

Implementation Statement



STONEPORT
PENSIONS

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1. Introduction

This is the Implementation Statement prepared by the Trustees of Stoneport Pension Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement have been followed over the year to 31 December 2020.
- The voting and engagement behaviour of the Trustees, or that undertaken on their behalf, over the year.

2. How voting and engagement policies have been followed

2.1. Voting and engagement policies

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

Where the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. Where the Scheme invests in segregated mandates the Trustees will have greater influence on the policies and practices of the companies in which the Investment Managers invest. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectations, then the Trustees may consider terminating the relationship with that Investment Manager.



2.3. Policy implementation

The Scheme's assets currently consist of an Investment Fund, invested in growth assets, and a Matching Fund invested in protection assets. The Investment Fund is fully managed by Psigma Investment Management ("Psigma"), a trading name of Punter Southall Wealth Limited, on a discretionary basis and the Matching Fund is invested in underlying funds managed by Legal and General Investment Management ("LGIM") and Insight Investment Management ("Insight"). The Matching Fund assets are administered by Mobius Life via their platform.

Psigma manage the Investment Fund, implementing their strategy entirely through externally-managed pooled funds. The responsibility for carrying out voting and engagement activities is therefore delegated to the underlying fund managers. In this way, the Trustees have an indirect relationship with the underlying fund managers and rely on Psigma to consider the appropriateness of the external managers' stewardship policies.

Psigma assess the voting and engagement policies of all of the underlying fund managers as part of their due diligence process. Responses are collated within their 'Due Diligence Questionnaire' and they would also have direct discussions during manager interviews where necessary. Psigma believe that voting and engagement is an important aspect of being a share owner because it can advance corporate governance practises, which in turn can potentially reduce risk and enhance returns. The underlying managers also have a fiduciary duty to act in the best interests of their investors.

As Psigma do not have any voting or engagement rights, data has been collated from fund managers with the largest underlying holdings.

The Matching Fund with Mobius is invested in a mix of LDI, gilts and cash funds. There are no voting rights attached to these investments and the scope for engagement is extremely limited given the nature of these asset classes.

The Trustees have reviewed the stewardship and engagement activities of their managers through the preparation of this Implementation Statement. They are satisfied that their stewardship policy has been followed and that no further action is required as a result.

3. Voting data

As noted in the previous section, Psigma do not hold any voting rights. The information shown below relates to the available information from underlying managers with the highest allocations within the Psigma portfolio at the year end.

Managers	Royal London Asset Management	LGIM*	Artemis
Fund name	Royal London UK Equity Income	UK Equity Index Fund	Artemis Income Fund
Structure	Pooled		
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.		
Number of company meetings the manager was eligible to vote at over the year	64	894	60
Number of resolutions the manager was eligible to vote on over the year	1,103	12,468	1,097
Percentage of resolutions the manager voted on	100%	100%	100%
Percentage of resolutions the manager abstained from	1%	0%	0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	98%	93%	99%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	2%	7%	1%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	2%	1%	Data not provided by manager

NB – figures may not sum to 100% due to rounding.

* Voting and engagement information shown for the LGIM UK Equity Index Fund as opposed to the Legal & General UK Index Trust (which was the actual holding).

The use of proxy voting is summarised below:

- Royal London – RLAM use Glass Lewis' Viewpoint as their voting platform. All ballots are sent to Viewpoint. For each agenda item, Glass Lewis applies RLAM's custom voting template, which suggests a voting recommendation that reflects RLAM's high-level Voting Policies and best practice standards. The Responsible Investment team then conducts its own review of every vote, considering any unique circumstances facing the company, any engagement we have undertaken with the board, and any discussions with the fund managers. The vote is then approved by a member of the Responsible Investment team prior to being dispatched.
- LGIM – LGIM use Institutional Shareholder Services' ("ISS") proxy voting service and all voting decisions are made by the internal team at LGIM.
- Artemis – Artemis' voting is informed and carried out by ISS. Together, they have developed guidelines which take into account Artemis' expectations for corporate governance for the businesses they invest in.

3.1. Significant votes

For the first year of implementation statements, the Trustees have delegated to the investment managers to define what a "significant vote" is. A summary of the data they have provided is set out below, noting this is for underlying managers held within the Psigma portfolio with the largest holdings (and voting rights).

Royal London UK Equity Income

	Vote 1	Vote 2	Vote 3
Company name	McCarthy & Stone	Ninety One	Stobart Group
Date of vote	07 December 2020	03 September 2020	30 July 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.98%	0.63%	0.36%
Summary of the resolution	Scheme of Arrangement (Merger)	Approval of Remuneration Policy	Election of David Shearer
How the manager voted	Against	For	For

If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes, as part of RLAM's standard procedures a letter was sent to the company detailing their rationale for voting against. Additionally given the nature of this proposal extensive conversations were held between the fund managers and the company to discuss these arrangements and RLAM's views.	N/A	N/A
Rationale for the voting decision	RLAM are supportive of the Company's medium term strategy and after careful consideration believe that this could yield greater value for investors than the proposed bid. As such RLAM have decided not to support this proposal. RLAM do not intend this vote against the transaction to be considered as a vote against management or a request for resignation of any members of the Board.	While RLAM note that the variable plan does not follow the conventional incentive structure (i.e. a separate bonus plan and LTIP), the majority of awards are assessed over the long-term and are fully performance based. Nevertheless, the potential pay quantum at stretch remains relatively high against market cap peers. However, RLAM do acknowledge that the fixed remuneration of both executives has been halved since the demerger from Investec, on-target variable pay is fairly moderate in value and both directors retain significant shareholdings in the company. Even so, RLAM should take prudence over any future pay adjustments to fixed remuneration outcomes given its deterministic value over EIP awards, and RLAM also note that the post-employment shareholding guideline is out of line with IA's principles.	There is currently no Senior Independent Director (SID). Over previous years RLAM have had extensive engagement with the company due to governance issues with the former CEO and have made clear their desire for a new fully independent SID to be appointed to the Board. RLAM note that some of the required changes are progressing slowly and note that the company is currently recruiting for a SID which was stalled by the COVID pandemic. RLAM are for the time being satisfied that this is being addressed and will continue monitoring the company closely.
Outcome of the vote	85.65% support	91.57% support	99.4% support
Implications of the outcome	N/A	N/A	Engagement and possible vote escalation at the next AGM.

Criteria on which the vote is considered "significant"	The nature of the proposal around a proposed merger and RLAM's opposition to the proposals	Atypical approach to Remuneration	Ongoing Governance Concerns
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* NB that RLAM provided 10 key votes. However, given the holding was only around 7% of total Psigma assets at the Scheme year end (which itself is only broadly half of Scheme assets), only the first three votes provided have been shown here.

LGIM, UK Equity Index Fund

	Vote 1	Vote 2	Vote 3
Company name	International Consolidated Airlines Group	Pearson	SIG plc.
Date of vote	07 September 2020	18 September 2020	09 July 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)		Data not provided	
Summary of the resolution	Resolution 8: Approve Remuneration Report was proposed at the company's annual shareholder meeting.	Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting.	Resolution 5: Approve one-off payment to Steve Francis
How the manager voted	LGIM voted against the resolution.		
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	As a result of the COVID-19 crisis, the company needed support from various government schemes, announced a 30% cut to its workforce, withdrew its dividend for 2020 and sought shareholder approval for a rights issue. LGIM were concerned about the level of bonus payments, which are 80% to 90% of their	Pearson 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	The company wanted to grant their interim CEO a one-off award of £375,000 for work carried out over a two-month period. The CEO agreed to invest £150,000 of this payment in acquiring shares in the business, and the remaining £225,000 would be a cash payment. LGIM does not generally support one-off payments. LGIM

	<p>salary for current executives and 100% of their salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company and also to reflect the stakeholder experience. LGIM have been privately closely engaging with the company, including on the succession of the CEO and the board chair, who were long-tenured. This eventually led to the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair, an independent non-executive director, was also recently appointed by the board.</p>	<p>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 and felt forced to accept a less-than-ideal remuneration structure for the new CEO. LGIM spoke with the chair of the board on succession plans and progress for the new CEO, and also discussed the shortcomings of the company's current remuneration policy. They also spoke with the chair directly before the EGM, and relayed their 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 their expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.</p>	<p>believes that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. There were other factors that were taken into consideration: the size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.</p>
Outcome of the vote	<p>28% of shareholders opposed the remuneration report.</p>	<p>At the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO.</p>	<p>The resolution passed. However, 44% of shareholders did not support it. LGIM believes that with this level of dissent the company should not go ahead with the payment.</p>
Implications of the outcome	<p>LGIM will continue to engage closely with the renewed board.</p>	<p>Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed</p>	<p>LGIM intends to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.</p>

through continuous engagement.

Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it illustrates the importance for investors of monitoring their investee companies' responses to the COVID crisis.	Pearson has had strategy difficulties in recent years and is a large and well-known UK company. Given the unusual approach taken by the company and LGIM's outstanding concerns, LGIM deem this vote to be significant.	The vote is high-profile and controversial.
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**NB that LGIM provided 6 key votes. However, given the holding was only around 6% of total Psigma assets at the Scheme year end (which itself is only broadly half of Scheme assets), only the first three votes provided have been shown here.*

Artemis Income Fund

Please note that the available information from Artemis did not include key votes. However, shown below are three examples of votes against management over the Scheme year.

	Vote 1	Vote 2	Vote 3
Company name	Lloyds Banking Group Plc	Cisco Systems, Inc.	Ebro Foods SA
Date of vote	21 May 2020	10 December 2020	29 July 2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data not provided by manager		
Summary of the resolution	Approve final dividends	Require Independent Board Chairman	Advisory vote on remuneration report
How the manager voted	Artemis voted against the resolution.		
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Data not provided by manager		
Rationale for the voting decision	Data not provided by manager		
Outcome of the vote	Data not provided by manager		
Implications of the outcome	Data not provided by manager		
Criteria on which the vote is considered "significant"	Data not provided by manager		

Fund level engagement

The table below provides a summary of available engagement information for underlying managers held within the Psigma portfolio with the largest holdings.

Manager (fund names)	Royal London Asset Management Royal London UK Equity Income	TwentyFour Asset Management Maitland Inst. TwentyFour Core Corp Bond/ Asset Backed/ Focus Bond		
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes		
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes		
Number of engagements undertaken on behalf of the holdings in this fund in the year	Data not provided by manager	Core Corporate Bond: 18 ESG engagements, +34 issuer update meetings Asset Backed Fund: 40 ESG engagements, +69 issuer update meetings Focus Bond Fund: 21 ESG engagements, +204 issuer update meetings		
Number of engagements undertaken at a firm level in the year	413	182		
Examples of engagements undertaken with holdings in the fund	RLAM's existing engagement priorities are: <ol style="list-style-type: none"> 1. Climate (transition/physical) risk 2. Financial and social inclusion 3. Innovation, technology, and society 4. Circular economy 5. Governance 6. Diversity Specific examples include WH Smith: Engagement in response to remuneration policy changes for 2021.	Student Finance (Brookfield Real Estate Partners): Carbon emissions data collection / obtaining a reasonable investor roadmap for building out improving quantitative environmental coverage and increased understanding of the effects of Covid on their business. Virgin Money: Ascertain if the issuers intentions	TAURS 2020-NL Blackstone sponsored Dutch CMBS transaction: Carbon emissions data collection / obtaining a reasonable investor roadmap for building out improving quantitative environmental coverage and increased understanding of the effects of Covid on their business.	US Concrete: Carbon emissions data collection / obtaining a reasonable investor roadmap for building out improving quantitative environmental coverage and increased understanding of the effects of Covid on their business. Virgin Money: Ascertain if the issuers intentions

Rio Tinto: To enhance disclosure over risk and controls, contingency planning and remediation and alignment with new Tailings Dams management standard.

were/were not discriminatory to bond holders.

CVC (CLO Manager): Ascertain if the issuers intentions were/were not discriminatory to bond holders.

were/were not discriminatory to bond holders.

Manager (fund names)	LGIM LGIM UK Equity Fund	Janus Henderson Janus Henderson Absolute Return Fixed Income Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	Data not provided by manager	Data not provided by manager
Number of engagements undertaken at a firm level in the year	891	776
Examples of engagements undertaken with holdings in the fund	Data not provided by manager at a fund level. LGIM's main engagement topics include: Remuneration, Board compensation, Diversity, LGIM ESG Score, Climate Change, Governance score, Strategy, COVID 19 and Disclosure. Barclays: LGIM endorsed Barclays ESG target, to shrink its carbon footprint to net zero by 2050, and are focusing on helping Barclays develop plans and achieve their target.	Data not provided by manager at a fund level. At a firm level, examples have included Mining & Tailings Safety, Access to Medicine and Climate change

NB No data on engagement was available from Artemis.