which the shares would be issued, and that these shares would not necessarily be offered to existing shareholders.</p> <p>Newton recognised this as a significant vote owing to the structure surrounding capital raisings that can mean existing shareholders' value is unnecessarily diluted.</p> | <p>Newton opposed the executive compensation arrangements.</p> <p>In contrast to the recommendations of the company's management, Newton also supported three shareholder resolutions requesting that the company publish reports on its gender and racial pay gaps, the effectiveness of its workplace sexual harassment policies, and how its direct and indirect lobbying activities align with its corporate policies.</p> <p>Newton voted against a shareholder resolution asking the company to prohibit sales of facial recognition technology to all government entities.</p> <p>Finally, Newton voted against a shareholder resolution asking that the company report whether its commitment to the Fair Chance Business Pledge has</p> | <p>Newton voted against the proposed share issuances and the re-election of the chairperson of the board. Newton believe the share placing was not conducted in a manner that was in the best interests of shareholders.</p> <p>The vote was deemed significant by Newton given that the proposal failed to include industry accepted best practice in terms of pricing of placed shares. In such circumstances, the expected minimum is that the shares would be issued at or above their prevailing net asset value, which would prevent unnecessary value dilution for existing shareholders.</p> |

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|----------------|---------|---|---------|
| | | <p>advanced progress towards eliminating racial discrimination.</p> <p>This vote was selected as significant by Newton because the company is recognised as a leader among its US peers in terms of its approach to corporate governance. Its executive pay structure is also better than most but there exists fundamental improvements that should be made.</p> | |
| Vote | Against | Against | Against |
| Outcome | Pass | Pass | Pass |

12.4 Votes in relation to assets other than listed equity

There were two possible votes on holdings for the BNY Mellon Global Dynamic Bond Fund that Newton actively decided not to participate in, iShares IV plc - iShares China CNY Bond UCITS ETF and Mitchells & Butlers Finance Plc. This decision was made as the custodian would have 'blocked' the underlying security which means if Newton wanted to trade the holding, it would have had to be re-registered therefore, reducing Newton's ability to freely trade. In the case of these votes, the resolution was not sufficiently contentious to warrant voting against and nor was our support required – therefore, we took an active decision not to vote in order to permit avoid trading restrictions during the voting period