

Advice on the annual Implementation Statement

Capper & Co Limited Pension and Assurance Scheme

20 June 2025

This note has been prepared for the Trustees of the Capper & Co Limited Pension and Assurance Scheme (the “Scheme”) in response to your request that we provide a draft Implementation Statement (“IS”) for the Scheme.

Background and introduction

There is a requirement for most trust-based defined benefit (“DB”) and defined contribution (“DC”) pension Schemes to produce an IS which covers the report and accounts year (which is the 12 months to 30 April for the Scheme).

The Department for Work and Pensions (“DWP”) issued [Statutory Guidance](#) in June 2022 which applies to any IS that trustees are required to prepare in respect of pension scheme year ends on or after 1 October 2022. The guidance gives an overview of the items which Trustees “must”, “should”, are “encouraged”, “could” or “may” include in their IS.

“Must” items are requirements imposed by legislation. “Should” items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For “Could”, “May” and “Encouraged” items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all “must” and “should” items and some “could” items.

The guidance states that the Pensions Regulator is the primary audience for the IS, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures. Trustees are encouraged to consider producing member-facing summary versions of the IS

(with signposting to the full IS). Please let us know if you would like us to prepare a “member friendly” summary version of the IS.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance (“ESG”) factors and stewardship approaches in their investment decisions.

For DB Schemes without a DC section (such as your Scheme), the IS should set out how, and the extent to which, the Trustees have followed the **voting and engagement policies** in the Statement of Investment Principles (“SIP”) during the Scheme Year. In addition, Trustees should seek to demonstrate they have had regard to the Statutory Guidance.

The IS is also required to include a description of the voting behaviour by, or on behalf of, Trustees (including the most significant votes cast by trustees or on their behalf) during the Scheme Year and state any use of the services of a proxy voter during that year.

The DWP’s guidance states: “*where Trustees use the voting policy of the asset manager, they should briefly summarise in the IS whether the asset manager’s voting behaviour was aligned with the Scheme’s stewardship priorities*”.

Key points

We have produced the draft IS in this note based on our understanding of the regulatory requirements and the DWP’s stewardship guidance. Ultimately it is the Trustees’ responsibility to produce a compliant IS and the Pensions Regulator can impose fines for non-compliance. Therefore, **you may wish to obtain legal advice to ensure that all requirements have been met.**

There is interest in the IS from the Pensions Regulator, policymakers, and the media; as such **please ensure you are comfortable with the content being in the public domain.** In the section of the IS on voting behaviour, we have included data on the Scheme’s funds that hold equities as follows:

- L&G Low Carbon Transition Global Equity Index Fund; and
- The Partners Fund.

Partners Group has informed us that they are only able to provide voting data on a bi-annual basis, therefore voting data for the Partners Fund has been provided covering the period 1 January 2024 to 31 December 2024 only.

In addition, L&G was unable to provide voting data for the Scheme Year to 30 April 2025 within the reporting deadline, therefore voting data for the L&G Low Carbon Transition Global Equity Index Fund has been provided covering the period 1 April 2024 to 31 March 2025 instead.

For each manager, a subset of votes has been outlined. Examples have been selected according to factors such as the size of the fund's holdings and alignment of the resolution with the Scheme's stewardship.

Next steps

We propose that you review the IS and include it within your Report & Accounts ending 30 April 2025 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the Scheme Year, ie by 30 November 2025. **You are required to publish your IS on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off.**

We expect you will use the same location for the IS as last year. It remains very important that the website is readily and publicly available. A web address for the location of the published materials must be included in members' Annual Benefit Statements.

Please let us know if you have any questions.

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Implementation Statement, covering the Scheme Year from 1 May 2024 to 30 April 2025 (the “Scheme Year”)

The Trustees of the Capper & Co Limited Pension and Assurance 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 its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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 policies were formally reviewed was September 2023.

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

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 are:

- L&G: [L&G’s engagement policy](#)
- Partners Group: [Policies & Directives - Partnersgroup](#)

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.

The stewardship priorities are:

- Climate change;
- Diversity, equity and inclusion; and,
- Business ethics.

These priorities were selected because the Trustees believe that they are key market-wide risks and areas where good stewardship and engagement can improve long-term financial outcomes for the Scheme’s members.

The Trustees regularly invite the Scheme’s investment managers to present to them.

When the investment managers present at Trustee meetings, the Trustees ask questions about the managers’ voting and engagement practices. Where available, the Trustees also review reports from their managers on voting and engagement activities undertaken on their behalf.

In November 2024, the Trustees met with three of the Scheme's investment managers (Barings, L&G, and Partners Group) to get an update on the Scheme's investments. As part of this exercise, the Trustees also reviewed the responsible investment and stewardship practices of the managers. The discussion focused on active engagement and integration of ESG principles to raise standards at companies and across the wider markets, covering areas such as people, nature, health, climate, governance, and digitisation.

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 the 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.

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:

- L&G Low Carbon Transition Global Equity Index Fund; and
- The Partners Fund.

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which its managers have in place.

L&G

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. Its voting policies are reviewed annually and take into account feedback from its clients.

Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it continues to develop its voting and engagement policies and define strategic priorities in the years ahead. It also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by L&G'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 its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and it does not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its 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 it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its 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 it considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows it to apply a qualitative overlay to its voting judgement. L&G have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform it of rejected votes which require further action.

Partners Group

Partners Group's voting is based on the internal Proxy Voting Directive.

Partners Group hires the services of Glass Lewis & Co, which is one of the leading global proxy voting service providers, and they have been instructed to vote in-line with its Proxy Voting Directive. Wherever the recommendations for Glass Lewis, Partners Group's proxy voting directive, and the company's management differ, Partners Group vote manually on those proposals.

Partners Group does not consult with clients before voting.

3.2 Summary of voting behaviour

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

Please note that:

- For the L&G Low Carbon Transition Global Equity Index Fund, the voting data below covers the period from 1 April 2024 to 31 March 2025; and
- For The Partners Fund, the voting data below covers the period from 1 January 2024 to 31 December 2024.

	L&G Low Carbon Transition Global Equity Index Fund	The Partners Fund
Total size of fund at end of the reporting period	£5,561m	£5,442m*
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£3.8m / 13.6%	£3.5m / 12.8%
Number of equity holdings at end of the reporting period	2,737	>500
Number of meetings eligible to vote	4,703	58
Number of resolutions eligible to vote	47,050	781
% of resolutions voted	>99%	100%
Of the resolutions on which voted, % voted with management	80%	89%
Of the resolutions on which voted, % voted against management	19%	8%
Of the resolutions on which voted, % abstained from voting	1%	1%
Of the meetings in which the manager voted, % with at least one vote against management	61%	32%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11%	1%

*Converted to GBP with exchange rate as at 31 December 2024.

3.3 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.

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 criteria for creating this shortlist. By informing their managers of the Scheme's stewardship priorities and through their regular interactions with the managers, the Trustees believe 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 reported on six of these significant votes only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance; and/or
- the subject of the resolution aligns with the investment manager's engagement priorities or key themes.

L&G Low Carbon Transition Global Equity Index Fund

Unilever Plc, 1 May 2024,

- **Summary of resolution:** Approve Climate Transition Action Plan
- **Relevant stewardship priority:** Climate change
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** For.
- **Rationale:** L&G applied a vote in favour of this proposal as it meets L&G's minimum expectations. This includes the disclosure of scope 1,2 and material scope 3 GHG emissions and short, medium and long term GHG emissions reduction targets consistent with a 1.5-degree Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, L&G notes that the company has recently submitted near term 1.5-degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believes the company's ambition level to be adequate. L&G therefore remains supportive of the net zero trajectory of the company at this stage.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Pass.
- **Why was this vote considered significant by L&G?** L&G is publicly supportive of so called "Say on Climate" votes. It expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5-degree scenario. Given the high-profile nature of such votes, L&G deems such votes to be significant.

The Boeing Company, 17 May 2024,

- **Summary of resolution:** Shareholder resolution: Report on Median Gender/Racial Pay Gap
- **Relevant stewardship priority:** Diversity, equity and inclusion
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** For.
- **Rationale:** L&G applied a vote in favour as it expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to disclose any stated gap.
- **Was the vote communicated to the company ahead of the vote:** Yes.

- **Outcome:** Fail.
- **Why was this vote considered significant by L&G?** This shareholder resolution is considered significant by L&G due to the relatively high level of support received.

Gilead Sciences, Inc., 8 May 2024.

- **Summary of resolution:** Elect Director Daniel P. O'Day
- **Relevant stewardship priority:** Business Ethics
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** Against.
- **Rationale:** L&G applied a vote against this resolution as it expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Pass.
- **Why was this vote considered significant by L&G?** L&G considers this vote to be significant as it is in application of an escalation of L&G's vote policy on the topic of the combination of the board chair and CEO.

ConocoPhillips., 14 May 2024.

- **Summary of resolution:** Shareholder resolution: Revisit Pay Incentives for GHG Emission Reduction
- **Relevant stewardship priority:** Climate change
- **Approximate size of the holding at the date of the vote:** <1%
- **Fund manager vote:** Against
- **Rationale:** L&G applied a vote against as it expects companies to be taking sufficient action on the key issue of climate change.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Fail.
- **Why was this vote considered significant by L&G?** L&G considers this to be significant given that misleading proposals (shareholder resolutions brought with the aim of undermining positive environmental, social and governance behaviours) are a relatively recent phenomenon. Such proposals often appear to be supportive of, for example, the energy transition but, when considered in depth, are actually designed to promote anti-climate change views.

Alphabet Inc., 7 June 2024.

- **Summary of resolution:** Elect Director John L. Hennessy
- **Relevant stewardship priority:** Diversity, equity and inclusion
- **Approximate size of the holding at the date of the vote:** 1%
- **Fund manager vote:** Against.
- **Rationale:** L&G believes a vote against this proposal is warranted as it expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background. L&G also expects a company to have at least one-third women on the board.

- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Pass
- **Why was this vote considered significant by L&G?** L&G views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

Microsoft Corporation, 10 December 2024,

- **Summary of resolution:** Shareholder resolution: Report on AI Data Sourcing Accountability
- **Relevant stewardship priority:** Business Ethics
- **Approximate size of the holding at the date of the vote:** 4%
- **Fund manager vote:** For
- **Rationale:** L&G applied a vote for this resolution as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome:** Fail.
- **Why was this vote considered significant by L&G?** This shareholder resolution is considered significant due to the relatively high level of support received.

The Partners Fund

Exposure to listed equities in the fund is usually <5%. Over the year, Partners Group did not identify any significant votes that fall under the scope of the Scheme's Implementation Statement.