Implementation Statement, covering 1 January 2020 to 31 December 2020

The Trustees of the Stewart Group Ltd Retirement Benefit Scheme (the "Scheme") have chosen 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 Statement also includes a description of the voting behaviour during the year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and states any use of the services of a proxy voter during that year.

1. Introduction – Last review of the voting and engagement policies

The voting and engagement policies in the SIP were not reviewed or updated during the Scheme year. The last review of the SIP took place in October 2019 and resulted in an update to reflect the Trustees' policies on financially material considerations (including ESG issues and climate change); the extent to which non-financial matters are considered; and stewardship (ie voting and engagement) practices.

Whilst the Trustees do not monitor or engage directly with issuers or other holders of debt or equity, they have delegated this responsibility to their investment managers, who they expect to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

Further detail on the Trustees' approach to voting and engagement is set out in Section 2. As part of the most recent SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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.

In May 2020, the Trustees reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the managers' approach to Environmental, Social and Governance ("ESG") factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2020.

The Trustees were satisfied with the results of the review, with the Scheme's investment managers scoring strongly overall and are amongst the top-ranked managers LCP surveyed at a firm wide level. As such, no further action was taken.

When the investment managers present at Trustee meetings, the Trustees look to ask questions about the managers' voting and engagement practices. Where available, the Trustees also review reports from their managers on voting and engagement activities undertaken on their behalf.

3. Description of voting behaviour during the year

The Scheme's holdings in listed equities are held within the LGIM Global Equity (70:30) Index Fund and the Schroders Diversified Growth Fund. The Trustees have delegated to LGIM and Schroders the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year.

Please note that, at the time of writing, Schroders were unable to provide voting statistics and examples of significant votes cast over the period, however we have included a general description from Schroders of its voting process below.

3.1 Description of the voting processes

LGIM

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and / or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, with the aim of ensuring that its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM; and LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that LGIM receives from ISS for UK companies when making specific voting decisions

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Schroders

Schroders evaluates voting issues arising at its investee companies and, where it has the authority to do so, votes on them in line with its fiduciary responsibilities in what it deems to be the interests of its clients. Schroders utilises company engagement, internal research, investor views and governance expertise to confirm its intention.

In relation to use of proxy voting services, Schroders receives research from both ISS and IVIS for upcoming general meetings, however this is only one component that feeds into its voting decisions. In addition to relying on its policies, Schroders will also be informed by company reporting, company engagements, country specific policies, engagements with stakeholders and the views of portfolio managers and analysts.

Schroders' own research is also integral to its final voting decision; this will be conducted by both its financial and ESG analysts. For contentious issues, Schroders' Corporate Governance specialists will be in deep dialogue with the relevant analysts and portfolio managers to seek their view and better understand the corporate context.

Schroders continues to review its voting practices and policies during its ongoing dialogue with its portfolio managers and it believes that it continues to raise the bar on what it considers 'good governance practice.'

Schroders fully supports the UK Stewardship Code and complies with all its principles. Although the Code is focused on the UK, it sets a standard for stewardship and engagement for non-UK equity investments and Schroders seeks to apply the same principles globally, taking into account local practice and law.

3.2 Summary of voting behaviour over the year

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

	LGIM Global Equity (70:30) Index Fund
Approximate value of trustees' assets at year end	£5.7m
Number of equity holdings at year end	4,494
Number of meetings eligible to vote	7,188
Number of resolutions eligible to vote	77,223
% of resolutions voted	99.7%
% of resolutions voted with management	84.5%
% of resolutions voted against management	14.7%
% of resolutions abstained	0.8%
% of meetings with at least one vote against management	5.3%

3.3 Most significant votes over the year

We have been provided with commentary on a number of the most significant votes undertaken by LGIM within the Global Equity (70:30) Index Fund over the period. We have set out three examples of these below; and details of other significant votes are available upon request.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where LGIM note a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement; and
- Votes linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

1) Qantas Airways Limited, October 2020. Vote: Against resolution 3 and For resolution 4

Summary of resolutions: Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan. Resolution 4: Approve Remuneration Report.

Rationale: The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as it wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package.

In collaboration with its Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express its concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. LGIM supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. LGIM voted against resolution 3 to signal its concerns.

2) Whitehaven Coal, October 2020. Vote: For

Summary of resolution: Approve capital protection. Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.

Rationale: The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.

3) Pearson, September 2020. Vote: Against

Summary of resolution: Amend remuneration policy.

Rationale: Pearson issued a series of profit warnings under its previous CEO. Shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role. This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items and felt forced to accept a less-than-ideal remuneration structure for the new CEO.

LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. LGIM also discussed the shortcomings of the company's current remuneration policy. LGIM also spoke with the chair directly before the EGM and relayed its concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with its expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.