

Implementation Statement, covering the Scheme Year from 1 April 2021 to 31 March 2022

The Trustees of the JO Plowright & Co (Holdings) Limited Pension & Assurance 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 Scheme year.

The Statement also includes 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.

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 on 30 September 2019.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the Scheme 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 took a number of steps to review the Scheme’s new and existing managers and funds over the period, as described in Section 2 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.

In April 2022, 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 were based on an assessment of the managers over the Scheme year. The manager scores cover the manager’s general approach to 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 2022.

The Trustees were satisfied with the results of the review, with the Scheme’s investment managers scoring very strongly overall and amongst the top ranked managers LCP surveyed. However, the Trustees noted that BlackRock’s short-dated credit fund scored below average, so the Trustees have invited BlackRock to present to them, after the Scheme year end, to further understand the level of ESG integration within BlackRock’s investment process.

3. Description of voting behaviour during the Scheme Year

All of the Trustees’ holdings in listed equities are held within Newton’s pooled diversified growth fund (ie the Newton Real Return Fund), and the Trustees have delegated to Newton 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 Scheme Year.

3.1 Description of Newton’s voting processes

Overall, Newton prefers to retain discretion in relation to exercising its clients’ voting rights and have established policies and procedures to ensure the exercise of global voting rights. Newton believes the value of its clients’ portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Newton’s understanding of a company’s fundamental business enables it to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company’s unique situation.

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. Newton do not maintain a strict proxy voting policy. Instead,

Newton prefers to take into account a company's individual circumstances, its 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 take into account local market best practice, rules and regulations while also supporting its investment rationale.

Newton utilises ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as making use of ISS' research reports on individual company meetings. Only when Newton recognises a potential material conflict of interest does it follow the voting recommendations of ISS. Newton do not maintain a rigid voting policy with any proxy voting service provider.

3.2 Summary of voting behaviour over the Scheme Year

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

	Newton Real Return Fund
Total size of fund at end of reporting period	£5,227m
Value of Scheme assets at end of reporting period	£9.0m
Number of holdings at end of reporting period	79
Number of meetings eligible to vote	98
Number of resolutions eligible to vote	1,476
% of resolutions voted	99.2%
Of the resolutions on which voted, % voted with management	83.9%
Of the resolutions on which voted, % voted against management	16.1%
Of the resolutions on which voted, % abstained from voting	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	47.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11.7%

3.3 Most significant votes over the Scheme Year

We have been provided commentary on ten of the most significant votes undertaken by Newton within the Real Return Fund over the period. We have provided three examples of these below based on percentage weighting within the portfolio. Details of additional significant votes are available upon request.

1) AstraZeneca Plc, May 2021, Vote: Against

Summary of resolution: Elect Directors x4; Approve Remuneration Policy; and Amend Restricted Stock Plan.

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

The shareholder votes against the election of four directors were: 3.4%, 1.3%, 2.0% and 26%. 39.8% voted against the Remuneration Policy, and 38.3% voted against amending the Restricted Stock Plan. The level of shareholder dissent led Newton to categorise the vote as significant.

2) Citigroup Inc, April 2021, Vote: Against (management proposals), For (shareholder proposal)

Summary of resolution: Amend Proxy Access Right

Rationale: 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.

31.2% of shareholders voted for the resolution. Newton categorised the vote as significant as, while not a majority, the vote will be understood by the board as a matter of significant interest to the company's shareholders. It is a matter that should be addressed to avoid a further or increased public demonstration of concern.

3) CME Group Inc, May 2021, Vote: Against

Summary of resolution: Elect Directors x6; Advisory Vote to Ratify Named Executive Officers' Compensation.

Rationale: 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. The vote outcome demonstrates shareholders are not overly concerned with the company's executive pay arrangements. However, Newton expect the company will be open to suggestions from investors as this subject is being scrutinised increasingly by US-based shareholders.

The shareholder votes against the election of six directors were: 5.5%, 5.7%, 6.1%, 1.7%, 1.0% and 7.3%. 9.4% voted against the Advisory Vote to Ratify Named Executive Officers' Compensation. Domestic investors in the US are expected to enhance their scrutiny of executive pay practices, so Newton deemed this vote as significant.