

Implementation Statement, covering 1 April 2022 to 31 March 2023

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 its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Sections 1 and 2 below.

The Implementation Statement (the “Statement”) is also required to include a description of the voting behaviour during the Scheme 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.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended, the guidance published by the Pensions Regulator and 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

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. The last time these policies were formally reviewed was in September 2020. A copy of the SIP is available [here](#).

The Trustees have, in their opinion, followed the policies in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Voting and engagement

The Trustees have delegated to its investment manager, Newton, the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustees takes ownership of the Scheme’s stewardship by monitoring and engaging with its manager and escalating as necessary as detailed below.

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.

Noting the DWP’s formal guidance on stewardship, the Trustees have set a single stewardship priority of ‘Climate Change’ to focus its monitoring and engagement efforts. This priority was selected because this is where most of the emphasis of recent responsible investment guidance and regulation has been, and the Trustees believe it to be a financially material risk to the Scheme.

The Trustees met with Newton in October 2022 and were satisfied with their approach to voting and engagement. The Trustees are 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 Trustees aim to have an ongoing dialogue with Newton to clarify expectations and encourage improvements.

3. Description of voting behaviour during the year

All of the Trustees' holdings in listed equities are within the Newton's Real Return 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 Scheme Year. However, the Trustees monitor Newton's voting and engagement behaviour on an annual basis and would challenge Newton where their activity has not been in line with the Trustees' 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.

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. The Trustees are not aware that any of these funds had voting opportunities during the Scheme Year.

3.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which Newton has in place. The Trustees are comfortable that the policies are aligned with the Trustees' views.

Newton has established overarching stewardship principles which guide its ultimate voting decision, based on guidance established by internationally recognized governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting their investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. It is only in the event that Newton recognises a material conflict of interest that it applies the vote recommendations of its third-party voting administrator.

Newton seeks to make voting decisions that are in the best long-term financial interests of its clients and which seek to support investor value by promoting sound economic, environmental, social and governance policies, procedures and practices through the support of proposals that are consistent with the following four key objectives:

- to support the alignment of the interests of a company's management and board of directors with those of the company's investors;
- to promote the accountability of a company's management to its board of directors, as well as the accountability of the board of directors to the company's investors;
- to uphold the rights of a company's investors to effect change by voting on those matters submitted for approval; and
- to promote adequate disclosure about a company's business operations and financial performance in a timely manner.

The Responsible Investment team reviews all resolutions for matters of concern. Any such contentious issues identified may be referred to the appropriate global fundamental equity analyst

or portfolio manager for comment. Where an issue remains contentious, Newton may also decide to confer or engage with the company or other relevant stakeholders.

Newton employ's 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.

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)	3,746
Value of Scheme assets at end of the Scheme Year (£m)	10.0
No of underlying equity holdings (31 March 2022)	69
No of meetings eligible to vote	78
No of resolutions eligible to vote	1,287
% of resolutions voted	100.0%
% of resolutions voted with management	89.2%
% of resolutions voted against management	10.8%
% of resolutions abstained	0%
% of meetings with at least one vote against management	45%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	7%

3.3 Most significant votes over the year

Commentary on the most significant votes over the Scheme Year from Newton is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting Newton provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested they could use the PLSA's criteria for creating this shortlist. Through its interactions with Newton,

the Trustees believe that Newton will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustees have selected this shortlist from the significant votes provided by Newton based on the following criteria:

- Aligns with the Trustees’ stewardship priority of Climate Change;
- Has a high media profile or is seen as being controversial;
- The subject of the resolution aligned with the investment manager’s engagement priorities or key themes; and
- Impacts a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor.

If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

Newton Real Return Fund

Company	Date of vote	Summary of resolution	For / Against	Outcome of vote	Rationale for the voting decision	Stewardship priority	Approx size of mandate holding
Conoco Phillips	10 May 2022	GHG emissions targets	For	Failed	Newton supported the shareholder proposal requesting reporting on GHG targets, and notably Scope 3 emissions across the value chain	Climate Change	1.2%
Greencoat UK Wind Plc	12 May 2022	Re-elect Shonaid Jemmett-Page as Director	Against	Failed	Newton voted against the re-election of the chairperson of the board. Newton raised concerns over the past share issuance undertaken by the trust. Newton believes the share placing was not conducted in a manner that was in the best interests of shareholders and the share placing would be at a discount to NAV had it been recalculated on the back of increasing power prices.	n/a	1.7%

Company	Date of vote	Summary of resolution	For / Against	Outcome of vote	Rationale for the voting decision	Stewardship priority	Approx size of mandate holding
Universal Music Group NV	12 May 2022	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	Failed	Newton voted against executive remuneration as it believed there was inadequate information regarding the various one-off grants, specific targets, thresholds, and payouts, to be able to arrive at an informed voting decision. The short-term awards employ a metric that ensures the CEO receives the bonus more in the form of royalty rather than the metric being an actual driver of growth and incentivising the executive to perform. In addition, the quantum of pay was considered excessive. The pay structure currently reflects legacy remuneration arrangements, and Newton expects better disclosures and a more traditional performance-based pay structure going forward.	n/a	0.6%
