

CIM Holdings Limited Retirement Benefits Scheme

Implementation Statement

Barnett Waddingham LLP

January 2025

Purpose of Implementation Statement

This Implementation Statement has been prepared by the Trustees of the CIM Holdings Limited Retirement Benefits Scheme (the Scheme) and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 30 June 2024, including information regarding the most significant votes.

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force as of 30 June 2024 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in May 2024 and has been made available online here: <https://www.cim.co.uk/media/12326/2024-05-statement-of-investment-principles-v10-signed.pdf>

The Trustees decided not to set stewardship priorities for the Scheme because the Scheme solely invests through pooled investment vehicles where the Scheme's asset only represents a small proportion of the capital invested in the funds. As an investor in pooled funds, the Trustees currently adopt the policy of delegating the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code.

How voting and engagement policies have been followed

The Scheme invests entirely in pooled funds and, as such, delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.

The Trustees review the voting, stewardship and engagement activities of the current managers from time to time.

The Trustees are comfortable that the actions of the fund managers are in alignment with the Scheme's stewardship policies and no remedial action was taken during the period.

Voting undertaken on behalf of the Trustees

The Scheme's equity investments are held through pooled diversified growth funds managed by Baillie Gifford and Schroders. The investment managers of these funds vote on behalf of the Trustees.

The table below provides a summary of the voting activity of undertaken by each manager during the year.

| Manager | Baillie Gifford | Schroders |
|--|---|---------------------------------------|
| Fund name | Baillie Gifford Diversified Growth Fund | Schroder Life Diversified Growth Fund |
| Structure | 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. | |
| No. of eligible meetings | 62 | 1,129 |
| No. of eligible votes | 680 | 14,749 |
| % of resolutions voted | 94.9% | 96.5% |
| % of resolutions abstained | 1.1% | 0.2% |
| % of resolutions voted with management¹ | 95.3% | 89.4% |
| % of resolutions voted against management¹ | 3.6% | 10.6% |
| Proxy voting advisor employed¹ | n/a | Glass Lewis |
| % of resolutions voted against proxy voter recommendation | n/a | 9.2% |

Source: fund managers as at the end of Q2 2024.

Baillie Gifford don't rely upon recommendations from proxy advisers when voting clients' shares and vote in line with their in-house policy. They do, however, utilise voting research from ISS and Glass Lewis for information only and have specialist proxy advisors in the Chinese and Indian markets (ZD Proxy and IIAS respectively to provide more nuanced market specific information). Schroders utilise Glass Lewis as one of their service providers, for which they have their own bespoke policy.

¹ As a percentage of the total number of resolutions voted on. Totals may not add up to 100%. Numbers are subject to rounding.

Significant votes

At this time, the Trustees have not set stewardship priorities for the Scheme. 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.

Baillie Gifford and Schroders have provided a selection of votes which they believe to be significant. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what they consider the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

Baillie Gifford, Diversified Growth Fund

| | Vote 1 | Vote 2 | Vote 3 |
|--|---|--|---|
| Company name | MP Materials Corp. | Equinix, Inc | NextEra Energy, Inc. |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 0.9% | 0.8% | 1.0% |
| Summary of the resolution | Remuneration | Appoint/Pay Auditors | Shareholder Resolution - Climate |
| If the vote was against management, did the manager communicate their intent to the company ahead of the vote? | No | No | No |
| How the manager voted | Abstain | Against | For |
| Rationale for the voting decision | Baillie Gifford abstained on the executive compensation because of an increase in the annual bonus which did not seem to correlate with the company's financial performance, and the absence of sufficient disclosure to assess the rigour of targets. | Baillie Gifford opposed the ratification of the auditor because of the length of tenure. Baillie Gifford 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 the resolution on climate lobbying as they believe that clear and transparent support for Paris-aligned goals through lobbying is one-way shareholders look to demonstrate consistency with their climate targets. |
| Outcome of the vote | Pass | Pass | Fail |
| Implications of the outcome | Having engaged with the company on compensation last year, Baillie Gifford were disappointed by poor disclosure of targets for the executive pay plan. They were also concerned by the mismatch between company performance and CEO pay. On this basis, they decided to abstain with a view to engaging | This is the second year Baillie Gifford have opposed the ratification of the auditor due to long tenure. Baillie Gifford endeavour to follow up with the company to relay their thoughts on the benefits of regularly rotating the external auditor. | Baillie Gifford reached out to the company to explain why they decided to support the resolution. While they welcomed the real zero target set, they believe that the lobbying reporting could be improved with identification of misalignment between the company's lobbying activities and its Net Zero goal. |

| | Vote 1 | Vote 2 | Vote 3 |
|---|--|--|---|
| | on the issues above. They have organised a post-AGM to communicate their concerns in relation to the issues highlighted above. | | |
| Criteria on which the vote is considered "significant" | This resolution is significant because it received greater than 20% opposition. | This resolution is significant because Baillie Gifford opposed the election of auditors. | This resolution is significant because it received greater than 20% opposition. |

Schroder Life Diversified Growth Fund

| | Vote 1 | Vote 2 | Vote 3 |
|---|--|--|--|
| Company name | Jumbo SA | Land Securities Group Plc | Net App Inc. |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | This information was not provided. | | |
| Summary of the resolution | Appoint/Pay Auditors | Approve remuneration report | Shareholder Resolution – Shareholder Rights |
| If the vote was against management, did the manager communicate their intent to the company ahead of the vote? | This information was not provided. | | |
| How the manager voted | Against | Against | For |
| Rationale for the voting decision | Schroder opposed the ratification of the auditor because of the length of tenure. Schroder 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. | Schroder do not agree with the duplication of metrics across the long-term and short-term awards. There is also a large weighting placed on non-financial metrics in the bonus and concerns regarding incongruence between the pay-out of the non-financial and financial metrics. | Schroder supported the resolution to reduce the ownership threshold for shareholders to call a special meeting as they believe the amendment is in the best interests of shareholders. |
| Outcome of the vote | This information was not provided. | | |
| Implications of the outcome | This information was not provided. | | |
| Criteria on which the vote is considered "significant" | This resolution is significant because Schroder opposed the election of auditors. | This resolution is significant because Schroder voted against management's recommendation. | This resolution is significant because Schroder voted against management's recommendation. |

Fund level engagement

| Manager | Baillie Gifford | Schroders | Schroders |
|--|---|---------------------------------------|---------------------------------------|
| Fund name | Baillie Gifford Diversified Growth Fund | Schroder Life Diversified Growth Fund | Schroders Buy & Maintain Credit Funds |
| Does the manager perform engagement on behalf of the holdings of the fund | Yes | Yes | Yes |
| Has the manager engaged with companies to influence them in relation to ESG factors in the year? | Yes | Yes | Yes |
| Number of engagements undertaken on behalf of the holdings in this fund in the year | 11 | 1,402** | 492 |
| Number of engagements undertaken at a firm level in the year | *744 | | 6530** |

Source: fund managers

*Baillie Gifford could only provide firm level engagement data for the calendar year ending 31 December 2023.

**Schroders were only able to provide the engagement data for the Schroders Diversified Growth and firm level engagements for the year to 31 March 2024.

Examples of engagement activity undertaken over the year to 30 June 2024

Schroders, All Maturities and Long Dated Corporate Bond Fund

AT&T

In 2023, Schroders engaged with AT&T after the media's investigative report on the health impacts associated with lead contaminated water via telecom cables. The agreement set in 2021 to remove these cables was put on hold to have more scientific tests to determine whether removing would cause more contamination. The Global Credit team engaged with the company to determine the amount of lead-clad cables across the network and what steps were being taken to remediate the potential hazard to human health. During a call with the Investor Relations team, the company attested that less than 10% of its two million miles of copper cabling is lead-clad, with two-thirds of that amount either buried or contained in conduit. A small proportion is underwater.

The company estimated it would cost billions of dollars to remove all lead-clad cable in the network, and disturbing the cables could lead to greater lead exposure. However, removal could be done as part of 'replacement upgrades' to 5G, which would provide tax rebates for upgrading cables that are still in use.

During the engagement, the company confirmed they are working with the EPA to re-test the levels of lead pollution in the lake. They also explained their approach to health and safety as one of the most unionized companies in America. While the vast majority of employees have limited or no exposure to lead-clad cables, the company:

- Is meeting or exceeding federal and state Occupational Safety and Health Administration requirements and continues working with unions to ensure compliance is rigorous and employees are safe.
- Has comprehensive lead training and extensive practices to minimize exposure.

Schroders asked for more detailed information about the training provided to employees and the company's practices around limiting exposure to lead. This engagement affirmed our view that the company is working to address the potential pollution caused by lead-clad cables and is committed to providing more information as it becomes available. Following the engagement, Global Credit team decided to maintain their investment. Schroders will continue monitoring the outcomes of additional lead testing to keep abreast of potential costs of clean-up and litigation, for consideration in future investment decisions.

Baillie Gifford, Diversified Growth Fund

US Solar Fund, plc

Baillie Gifford have invested in this holding which owns and operates solar power assets in North America since IPO, but the shares have traded at a sustained discount. The current investment manager, Next Energy Solar Manager, will not renew its investment management contract when the initial term ends in April 2024. Baillie Gifford participated in a collective shareholder meeting to discuss the outcomes of the board's recent strategic review of the fund.

The entire board attended the meeting which informed an update of Baillie Gifford's ESG assessment of the company given the disappointing outcome of the strategic review and imminent change in investment manager. The meeting was followed by the market announcement of the proposed replacement investment manager, Amber Infrastructure Group. This prompted an engagement with members of Amber's senior management team during their period of contractual exclusivity. Baillie Gifford sought to probe Amber's 'fit', seeking their views on the upside potential of the fund, alignment of interest and further clarifications regarding the ongoing contractual negotiations and specific clauses under consideration. Overall, Amber came across as a 'safe pair of hands' with credible experience and plans to improve the market sentiment towards the fund. Baillie Gifford were reassured by their ambition to get the fund back into a position where it is able to reduce the discount, grow and await further market announcements to inform the next steps. Baillie Gifford wrote to the Board of the fund to formally communicate our support for Amber Infrastructure Group to become the new investment manager and await further market announcements.

The Trustees believe that there is limited scope for engagement in relation to the Schroders Liability Driven Investment Funds and Sterling Liquidity Fund, and therefore there is no information shown above for these funds.

Based on the information received, the Trustees believe that the fund managers have acted in accordance with the Scheme's stewardship policies. The Trustees are supportive of the key voting action taken by the fund managers over the period to encourage positive governance changes in the companies in which the funds hold shares.

Prepared by the Trustees of the CIM Holdings Limited Retirement Benefit Scheme January 2025