

# *Implementation Statement, covering the Fund Year from 1 January 2023 to 31 December 2023 (the “Fund Year”)*

The Trustee of the Cereal Partners UK Pension Fund (the “Fund”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund 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 Trustee has 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**

The voting and engagement policies in the SIP were reviewed and updated during the Fund Year in November 2023, to reflect:

- The Trustee’s response to DWP’s new guidance on Reporting on Stewardship and Other Topics through the SIP and IS which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship; and
- The Trustee’s Net Zero ambition and expectation that the Fund’s investment managers and advisers help the Trustee achieve this ambition.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Fund’s voting and engagement policies during the Fund Year.

## **2. Voting and engagement**

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are as below:

- Legal & General Investment Management: [LGIM Vote Disclosures \(issgovernance.com\)](#)
- Baillie Gifford: [Our ESG Principles and Guidelines](#)
- Ruffer: [Ruffer | Responsible investment policy](#)

However, the Trustee takes ownership of the Fund’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Fund’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 Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the Q1 2023 meeting, the Trustee discussed and agreed stewardship priorities for the Fund which were: climate change; diversity, equity & inclusion (“DEI”), and business ethics.

These priorities were selected because they represent key market-wide risks and areas where the Trustee believes good stewardship and engagement can improve long-term financial outcomes for members. The stewardship priorities have been communicated to the managers.

In September 2023, the Trustee received training on net zero and in particular what setting a net zero ambition for the pension Fund might involve. As part of this the Trustee discussed what this might mean in terms of expectations of its managers – which included the following: (a) managers should provide sufficient reporting on

their progress on net zero alignment over time; and (b) managers should undertake stewardship that supports their net zero target and encourages real world emissions reductions, and report this. Following discussion, the Trustee agreed to set a net zero ambition, which was reflected in the November 2023 SIP update (which was agreed in consultation with the employer).

The Trustee (with the help of its advisers) reviews case studies of the managers' votes and engagements which relate to the Trustee's stewardship priorities as part of its ongoing monitoring. This helps the Trustee to better understand its managers' approaches to voting and engagement and shape its view on their appropriateness for the Fund.

The Trustee is 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 Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

### 3. Description of voting behaviour during the Fund Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Fund Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee's 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 Fund's funds that hold equities as follows:

- Legal & General Low Carbon Transition Global Equity Index Fund (Hedged & Unhedged)
- Ruffer Absolute Return Fund; and
- Baillie Gifford Multi Asset Growth Fund

In addition to the above, the Trustee contacted the Fund's asset managers that do not hold listed equities, to ask if any of the assets held had voting opportunities over the Fund Year. None of these other funds held any assets with material voting opportunities.

#### 3.1 Description of voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee last reviewed these policies in July 2023, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustee's views.

The latest voting processes for each of the managers, where available, are summarised below.

##### 3.1.1 Legal & General Investment Management

What is your policy on consulting with clients before voting?

*LGIM'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 our clients. LGIM's voting policies are reviewed annually and take into account feedback from clients.*

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

Please provide an overview of your process for deciding how to vote.

*All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 LGIM's 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.*

How, if at all, have you made use of proxy voting services over the year to 31 December 2023?

*LGIM's Investment Stewardship team uses ISS's '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. The use of ISS recommendations is purely to augment ISS' 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 they receive from ISS for UK companies when making specific voting decisions.*

*To ensure LGIM's proxy provider votes in accordance with our position on ESG, a custom voting policy with specific voting instructions has been put in place. These instructions apply to all markets globally and seek to uphold what are considered the minimum best practice standards which the team believe all companies globally should observe, irrespective of local regulation or practice.*

*LGIM retains the ability in all markets to override any vote decisions, which are based on LGIM's 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 LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure votes are fully and effectively executed in accordance with voting policies by LGIM's service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.*

What process did you follow for determining the "most significant" votes?

*As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure they continue to help their clients in fulfilling their reporting obligations. LGIM also believes public transparency of their vote activity is critical for clients and interested parties to hold it to account.*

*For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what are deemed 'material votes'. LGIM is evolving its approach in line with the new regulation and are committed to provide clients access to 'significant vote' information.*

*In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:*

- 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 we note a significant increase in requests from clients on a particular vote;*
- Sanction vote as a result of a direct or collaborative engagement;*
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.*

*LGIM have provided information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.*

*The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. They also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.*

### 3.1.2 Baillie Gifford

#### What is your policy on consulting with clients before voting?

*All voting decisions are made by Baillie Gifford's ESG team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then they will engage with them on this. If a vote is particularly contentious, the manager may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.*

#### Please provide an overview of your process for deciding how to vote.

*Thoughtful voting of Baillie Gifford's clients holdings is an integral part of our commitment to stewardship. Baillie Gifford believes that voting should be investment led, because how they vote is an important part of the long-term investment process, which is why their strong preference is to be given this responsibility by Baillie Gifford clients. The ability to vote on behalf of clients' shares also strengthens their position when engaging with investee companies. Baillie Gifford's ESG team oversees voting analysis and execution in conjunction with investment managers. Unlike many peers, Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers. Baillie Gifford utilise research from proxy advisers for information only. In addition, the team analyses all meetings in-house in line with Baillie Gifford's ESG Principles and Guidelines and endeavour to vote every one of Baillie Gifford clients' holdings in all markets.*

#### How, if at all, have you made use of proxy voting services over the year to 31 December 2023?

*Whilst they are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any 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. Votes are made in line with Baillie Gifford's in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide more nuanced market specific information.*

#### What process did you follow for determining the "most significant" votes?

- Baillie Gifford's holding had a material impact on the outcome of the meeting*
- Management resolutions that receive 20 per cent or more opposition in the prior year*
- Egregious remuneration*
- Controversial equity issuance*
- Shareholder resolutions that received 20 per cent or more support from shareholders in the prior year*
- Where there has been a significant audit failing*
- Mergers and acquisitions*
- Where we have opposed the financial statements/annual report*
- Where we have opposed the election of directors and executives*
- Where we identify material 'E' 'S' or 'G' issues that result in Baillie Gifford opposing management*

### 3.1.3 Ruffer

#### What is your policy on consulting with clients before voting?

*Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, Ruffer can accommodate client voting instructions for specific areas of concerns or companies where feasible.*

#### Please provide an overview of your process for deciding how to vote.

*Please see Ruffer's Responsible Investment policy ([Ruffer | Responsible investment policy](#))..*

#### How, if at all, have you made use of proxy voting services over the year to 31 December 2023?

*Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS).*

*Ruffer has developed its own internal voting guidelines, taking into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although cognisant of proxy advisers' voting recommendations, Ruffer does not delegate or outsource stewardship activities when deciding how to vote on Ruffer clients' shares.*

*Each research analyst, supported by Ruffer's responsible investment team, reviews the relevant issues on a case-by case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.*

*As discussed above, Ruffer do use ISS as an input into decisions. In the 12 months to 31 December 2023, of the votes in relation to holdings in the Ruffer Absolute Return Fund, Ruffer voted against the recommendation of ISS 9.23% of the time.*

What process did you follow for determining the "most significant" votes?

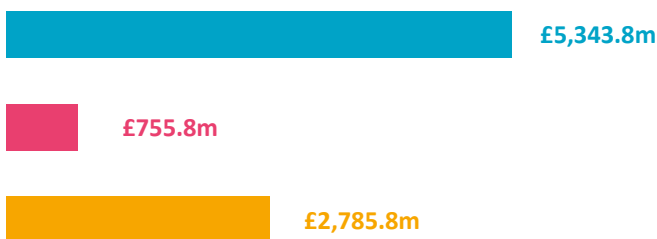
*Ruffer has defined 'significant votes' as those that they think will be of particular interest to Ruffer's clients. In most cases, these are when they form part of continuing engagement with the company and/or they have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and its internal voting guidelines.*

### 3.2 Summary of voting behaviour over the Fund Year

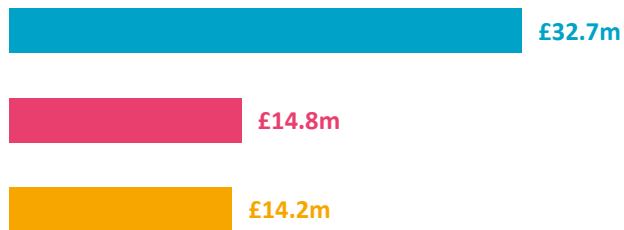


LGIM figures include both the sterling hedged and unhedged share classes that the Fund invests in.

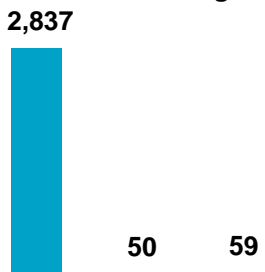
**Total size of the fund at 31 December 2023**



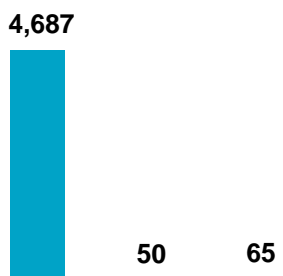
**Value of CPUK Pension Fund's assets at 31 December 2023**



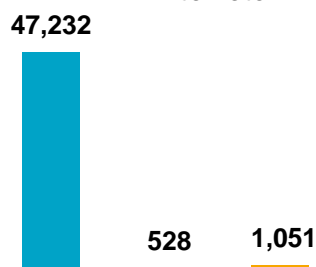
**Average number of equity holdings**



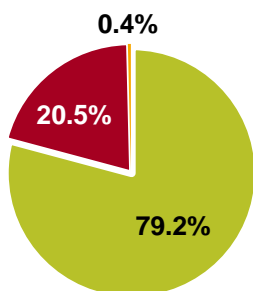
**Number of meetings eligible to vote**



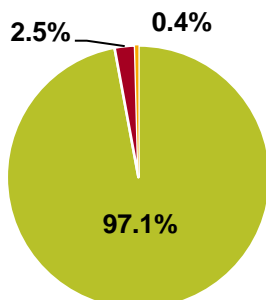
**Number of resolutions eligible to vote**



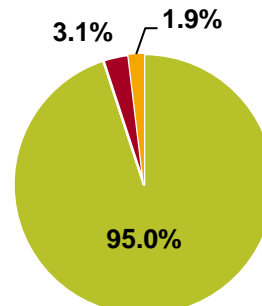
**L&G voting breakdown (voted on 99.9% of resolutions)**



**Baillie Gifford voting breakdown (voted on 92.2% of resolutions)**



**Ruffer voting breakdown (voted on 100% of resolutions)**



Proportion of resolutions voted on that were with management, against management or abstained.

### 3.3 Most significant votes

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

The Trustee has interpreted “significant votes” to mean those that:

- align with the Trustee’s stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support;
- the subject of the resolution aligned with the investment manager’s engagement priorities or key themes; and/or
- the Fund or the sponsoring company may have a particular interest in.

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

<b>Key</b>	 Environmental	 Social	 Governance
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#### Legal & General Investment Management

	<i>L&amp;G voted for the resolution to report on gender/racial pay gaps Amazon.com Inc, May 2023</i>
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<p><b>Relevant Stewardship Priority</b></p> <p>Diversity, equity &amp; inclusion</p>	<p><b>Rationale from LGIM</b></p> <p>A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company’s diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.</p>
<p><b>Criteria against which this vote has been assessed as “most significant”.</b></p> <p>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. This aligns with the Trustee’s stewardship priorities and was a shareholder resolutions which received material support.</p>	<p><b>Outcome of vote</b></p> <p>The resolution failed (with c29% voting in favour).</p>
<p><b>Approximate size of the mandate’s holding at the date of the vote</b></p> <p>1.7%</p>	<p><b>Next steps</b></p> <p>LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.</p>
<p><b>How did LGIM vote?</b></p> <p>For</p>	<p><b>Was the vote communicated to the company ahead of the vote:</b></p> <p>Yes</p>
<p><b>Company management recommendation</b></p> <p>Against</p>	<p><b>Was the vote communicated to the company ahead of the vote:</b></p> <p>Yes</p>





*L&G voted for report on congruency of political spending with company values and priorities  
Coca-Cola Company, April 2023*

**Relevant Stewardship Priority**

Business Ethics

**Criteria against which this vote has been assessed as “most significant”.**

LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. This aligns with the Trustee’s stewardship priorities and was a shareholder resolution which received material support.

**Approximate size of the mandate’s holding at the date of the vote**

0.5%

**How did LGIM vote?**

For

**Company management recommendation**

Against

**Rationale from LGIM**

LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While it appreciates the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between lobbying practices and publicly stated values. LGIM believes that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company’s stated values, and potentially attracting negative attention that could harm the company’s public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities.

**Outcome of vote**

The resolution failed (with c29% voting in favour).

**Next steps**

LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

**Was the vote communicated to the company ahead of the vote:**

Yes

**Baillie Gifford**



*Baillie Gifford voted for a resolution requesting a board diversity and qualifications matrix  
Nextera Energy Inc, May 2023*

**Relevant Stewardship Priority**

Diversity, Equity and Inclusion

**Criteria against which this vote has been assessed as “most significant”.**

This was submitted by shareholders and received greater than 20% support. This aligns with the Trustee’s stewardship priorities.

**Approximate size of the mandate’s holding at the date of the vote**

0.1%

**How did Baillie Gifford vote?**

For

**Company management recommendation**

Against

**Rationale from Baillie Gifford**

Baillie Gifford supported a shareholder resolution requesting a board diversity and qualifications matrix because we 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 vote**

The resolution failed (with c48% voting in favour).

**Next steps**

Baillie Gifford will communicate their decision to support the shareholder resolution with the company and will explain their rationale for doing so. We will monitor for any similar disclosure the company may choose to institute.

**Was the vote communicated to the company ahead of the vote:**

Yes





*Baillie Gifford voted against a resolution to approve the company remuneration report  
Prysmian SPA, April 2023*

**Relevant Stewardship Priority**

Business Ethics

**Criteria against which this vote has been assessed as “most significant”.**

This resolution is significant because it received greater than 20% opposition. This aligns with the Trustee’s stewardship priorities and is also a relatively large holding.

**Approximate size of the mandate’s holding at the date of the vote**

1.4%

**How did Baillie Gifford vote?**

Against

**Company management recommendation**

For

**Rationale from Baillie Gifford**

Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. It 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 bar.

**Outcome of vote**

The resolution passed.

**Next steps**

Baillie Gifford will communicate its rationale for voting against the remuneration report. It 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.

**Was the vote communicated to the company ahead of the vote:**

Yes

**Ruffer**



*Ruffer voted against the resolution on climate change targets  
BP plc, April 2023*

**Relevant Stewardship Priority**

Climate Change

**Criteria against which this vote has been assessed as “most significant”.**

Ruffer believes this vote will be of particular interest to their clients. This is a relatively high-profile story and aligns with the Trustee’s priorities.

**Approximate size of the mandate’s holding at the date of the vote**

0.5%

**How did Ruffer vote?**

Against

**Company management recommendation**

Against

**Rationale from Ruffer**

Ruffer believes BP has outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the ‘transition growth engines’. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. This resolution asks for “BP to align its 2030 Scope 3 aims with Paris”. Firstly, this would require a wholesale shift in strategy, which Ruffer believes is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be.

**Outcome of vote**

The resolution failed (with c83% voting against).

**Next steps**

Ruffer will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place. They will vote against shareholder resolutions which they deem as unnecessary.

**Was the vote communicated to the company ahead of the vote:**

No – however note this vote was in line with management recommendation



*Ruffer voted against the resolution to approve issuance of equity or equity-linked securities without pre-emptive rights  
Swire Pacific, May 2023*

**Relevant Stewardship Priority**

Business Ethics

**Criteria against which this vote has been assessed as “most significant”.**

Ruffer agrees with ISS that aggregate share issuance should not be greater than 10% - and has voted against company recommendation. This aligns with the Trustee’s stewardship priorities.

**Approximate size of the mandate’s holding at the date of the vote**

0.3%

**How did Ruffer vote?**

Against

**Company management recommendation**

For

**Rationale from Ruffer**

In line with the ISS view – but against company management. Hong Kong listing rules allow for 20% equity issuance without pre-emptive rights. ISS’s global view is that 10% should be the limit for this type of thing. As much as the family has behaved well over time, there is always risk that given their control over the business that they could dilute the minority shareholders. Limiting this to 10% without pre-emptive rights is in our clients’ best interests.

**Outcome of vote**

The resolution passed (with c11% voting against).

**Next steps**

Ruffer will continue to engage with the company on governance issues and vote on equity issuance proposals where we deem it to have material impact to the company.

**Was the vote communicated to the company ahead of the vote:**

No