

Implementation Statement, covering 1 April 2023 to 31 March 2024

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 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 March 2024, replacing the September 2020 SIP. A copy of the latest SIP is available at <https://www.pkf-l.com/wp-content/uploads/2024/03/SIP-March-2024.pdf>.

The Trustees have, in their opinion, followed the policies in the relevant 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 their investment manager, Newton, the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustees take ownership of the Scheme’s stewardship by monitoring and engaging with their 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 last 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.

The Trustees reviewed the investment strategy of the Scheme in the year and took the decision in November 2023 to close the Scheme's investment in Newton's Real Return Fund and invest the funds instead into the existing Index Linked Fund and a new Long Dated Gilt Fund. From that date, the Scheme's exposure to listed equities was reduced to nil, and therefore the opportunity for exercising voting rights was materially reduced. From November 2023, the Scheme's target asset allocation was fully into UK government bonds.

3. Description of voting behaviour during the year

All of the Trustees' holdings in listed equities were within 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.

Given the availability of data from Newton, the Trustees have shown voting data covering the 12-month period to 31 October 2023 (the month end immediately prior to the full disinvestment from the Real Return Fund). Newton are unable to provide part period voting information. As such, some of the information shown in Section 3.2 includes votes cast prior to 1 April 2023.

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 from 1 November 2022 to 31 October 2023 is provided in the table below.

	Newton Real Return Fund
Total size of fund at 31 October 2023 (£m)	2,768
Value of Scheme assets at 31 October 2023 (£m)	7
No of underlying equity holdings (31 October 2023)	66
No of meetings eligible to vote	70
No of resolutions eligible to vote	1,129
% of resolutions voted	99.3%
% of resolutions voted with management	92.1%
% of resolutions voted against management	7.9%
% of resolutions abstained	0.0%
% of meetings with at least one vote against management	46.0%

Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	4.8%
--	------

3.3 Most significant votes over the year

Commentary on the most significant votes over the Scheme Year, specifically the period from 1 April 2023 to 31 October 2023, 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; or
- 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
Lockheed Martin Corporation	27 April 2023	GHG emissions targets	For	Failed	Newton supported a shareholder proposal asking for a report on efforts to reduce full value chain GHG emissions in alignment with Paris Agreement as in Newton's view, more	Climate Change	0.99%

Company	Date of vote	Summary of resolution	For / Against	Outcome of vote	Rationale for the voting decision	Stewardship priority	Approx size of mandate holding
					information on the company's plans to transition towards a low carbon economy would help shareholders better assess this risk.		
NextEra Energy Inc	18 May 2023	Diversity and Inclusion	For	Failed	Newton supported a shareholder proposal requesting the disclosure of a board skills and diversity matrix as they believed it would help shareholders to assess how the company is managing related risks.	Diversity and Inclusion	0.46%
Shell Plc	23 May 2023	GHG emissions targets	Against	Failed	Newton abstained on the proposal requesting an alignment of the 2030 Scope 3 reduction target to the Paris agreement. While the argument is acknowledged, voting in favour of this resolution can be considered as overstepping on management's prerogatives in strategy setting. However, Newton have abstained in line with their	Climate Change	2.03%

Company	Date of vote	Summary of resolution	For / Against	Outcome of vote	Rationale for the voting decision	Stewardship priority	Approx size of mandate holding
					views that the current transition plan merits more robust 2030 goals in order to gain credibility.		
Unilever Plc	03 May 2023	Remuneration Report.	Against	Succeeded	Newton voted against executive pay arrangements owing to significant pay increases granted to executive(s) and the absence of a compelling rationale for this.	Corporate transparency	1.15%
Universal Music Group NV	11 May 2023	Remuneration Report	Against	Failed	Newton voted against executive remuneration arrangements due to a misalignment between pay and performance. In addition, there were inadequate disclosures around the quantum of pay and thresholds, targets, or the overall cap being used for variable pay outcomes. This made it difficult to assess the robustness of the pay structure and establish the link between pay and performance. Further, there were one-off awards granted without any	Corporate transparency	0.69%

Company	Date of vote	Summary of resolution	For / Against	Outcome of vote	Rationale for the voting decision	Stewardship priority	Approx size of mandate holding
---------	--------------	-----------------------	---------------	-----------------	-----------------------------------	----------------------	--------------------------------

compelling justification or not linked to any measurable performance conditions. Furthermore, there were significant pay increases granted to executive(s) and there was an absence of a compelling rationale for this.
