

Implementation Statement, covering 1 April 2021 to 31 March 2022

The Trustees of the Littlejohn Frazer Retirement Benefits Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the 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.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the year. The last time these policies were formally reviewed was October 2019.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes. The Trustees and their advisers took a number of steps to review the Scheme’s existing managers and funds over the period, as described in Section 2 (Voting and engagement) below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

LCP’s responsible investment (RI) manager score for Newton Investment Management is 4; and the fund score for the Newton Real Return Fund is 4. These scores cover the manager’s approach to ESG factors, voting and engagement. The manager score is based on LCP’s Responsible Investment Survey 2022, and the fund score and assessment are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The highest score available is 4 and the lowest is 1.

3. Description of voting behaviour during the year

All of the Trustees’ holdings in listed equities are within the Newton’s pooled fund and the Trustees have delegated to Newton the exercise of voting rights. Therefore, the Trustees do not direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year.

In this section we have sought to include voting data on the Newton Real Return Fund, which is the Scheme’s only fund that holds equities.

We have omitted the Scheme’s other funds (e.g. bond and index-linked gilts funds) on materiality grounds since these are not expected to hold any physical equity holdings, and any holdings with voting rights attached to them are expected to be only a small proportion of the Scheme’s total assets.

3.1 Description of the voting processes

Newton's head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. It does not maintain a strict proxy voting policy. Instead, it prefers to take into account a company's individual circumstances, Newton's investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices.

Contentious issues may be referred to the appropriate industry analyst for comment and, where relevant, Newton may confer with the company or other interested parties for further clarification or to reach a compromise or to achieve a commitment from the company.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). All voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when Newton may register an abstention given Newton's stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures Newton does not provide confusing messages to companies.

Newton employs a variety of research providers that aid it in the vote decision-making process, including proxy advisors such as ISS. Newton utilises ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting Newton's investment rationale.

3.2 Summary of voting behaviour over the year

A summary of Newton's voting behaviour over the period is provided in the table below.

	Newton Real Return Fund
Total size of fund at end of Scheme Year (£m)	5,226
Value of Scheme assets at end of the Scheme Year (£m)	10.3
No of underlying equity holdings (31 March 2022)	78
No of meetings eligible to vote	98
No of resolutions eligible to vote	1,476
% of resolutions voted	99.2%
% of resolutions voted with management	83.9%
% of resolutions voted against management	16.1%

% of resolutions abstained	0%
% of meetings with at least one vote against management	47%

3.3 Most significant votes over the year

We have included the “most significant votes” below as provided by Newton.

Astra Zeneca Plc, May 2021:

Votes were instructed against the remuneration policy, a new performance share plan, and members of the remuneration committee. Newton did not consider that the company had provided the necessary justification for significant increase in the variable pay awards that were granted to senior executives.

Ctigroup Inc, April 2021:

Newton voted in favour of one shareholder resolution that management recommended voting against. This was in relation to improving minority shareholder rights by way of providing shareholders with access to propose directors for election to the company's board.

CME Group Inc, May 2021:

Newton voted against the executive officers' compensation arrangements owing to a significant proportion of the long-term pay awards not being subject to performance. In light of this, Newton also voted against the members of the compensation committee.

ConocoPhillips, May 2021:

Newton voted against the remuneration report owing to a significant proportion of the long-term pay awards not being subject to the achievement of performance hurdles. As a result, Newton also voted against the members of the compensation committee.

Newton also voted against the appointment of the company's auditor given that it had been in place since 1949, raising concerns regarding the firm's ability to act objectively and independently.

Finally, Newton supported a shareholder resolution requesting that the company introduce Paris-aligned scope 1, 2 and 3 targets. Newton felt that the company would benefit from enhancements to its management of climate risk.

Greencoat UK Wind plc, November 2021:

Newton did not support two resolutions relating to a proposed share issuance. Newton were concerned with the discount to market price at which the shares would be issued, and that these shares would not necessarily be offered to existing shareholders.

Linde plc, July 2021:

Newton voted against the proposed pay arrangements and members of the compensation committee. A majority of the long-term awards are not subject to the achievement of performance hurdles and vest only based on time served. In addition, Newton held concerns surrounding the benefits granted to the CEO, which included personal aircraft use and financial planning, while pension calculations include additional years of service beyond the CEO's actual tenure. Votes

were also instructed against the remuneration policy, which provided the compensation committee with the discretion to make payments outside the policy framework.

Finally, Newton did not ratify the external audit firm, which had served for 29 consecutive years. Newton felt that the auditor's long tenure compromised its objectivity and independence.

Meditronic plc, December 2021:

Newton voted against the executive compensation arrangements and members of the compensation committee. A significant proportion of long-term compensation awards vest regardless of performance. In addition, and contrary to emerging best practice, non-executive directors were granted significant awards of stock options.

Newton also voted against the appointment of the external auditor owing to the firm having served in this capacity for 58 consecutive years.

Microsoft Corporation, November 2021:

Newton voted against the executive compensation arrangements.

The company decided to use semi-annual goals for the financial measures used in both the cash incentive and performance stock awards, thereby resulting in an above-target pay-out for the chief executive officer. In addition, Newton had concerns in relation to the granting of a sign-on bonus to a new executive, which was not subject to the achievement of performance criteria. This led to Newton also voting against the members of the compensation committee.

Votes were also instructed against the reappointment of the company's external auditor given that the firm had served in its role since 1983, which raised concerns around its ability to act with independence and objectivity.

In contrast to the recommendations of the company's management, Newton supported three shareholder resolutions. These resolutions requested that the company publish reports on its gender and racial pay gaps, the effectiveness of its workplace sexual harassment policies, and how its direct and indirect lobbying activities align with its corporate policies.

Newton voted against a shareholder resolution asking the company to prohibit sales of facial recognition technology to all government entities. This proposal was deemed overly prescriptive in light of measures already being taken by the company.

Finally, Newton voted against a shareholder resolution asking that the company report whether its commitment to the Fair Chance Business Pledge has advanced progress towards eliminating racial discrimination. Taking into consideration the company's various disclosures, it appears the company is taking sufficient measures to enable shareholders to assess its commitment to the Pledge.

TE Connectivity Ltd, March 2022:

Newton voted against executive remuneration arrangements as majority of long-term incentives can vest subject to time served. This led Newton to vote against the members of the compensation committee.

In addition, Newton voted against a proposal to issue shares which may exclude pre-emptive rights. The proposed pool of capital would correspond to 50% of the issued share capital, which is considered excessive. Consequently, Newton also voted against adjourning the meeting.

Zurich Insurance Group AG, April 2021:

Newton voted against a resolution entitled "other business" as no details were provided in advance as to what these matters may relate.