

Swan Mill Paper Company Limited Retirement Benefits Plan ('the Plan')

Annual Engagement Policy Implementation Statement for the Year Ended 31 March 2023

1. Introduction

This statement sets out how, and the extent to which, the Plan's Engagement Policy has been followed during the year running from 1 April 2022 to 31 March 2023 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Plans (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

The statement is based on, and should be read in conjunction with, the relevant version of the SIP that was prepared during the Plan Year and dated March 2023

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Plan and changes which have been made to the Statement of Investment Principles ("SIP") during the Plan Year, respectively.



A copy of the SIP is available at [Employment - Swantex | Swan Mill Group](#)

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers of the Plan, and sets out how the Plan's engagement and voting policy has been followed during the Plan Year. **The Trustee can confirm that all policies in the SIP on investment rights (including voting) and engagement have been followed during the Plan Year.**



2. Statement of Investment Principles

2.1. Investment Objectives of the Plan

The Trustees believe it is important to consider the policies in place in the context of the objectives they have set.

The objectives for the Plan specified in the SIP are as follows:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long-term and on a shorter-term basis.

2.2. Review of the SIP



During the year, the Trustee reviewed and amended the Plan's SIP, taking formal advice from its Investment Consultant (Mercer Limited ("Mercer")). A revised SIP was signed in March 2023, which reflected the implementation of a revised investment strategy and structural changes to the Matching Asset portfolio to improve the accuracy of the liability hedge.

In December 2022, the Trustees confirmed compliance with Parts 3 and 7 of the Investment Consultancy and Fiduciary Management Market Order 2019 in line with the requirements and reasonably expect to continue to do so going forward.

3. Examples of Engagement Activity by the Plan's Investment Managers

The following are examples of engagement activity, highlighted by the Plan's equity manager, which were undertaken during the Plan Year.

Shopify Inc.

Building on engagement activity over the past couple of years, Baillie Gifford spoke with Shopify's Head of Sustainability to gain more clarity on the businesses progress in respect of developing emissions targets.

Specifically, these discussions focused on Shopify's rationale for not setting carbon emissions targets. This centred on the belief that inflexible targets would reduce Shopify's ability to drive change. Instead, as Baillie Gifford reports, Shopify focuses on bringing sustainability solutions to its merchants. This is because Shopify believe they have a unique position in which it can help democratise access to sustainability solutions for its merchants, which enable them to attract customers.

Baillie Gifford note that they are pleased that Shopify is focusing on areas where it can have the greatest impact.



Fanuc Corporation

Baillie Gifford reported that they had joined a call, as part of Fanuc's annual update, to discuss how energy efficiency might provide the business with a competitive edge across its different product offerings and how the company is building an effective board.

Having taken part in these calls in the past, Baillie Gifford were encouraged that ESG topics (energy efficiency, board governance) was presented by senior management as an integrated component of the company's corporate governance and strategy dialogue. Baillie Gifford remarked that the discussions covered three main areas:

1. Overarching climate targets, how these are used to focus on improving the energy efficiency of its products, and market research it was undertaking to understand the edge that more energy-efficient robots may provide to customers.
2. Differences in performance of its different divisions, competitive pressures, and new demand drivers from innovation in AI and monitoring.
3. Increased board independence and cognitive diversity via use of a skills matrix to ensure a thoughtful approach to board composition and effectiveness.

Baillie Gifford note that this provided insights into Franuc's forward-looking plan for climate integration, product development and board composition to reference (and monitor progress against) when meeting with senior management.

4. Voting Activity and Engagement during the Plan Year

The policy of the Trustees is to delegate responsibility for the exercising of rights (including voting rights) attached to the Plan's investments to the appointed investment managers. It is the policy of the Trustees to obtain reporting on voting and engagement and periodically review the reports to ensure the policies are being met.

Over the Plan Year, was the policy met?

During the period under review, the Plan's investment managers shared voting and engagement summary reports with the Trustees. The Trustees do not use the direct services of a proxy voter.

The Trustees support the aims of the UK Stewardship Code and its investment managers are encouraged to report their adherence to the Code. Both of the Plan's investment managers are signatories to the current UK Stewardship Code.

A summary of voting activity for this reporting period and a sample of the most significant votes, as determined by the Trustees, made by the Plan's investment managers can be found on the next page.



Sample of the most significant votes

There is no official definition of what constitutes a significant vote; managers have adopted a variety of interpretations such as:

- There is a particular interest in a specific vote relating to an issue,
- The potential impact on the financial outcome,
- Size of the holding in the fund / mandate, and whether the vote was high-profile or controversial.

Further, to meet new regulatory requirements, the Trustees have identified the following Stewardship priorities and believe that any voting on these issues are seen as 'significant'.

- Climate Change related (e.g. a vote on a company's carbon disclosures) – this represents an E (environmental) theme
- Human rights: pay & safety in workforce and supply chains, etc – this represents a S (social) theme
- Corporate governance: e.g. Board quality, diversity and inclusion, executive remuneration – this represents a G (governance) theme

As the requirements require the Trustees to report on all votes they consider significant, to keep disclosures to a manageable level, they agreed to focus on the Plan's equity investments and the largest companies (>1% of portfolio) held within the equity vehicles.

Baillie Gifford UK Equity Alpha Fund

Baillie Gifford UK Equity Alpha Fund	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5	VOTE 6
Company name	OCADO GROUP PLC	OCADO GROUP PLC	STANDARD CHARTERED PLC	STANDARD CHARTERED PLC	SMART METERING SYSTEMS PLC	BOOHOO GROUP PLC
Date of vote	04/05/2022 00:00	04/05/2022 00:00	04/05/2022 00:00	04/05/2022 00:00	19/05/2022 00:00	08/03/2023 00:00:00
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.61	1.61	1.39	1.39	1.13	1.17
Summary of the resolution	Remuneration	Remuneration	Remuneration	Remuneration	Remuneration	Incentive Plan
How you voted	Against	Against	Against	Against	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Yes	Yes	No	No	No	No
Rationale for the voting decision	We opposed the extension of the value creation plan due to concerns with the potential size of awards.	We opposed the resolution to approve the remuneration policy because we have concerns with the potential size of awards under the value creation plan.	We opposed the resolution to approve the remuneration policy because we have concerns with how the company is choosing to calculate pension contribution and variable incentives.	We opposed the resolution to approve the remuneration report because we have concerns with how the company is choosing to calculate pension contribution and variable incentives.	We opposed the resolution to approve the remuneration report because the current long term incentive plan allows for performance conditions to be re-tested which is contrary to best practice.	We have significant concerns regarding the Growth Plan's overall structure, potential quantum, lack of long-term alignment, and recipients. We believe that remuneration plans should support management in prioritising long-term value creation and it is questionable that the proposed Growth Plan would do so.
Outcome of the vote	Pass	Pass	Pass	Pass	Pass	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Following the submission of our votes we contacted the company to reconfirm our decision to oppose the extension to the value creation plan. We have concerns regarding the potential size of awards and in addition believe that given that this plan sits alongside an annual bonus scheme believe that the growth rate threshold should be set higher.	Following the submission of our votes we contacted the company to reconfirm our decision to oppose the extension to the value creation plan. We have concerns regarding the potential size of awards and in addition believe that given that this plan sits alongside an annual bonus scheme believe that the growth rate threshold should be set higher.	Following the submission of our votes we wrote to the company to explain our decision to oppose the remuneration report and remuneration policy. We remain concerned with certain pay practices and have been opposing remuneration for a number of years.	Following the submission of our votes we wrote to the company to explain our decision to oppose the remuneration report and remuneration policy. We remain concerned with certain pay practices and have been opposing remuneration for a number of years.	Ahead of the AGM we contacted the company for additional information on the mechanics of the current and proposed long term incentive plan. They confirmed our concerns were right, and that the current plan allows for performance conditions to be retested against which is contrary to best practice especially for UK companies. We outlined our concerns to the company and encouraged them to remove this ability in the new long term incentive plan.	We have engaged extensively with Boohoo regarding the new Growth Share Plan proposed by the company. Whilst we do recognise that big improvements have been made to the original proposal, we have concerns about the structure of the Plan and we therefore decided to oppose it. We have concerns about the long-term alignment of the Plan given the first two franchises would vest on the first anniversary of achieving the relevant share price performance condition.
On which criteria have you assessed this vote to be "most significant"?	This resolution is significant because we opposed remuneration.	This resolution is significant because we opposed remuneration.	This resolution is significant because we opposed remuneration.	This resolution is significant because we opposed remuneration.	This resolution is significant because we opposed remuneration.	This resolution is significant because we opposed remuneration.

Baillie Gifford European Fund

Baillie Gifford European Fund	VOTE 1	VOTE 2
Company name	DASSAULT SYSTEMES SE	DASSAULT SYSTEMES SE
Date of vote	19/05/2022 00:00:00	19/05/2022 00:00:00
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.01	2.01
Summary of the resolution	Amendment of Share Capital	M&A Activity
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	We opposed two resolutions that would give the board decision-making power regarding mergers by absorption, as this would not be in the best interest of shareholders.	We opposed two resolutions that would give the board decision-making power regarding mergers by absorption, as this would not be in the best interest of shareholders.
Outcome of the vote	Pass	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	These resolutions were proposed in accordance with a change in the relevant law in France which introduced the possibility for companies to delegate powers "with regard to mergers, demergers and partial demergers." While the board should have sufficient flexibility to direct the activities of the company, we chose to oppose these resolutions as we believe that it important that shareholders have a say on activities related to mergers given their potentially significant implications for the company.	These resolutions were proposed in accordance with a change in the relevant law in France which introduced the possibility for companies to delegate powers "with regard to mergers, demergers and partial demergers." While the board should have sufficient flexibility to direct the activities of the company, we chose to oppose these resolutions as we believe that it important that shareholders have a say on activities related to mergers given their potentially significant implications for the company.
On which criteria have you assessed this vote to be "most significant"?	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.

Baillie Gifford Developed Asia Pacific Fund

Baillie Gifford Developed Asia Pacific Fund	VOTE 1	VOTE 2
Company name	GALAXY ENTERTAINMENT GROUP LTD	GALAXY ENTERTAINMENT GROUP LTD
Date of vote	12/05/2022 00:00:00	12/05/2022 00:00:00
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.27	2.27
Summary of the resolution	Routine Business	Amendment of Share Capital
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No
Rationale for the voting decision	We opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.	We opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders.
Outcome of the vote	Pass	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We have opposed similar resolutions in previous years and will continue to advise the company of our concerns and seek to obtain proposals that we can support.	We have opposed similar resolutions in previous years and will continue to advise the company of our concerns and seek to obtain proposals that we can support.
On which criteria have you assessed this vote to be "most significant"?	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.

Baillie Gifford American Fund

Baillie Gifford American Fund	VOTE 1	VOTE 2	VOTE 3	VOTE 4	VOTE 5
Company name	AMAZON.COM, INC.	AMAZON.COM, INC.	AMAZON.COM, INC.	ILLUMINA, INC.	THE TRADE DESK, INC.
Date of vote	25/05/2022 00:00:00	25/05/2022 00:00:00	25/05/2022 00:00:00	26/05/2022 00:00:00	26/05/2022 00:00:00
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	5.83	5.83	5.83	3.85	7.69
Summary of the resolution	Shareholder Resolution - Social	Shareholder Resolution - Social	Shareholder Resolution - Governance	Shareholder Resolution - Governance	Remuneration
How you voted	For	For	For	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No	No	No	No
Rationale for the voting decision	We supported a shareholder proposal on gender/racial pay. We have supported this proposal at Amazon.com for the last two years. We believe that women and minorities are underrepresented in leadership positions compared with the broader workforce, and reporting the unadjusted median gap would help to assess structural bias regarding job opportunity and pay.	We supported a shareholder proposal on freedom of association. In light of several recent high profile controversies, we believe that shareholders would benefit from a more thorough examination of the compliance of the company's policies and practices with international fundamental rights.	We supported a shareholder proposal on lobbying. We have supported this proposal at Amazon.com for the last two years. We believe that the company's disclosure is lagging that of its peers, and greater transparency of all political expenditures and lobbying would enable shareholder to assess alignment with Amazon's values and corporate goals.	We opposed a shareholder resolution requesting the company to change its articles of association to provide shareholders the right to call a special meeting when they own more than fifteen per cent of share capital. We supported management's alternate proposal for setting the threshold at twenty-five per cent, as we agree that this threshold strikes an appropriate balance between facilitating shareholder rights and protecting the company's and shareholders' long term interests.	We opposed the executive compensation due to concerns over the quantum and performance conditions attached to the large off-cycle grant made during the year.
Outcome of the vote	Fail	Fail	Fail	Fail	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	Following casting a vote, we reached out to the Company to provide reasons for our opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged our feedback on pensions and pay increases for one executives and explained how the new CEO's salary was set.	We have reached out to the Company after voting to confirm our decision to oppose pay due to a lack of transparency and seemingly a high degree of discretion. We have offered the Company to engage with us prior to the next AGM	Following casting a vote, we reached out to the Company to provide reasons for our opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged our feedback on pensions and pay increases for one executives and explained how the new CEO's salary was set.	There were two resolutions to approve the threshold ownership level for shareholders to call a special meeting. We decided to support the 25% threshold proposed by the board, as we believe that it strikes an appropriate balance between facilitating shareholder rights and protection of long-term interests of the company by eliminating a possibility of one holder gathering a meeting. We opposed the shareholder proposal on the 15% threshold.	We did not feel that the executive compensations large quantum and poor performance aligned with shareholders interests.
On which criteria have you assessed this vote to be "most significant"?	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because Baillie Gifford swung the vote.	This resolution is significant because it received greater than 20% opposition.

Baillie Gifford American Fund	VOTE 6	VOTE 7	VOTE 8	VOTE 9	VOTE 10
Company name	NETFLIX, INC.	NETFLIX, INC.	TESLA, INC.	ABIOMED, INC.	WAYFAIR INC
Date of vote	02/06/2022 00:00:00	02/06/2022 00:00:00	04/08/2022 00:00:00	10/08/2022 00:00:00	13/10/2022 00:00:00
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	2.71	2.71	8.97	2.83	1.23
Summary of the resolution	Shareholder Resolution - Governance	Shareholder Resolution - Social	Shareholder Resolution - Climate	Remuneration	Employee Equity Plan
How you voted	Against	For	Against	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	No	No	No	Yes	No
Rationale for the voting decision	We opposed a shareholder resolution to eliminate supermajority voting because we supported a management resolution that sought to implement similar changes.	We supported a shareholder resolution for a report on lobbying payments and policy as we believe enhanced disclosure on these subjects is in shareholders' best interests.	We 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, we believe additional disclosures would be a burdensome with no real benefit to shareholders.	We opposed executive compensation due to concerns with the structure of the plan including short term performance targets within the long term plan.	We opposed the extension of the omnibus Stock Plan because we believe a number of the plan's features were in contravention to best practice.
Outcome of the vote	Pass	Pass	Fail	Fail	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	We supported the resolution and it received 60% support for other shareholders. Given the majority support, we would expect the company to take account of shareholder concerns and potentially take action on the issue. We will continue to monitor progress and the company's actions in this area ahead of any further engagement on the issue.	Both the management and shareholder proposals got majority shareholder support and therefore the company will be implementing changes to eliminate supermajority voting standards which is a success of the vote.	We did not support this proposal. While we have been supportive of similar proposals put forward at our other US holdings, we don't believe there is the same rationale for supporting at Tesla. We are not aware of any concerns that Tesla are executing their strategy in contravention of the Paris Agreement and continue to trust management.	Prior to the AGM we had a call with Abiomed where we discussed the compensation plan and raised concerns. In particular the one year revenue target within the long term plan and the duplication of the revenue metric within the annual bonus and the long term plan. Subsequently we decided to oppose the compensation plan at the AGM. We hope our ongoing dialogue with Abiomed will encourage improvements to their approach to compensation so that we feel we can support in future.	We 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. We communicated our concerns to the company before casting our vote.
On which criteria have you assessed this vote to be "most significant"?	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it was submitted by shareholders and received greater than 20% support.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because remuneration was opposed.