

Retail Trust Retirement and Death Benefits Scheme

Implementation Statement for the year to 30 June 2023

This Implementation Statement has been prepared by the Trustees of the Retail Trust Retirement and Death Benefits Scheme ("the Scheme") and sets out:

- 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 managers on behalf of the Trustees over the year, including information regarding the most significant votes.

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its 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 investment managers.
- Investment rights (including voting rights) have been exercised by the investment managers in line with the managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustees from time to time, taking into account the financial interests of the beneficiaries. The Trustees also expect the investment managers to have engaged with the companies in relation to ESG matters where appropriate.
- Annually the Trustees receive and review, with the help of the investment advisors and through the Implementation Statement, voting information and engagement policies from the investments managers to ensure alignment with the Scheme's policies.
- Having reviewed the below in accordance with their policies, the Trustees are comfortable that the actions of the investment managers are in alignment with the Scheme's stewardship policies.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 30 June 2023 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in September 2020 and is due to be reviewed next year following completion of the ongoing investment strategy review. It has been made available online here:

<https://www.retailtrust.org.uk/about-us/the-retail-trust-pension>

There have been no changes to the Trustees' stewardship policy over the year to 30 June 2023. The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's investment managers.

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.

**Prepared by the Trustees of the Retail Trust Retirement and Death Benefits Scheme
December 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Growth Portfolio on behalf of the Trustees over the year to 30 June 2023.

Voting only applies to funds that hold equities in their portfolio. The Scheme's equity investments are all held through pooled funds and the investment managers for these funds vote on behalf of the Trustees. It follows that Legal & General's Matching Core Funds and Sterling Liquidity Fund, and Baillie Gifford's Investment Grade Bond Pension Fund have no voting rights and limited ability to engage with key stakeholders given the nature of the mandates.

Manager	Baillie Gifford	Baillie Gifford
Fund name	Diversified Growth Fund	UK and Worldwide Equity Fund
Structure	Pooled	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.	
Number of company meetings the manager was eligible to vote at over the year	70	208
Number of resolutions the manager was eligible to vote on over the year	764	2,839
% of resolutions voted	97.6%	98.4%
% of resolutions abstained¹	0.7%	0.4%
% of resolutions voted with management¹	96.8%	97.1%
% of resolutions voted against management¹	2.5%	2.5%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor*	n/a	n/a

* Whilst Baillie Gifford are aware of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. They vote in line with their in-house policy and not with the proxy voting providers' policies.

¹ As 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. Therefore, for this Implementation Statement the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy.

The Scheme’s investment adviser requested key voting data from Baillie Gifford and Baillie Gifford has provided a selection of 10 votes which they believe to be significant. In the interest of concise reporting the tables below show 4 of these votes for each fund (additional information can be provided on request). A summary of the significant votes provided to 30 June 2023 is set out below.

Baillie Gifford, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Duke Realty Corporation	Prysmian S.P.A.	Consolidated Edison, Inc.	Nextra Energy, Inc.
Date of vote	19 April 2023	04 May 2023	18 May 2023	18 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.2%	1.2%	0.8%	0.1%
Summary of the resolution(s)	Remuneration - Report	Remuneration – Executive compensation	Appoint/ Pay Auditors	Shareholder Resolution - Governance
How the manager voted	Against	Against	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	No	Yes	Yes

	Vote 1	Vote 2	Vote 3	Vote 4
Rationale for the voting decision	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. They believe the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business.	Baillie Gifford opposed executive compensation because they do not believe the performance conditions for the long-term incentive plan are sufficiently stretching.	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. They believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.	Baillie Gifford supported a shareholder resolution requesting a board diversity and qualification matrix because they believe that shareholders would benefit from individualised information on the skills and qualifications of directors, as well as disclosure on climate-related skills and qualifications.
Outcome of the vote	Pass	Fail	Pass	Fail
Implications of the outcome	Baillie Gifford will communicate their rationale against the remuneration report. They supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.	Baillie Gifford will re-iterate their expectation to the company and monitor the evolution of pay going forward.	Although not a regulatory requirement in the U.S., Baillie Gifford consider it is best practice for the auditor to rotate at least every 20 years in order to maintain independence. Last year they informed the company of their expectation and abstained on the election of the auditors. This year they decided to oppose the auditor and will continue to share their expectations with the company.	Baillie Gifford will communicate their decision to support the shareholder resolution with the company and will explain their rationale for doing so. They will monitor for any similar disclosure the company may choose to institute, as although the resolution failed to secure enough support to pass, it did receive support from more than 48% of shareholders.
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 they opposed the election of auditors.	This resolution is significant because it received greater than 20% opposition.

Baillie Gifford, UK and Worldwide Equity Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Tesla, Inc.	Abiomed, Inc.	Wayfair Inc.	Adidas AG
Date of vote	04 August 2022	10 August 2022	13 October 2022	11 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.9%	0.3%	0.1%	0.2%
Summary of the resolution(s)	Shareholder Resolution - Climate	Elect Director	Employee Equity Plan	Articles of Association
How the manager voted	Against	For	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	No	No	No	No
Rationale for the voting decision	<p>Baillie Gifford opposed the resolution requesting a report on how the company's corporate lobbying is aligned with the Paris Climate Agreement. Given Tesla's core mission is to accelerate the world's transition to sustainable energy and its entire business strategy is in alignment with the Paris Agreement, they believe additional disclosures would be a burdensome with no real benefit to shareholders.</p> <p>Baillie Gifford supported the election of a director who is a member of the Compensation Committee and received significant shareholder dissent due to concerns with executive compensation.</p> <p>Baillie Gifford opposed the extension of the omnibus Stock Plan because they believed a number of the plan's features were in contravention to best practice.</p>			<p>Baillie Gifford voted in favour of an amendment to the Articles of Association which will allow Adidas to hold the general meeting in a virtual format until 2025. They are comfortable granting this authority having regard to the limited duration of two years and the emphasis that the board places on the safeguarding of shareholder rights.</p>
Outcome of the vote	Fail	Pass	Pass	Pass

	Vote 1	Vote 2	Vote 3	Vote 4
Implications of the outcome	<p>Whilst Baillie Gifford has been supportive of similar proposals put forward at their other US holdings, they don't believe there is the same rationale for supporting at Tesla. Baillie Gifford are not aware of any concerns that Tesla are executing their strategy in contravention of the Paris Agreement and continue to trust management.</p>	<p>Baillie Gifford opposed compensation in 2022 and 2021 and had been engaging with the company to encourage improvement. They will generally consider escalating their voting action to vote against a director after several years of opposing a resolution on a particular issue such as compensation and may have considered doing so in 2023. However, this company was acquired in December 2022 and is now a private company.</p>	<p>Baillie Gifford opposed the extension of the omnibus Stock Plan due to concerns over several features, such as a repricing opportunity, eligibility of NEDs to receive options that could impair their independence, and potential cash buyouts. Baillie Gifford communicated their concerns to the company before casting their vote.</p>	<p>Baillie Gifford will monitor Adidas' use of virtual general meetings to ensure that shareholder rights, such as participation in the meetings, are maintained.</p>
Criteria on which the vote is considered "significant"	<p>This resolution is significant because it was submitted by shareholders and received greater than 20% support.</p>	<p>This resolution is significant because Baillie Gifford swung the vote.</p>	<p>This resolution is significant because Baillie Gifford opposed remuneration.</p>	<p>This resolution is significant because it received greater than 20% opposition.</p>

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year to 30 June 2023 for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Baillie Gifford		
Fund name	Diversified Growth Fund	UK and Worldwide Equity Fund	Investment Grade Bond Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	28	146	10
Number of engagements undertaken at a firm level in the year	518	518	518

Examples of engagement activity undertaken over the year to 30 June 2023

Baillie Gifford, Diversified Growth Fund

Octopus Renewables Infrastructure Trust plc (October 2022)

A recent catch-up meeting with the company prompted a review of Baillie Gifford's internal score for this Holding. They opened engagement with the company by discussing a few key ESG topics with the aim of combining the investment and ESG considerations to understand the materiality of the issues in a business context.

In the meeting, Baillie Gifford learnt about the managers' efforts to protect biodiversity shared Baillie Gifford's firmwide involvement in the EU Windpower pilot of the Taskforce on Nature-related Financial Disclosures. As assets under construction have become a recent addition to this fund, Baillie Gifford discussed low-carbon building materials and considerations. On the social side, there was no significant community opposition to its renewable assets, and it showed evidence of good complaints handling. Linking to the investment case, Baillie Gifford deliberated the portfolio impacts of a potential windfall tax in the UK, given recent press reports.

This timely meeting showed the importance of active stewardship. The ESG factors covered helped to inform and add detail to our internal ESG score. Baillie Gifford shared the view that regulatory changes would be a short-term challenge to the company, and the long-term prospects of this investment still looked good. They left the engagement with a couple of follow-ups. First, to review the wider investment management team's diversity and investigate carbon reporting gaps with MSCI for this holding.

Baillie Gifford, UK and Worldwide Equity Fund

CoStar Group, Inc. (June 2023)

A shareholder resolution was proposed that CoStar should report its greenhouse gas (GHG) emissions. CoStar's management wanted to discuss this with Baillie Gifford (and other long-term shareholders). Management disagreed with this resolution and wanted to explain their reasoning, as well as discuss their current approach to handling GHG emissions.

During the meeting, CoStar revealed that the company was already monitoring its GHG emissions by the time the resolution was submitted. They wanted Baillie Gifford to oppose the resolution as they preferred to continue

working on their emissions and reporting at their own pace. CoStar also mentioned that it had talked with other shareholders, and this prompted the company to commit publicly to reducing GHG emissions sooner. As a result, the company partnered with the Science Based Targets initiative, an organisation that focuses on emissions disclosures. Baillie Gifford agreed that it is important for CoStar to approach its GHG emissions reporting thoughtfully. This is in line with their approach to sustainability.

Baillie Gifford voted against the resolution. This situation demonstrates the importance of engaging in meaningful discussions around sustainability issues instead of simply checking boxes. Baillie Gifford support CoStar's progress in reporting GHG emissions and plan to follow up with the company to discuss its progress and the specific steps it is taking. They will also explore how its approach aligns with its long-term business goals.

Baillie Gifford, Investment Grade Bond Fund

GSK plc (September 2022)

Baillie Gifford recognises the important need for the world to increase access to health care and medicine in Low and Middle-Income Countries (LMICs) and they had a meeting with GSK's Chief Global Health Officer and President, Vaccines and Global Health to discuss the company's work in the area.

With 'Affordability and Accessibility' a key pillar in the company's ESG strategy, Baillie Gifford were encouraged to hear of Board-level commitment and oversight of GSK's strategy, performance and contributions in this most vital of areas. GSK recognise that, from a purely commercial point of view, its work to improve health outcomes is not a growth driver but, rather, fundamental to their overall strategy and the best employee retention tool they have available to them. Baillie Gifford were also encouraged to hear the company's commitment of £1bn investment into its global health research and development engine over the coming years.

Also notable was the company's recognition that access to healthcare and medicine in LMICs is a "partnership game". The enabling infrastructure and capacity requirements for increased accessibility must be strengthened in LMICs, for healthcare products to reach those markets in the first place – but also for them to be delivered in an effective manner. Without this infrastructure for delivery, accessible pricing in and of itself solves very little. This requires collaborative work from all relevant stakeholders. This led into discussion on the benefits the COVID-19 vaccine roll-out contributed to in LMICs, namely in stimulating investment in distribution infrastructure. GSK recognised the importance of maintaining this. Finally, they touched on the role GSK is playing in LMICs where there is a lack of implementation and regulatory agencies, contributing to ineffective pharmacovigilance systems and processes. Baillie Gifford took encouragement from the company's proactive work in several geographies to support improvements.

Baillie Gifford believe GSK recognises its responsibility and position of influence with regards to improving LMICs access and affordability to health care and medicine and believe the company to be acting on this. They look forward to future conversations with the company, alongside others, as part of a prospective firm-wide project to support and help their holdings drive innovation and positive change in LMICs health.