

Lookers Pension Plan

Implementation Statement



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Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. The Trustees Limited as trustee of the Lookers Pension Plan (the “Trustee” and the “Plan” respectively) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship policies, including engagement and voting, set out in the Statement of Investment Principles (the “SIP”) during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Plan’s investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 1 April 2023 to 31 March 2024.

The Statement is publicly available at <https://lookerspension.co.uk>

Executive summary

The day to day management of the Plan’s assets is delegated to Cardano Risk Management Limited (the “Fiduciary Manager”). In advance of the appointment, the Trustee took steps to ensure that the management of the Plan’s assets and the Fiduciary Manager’s policies were aligned with the Trustee’s own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

The Trustee monitors the voting and engagement activity of the Plan’s investment managers, and, through the Fiduciary Manager, challenges their decisions. Effort is focused on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that the Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers and receives a summary of the Fiduciary Manager’s overall assessments once a quarter.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on shares owned and engaging with the management of companies or properties in which we have a stake.

1.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Plan’s investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

The Trustee believes the integration of stewardship duties into the investment process helps them to fulfil their responsibilities. Implementing voting and engagement policies helps drive long term value for beneficiaries. This is achieved through targeted voting and engagement, which encourages better corporate management of environmental, social and governance issues and promotes more stable capital markets and economies.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers’ voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact (and the Trustee monitors the Fiduciary Manager’s activity in this regard).”

Engagement priorities

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals and aim to improve sustainability within the portfolio and have a direct real-world impact to our members’ current and future landscape. The Trustee’s three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality and health & nutrition)

The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager monitors manager disclosures to ensure alignment against our priorities.

1.3. How have we implemented our Stewardship Policy?

Fund structuring

The Trustee holds investments primarily on an indirect basis through pooled funds. The reason for this approach is that:

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- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers act consistently with the Trustee's Stewardship Policy. The Trustee achieves this by ensuring that the Fiduciary Manager's beliefs and policies on engagement, manager selection and manager monitoring are aligned with the Stewardship Policy.

For example, in 2023 our Fiduciary Manager replaced some of our equity market exposures with a global fund that included explicit sustainability (as well as financial) performance targets. This enhanced the level of engagement possible with the companies we invest in and more actively aligned these efforts to our specific priorities.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. For example, the Fiduciary Manager has been a signatory to the UN Principles for Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, including those noted below.



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. The day-to-day implementation of the beliefs has been delegated to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with the Trustee's.

The beliefs driving the Fiduciary Manager's approach to engagement are as follows:

Quality over quantity

The Fiduciary Manager is interested in a few meaningful quality engagements with strong reporting (rather than being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

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The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with the Trustee's Stewardship Policy. The Fiduciary Manager monitors the investment managers on an ongoing basis, ensuring their activities align with the Stewardship Policy and engaging with the investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet the stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors the voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. Managers are categorised according to how material voting and engagement is in their mandate. The Fiduciary Manager focuses its efforts on any managers where voting and engagement is material.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Plan and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1. How did the managers vote?

The tables below provide a summary of the voting activity undertaken by the managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments the Plan has the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Some managers that are sensitive about voting records being shared have been excluded. Where “N/A” is seen, this indicates where data was not provided by managers. Although all investment managers that the Plan invests with, directly or indirectly, are subject to the Trustee’s Stewardship Policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations. In some cases, aspects of a manager’s voting activity may not be included in this document; where we have concerns that public disclosure would be detrimental to the success of the investment strategy of the Plan.

AKO

	Manager response
Number of meetings the manager was eligible to vote at over the year	40
Number of resolutions the manager was eligible to vote on over the year	701
% of eligible resolutions the manager voted on	97%
% of votes with management	90%
% of votes against management	8%
% of resolutions the manager abstained from	2%

Note: Voting data shown over the period 31/12/2022-31/12/2023

Cardano Global Sustainable Equity Fund

	Manager response
Number of meetings the manager was eligible to vote at over the year	1,104
Number of resolutions the manager was eligible to vote on over the year	12,589
% of eligible resolutions the manager voted on	99%
% of votes with management	82.6%
% of votes against management	17.0%
% of resolutions the manager abstained from	0.4%

Egerton Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	28
Number of resolutions the manager was eligible to vote on over the year	522
% of eligible resolutions the manager voted on	92.3%
% of votes with management	97.0%
% of votes against management	2.0%
% of resolutions the manager abstained from	1.0%

Kadensa

	Manager response
Number of meetings the manager was eligible to vote at over the year	87
Number of resolutions the manager was eligible to vote on over the year	1,467
% of eligible resolutions the manager voted on	100.0%
% of votes with management	84.1%
% of votes against management	15.9%
% of resolutions the manager abstained from	0.0%

MI Metropolis

	Manager response
Number of meetings the manager was eligible to vote at over the year	22
Number of resolutions the manager was eligible to vote on over the year	350
% of eligible resolutions the manager voted on	100.0%
% of votes with management	93.1%
% of votes against management	6.9%
% of resolutions the manager abstained from	0.0%

Polar Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	62
Number of resolutions the manager was eligible to vote on over the year	634
% of eligible resolutions the manager voted on	95%
% of votes with management	88%
% of votes against management	12%
% of resolutions the manager abstained from	0%

Note: Voting data shown over the period 31/12/2022-31/12/2023

Sands

	Manager response
Number of meetings the manager was eligible to vote at over the year	63
Number of resolutions the manager was eligible to vote on over the year	477
% of eligible resolutions the manager voted on	100.0%
% of votes with management	96.4%
% of votes against management	2.7%
% of resolutions the manager abstained from	0.8%

Sunriver

	Manager response
Number of meetings the manager was eligible to vote at over the year	17
Number of resolutions the manager was eligible to vote on over the year	157
% of eligible resolutions the manager voted on	82.0%
% of votes with management	91.0%
% of votes against management	4.0%
% of resolutions the manager abstained from	5.0%

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves) if, for example: the investment manager lacks the resource to research each vote and submit votes; or, the investment manager wants to follow a recognised code of practice and the proxy voting service is an effective way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship

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Code.

The Trustee recognises that by having a suitable Stewardship Policy in place and using the Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly in the case of smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Plan's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service (in Manager words)
AKO	Use of proxy voting service
Cardano Global Sustainable Equity	Cardano has selected Glass Lewis as a proxy provider to deliver vote recommendation and execution services. Glass Lewis applies the custom voting policy of Cardano and an audit process is in place with Glass Lewis to ensure the policy is applied correctly.
Egerton Capital	Broadridge Proxy Edge Service
Kadensa	We have selected Glass Lewis as a proxy provider to deliver vote recommendation and execution services. Glass Lewis applies the custom voting policy of Cardano and an audit process is in place with Glass Lewis to ensure the policy is applied correctly.
MI Metropolis	Utilises the services of Broadridge Proxy Edge to cast votes
Polar Capital	Utilises proxy adviser
Sands Capital	ISS
Sunriver	ISS

2.3. Examples of significant votes

When collating voting statistics, we asked managers to provide examples of significant votes cast. The tables provides a sample of responses received.

Cardano Global Sustainable Equity Fund

Company Name	Summary of the resolution	How the manager voted	Outcome / next steps	Relevant engagement themes
Nordea Bank Abp	Shareholder Proposal Regarding Aligning Business Strategy to the Paris Agreement	For – Cardano see banks and the financial sector as having a key role in the transition and supporting a resolution which encourages the company to align its business strategy to the Paris Agreement is important to achieve this.	Majority voted against Cardano will continue to support shareholder resolutions on the topic	Climate Crisis

Egerton Capital

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Outcome	Relevant engagement themes
Canadian National Railway	01/04/2023	Shareholder proposal to accept Canadian National Railway's climate action plan	For	For	Climate Crisis

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Company Name	Date of Vote	Summary of the resolution	How the manager voted	Outcome	Relevant engagement themes
Microsoft Corporation	07/12/2023	Report on risks of operating in countries with significant human rights concerns	For - in line with Proxy adviser recommendation	Against	Human Rights

MI Metropolis

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Outcome	Relevant engagement themes
Berkshire Hathaway	06/05/2023	Report on physical and transitional climate-related risks and opportunities	For - the issue was deemed important to the manager with the believe that shareholders would benefit from receiving more information	Against	Climate Crisis

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Plan's investment managers where engagement should be a material activity in the management of the assets.

Cardano Global Sustainable Equity Fund

Key points	Engagement activity
<p>Engagement Theme: Living Wages</p> <p>Industry: Retail</p> <p>Outcome: During engagement discussions, Sainsbury's announced a rise in its hourly rates for London based employees and all direct employees were receiving, at a minimum, the real living wage rates for the year</p>	<p>Cardano co-filed a resolution to encourage Sainsbury's to pay their employees a real living wage. The resolution was co-filed with the ShareAction Good Work Coalition, which engages companies to push for better working practices.</p> <p>There is a strong business case to say that companies with strong labour rights, policies and practices, including the provision of a real living wage, have a competitive advantage to attract and keep skilled employees.</p> <p>The resolution gathered 17% of shareholder support at the AGM and the announcement to pay all direct Sainsbury's employees a real live wage meant a pay rise for around 19,000 workers.</p>

Barings

Key points	Engagement activity
<p>Engagement Theme: Climate Change</p> <p>Industry: Banks</p> <p>Outcome: Positive responses from banks in completing the questionnaire and engaging in follow-up dialogue</p>	<p>Engaged with senior management of emerging markets banks, based on their response to the climate risk questionnaire. This has included conversations related to reporting their financed emissions disclosures and setting up credible Science Based Targets for reduction in the carbon footprint disclosed.</p> <p>Going forward, Barings will work with the EMIA Financial Sector Working Group to increase the scope of banks engaged with, to encourage improved data collection on carbon footprint, as well as evidence of building climate risk analysis into its new loan underwriting in order to pursue engagement objectives. Barings will also continue to engage with banks on an individual basis (outside of the EMIA platform).</p>

Wellington

Key points	Engagement activity
<p>Engagement Theme: Climate change</p> <p>Industry: Agriculture</p> <p>Outcome: Wellington will continue to meet with the company regularly to measure their development in ESG initiatives</p>	<p>Wellington continued to engage with a holding company who are one of the largest protein producers in the world, headquartered in Brazil.</p> <p>Given the nature of the business and its geographical location, some of the most pressing issues in this space relate to deforestation of the Amazon and governance issues related to previous corruption issues.</p> <p>One aspect of addressing and moving forward with this issue is through tracking suppliers. Currently, the company track 100% of direct suppliers, and are aiming to track all indirect suppliers by 2025.</p>

Kadensa

Key points	Engagement activity
<p>Engagement Theme: Climate Crisis</p> <p>Industry: Manufacturing</p> <p>Outcome: The company has engaged with ESG rating agencies to seek to improve upon their low ESG Rating</p>	<p>Following on from a low ESG rating, Kadensa have engaged with the senior management of an underlying company to assess the management's plan and commitment to address their low rating and track progress.</p> <p>The underlying company had received a low ESG rating despite efforts to integrate ESG within their business. Over recent years, management had focussed on increasing ESG integration through initiatives at product level (launched EV and hybrid options), factory level (renewable energy installation), and staff level (encouraging employees to commute more sustainably).</p> <p>Through repeated meetings, Kadensa have confirmed with the company that they will connect with relevant ESG rating agencies to communicate their ESG efforts and understand the rating agencies' best practices.</p> <p>Most recently the company have confirmed that they have invited the ESG ratings agencies to visit their factory to learn about their ESG initiatives in the hope of improving their rating</p>

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