

# Ralph Trustees Limited Pension Scheme – Implementation Statement 2021

## 1. Introduction

On 6 June 2019, the UK Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (the “Regulations”). The Regulations require that the Trustees of the Ralph Trustees Limited Pension Scheme (the “Scheme”) outlines how they have ensured compliance with the policies, on the exercise of rights and undertaking of engagement activities with investment managers, as set out in the Scheme’s Statement of Investment Principles (“SIP”) dated September 2020. This was the SIP in place at the Scheme’s year-end date, 05 April 2021.

This Statement has been prepared by the Trustees with the assistance of their appointed Investment Consultant (Quantum Advisory).

## 2. Executive summary

Over the Scheme year, the Trustees:

- Updated the Scheme’s SIP to incorporate additional information on the Trustees’ policies in line with the requirements of the Regulations.
- Reviewed the Scheme’s investment strategy and began a consultation with the Sponsoring Employer regarding the proposed strategy and fund changes (the new investment strategy was agreed and the transition was carried out after the Scheme year end).
- Have reviewed the voting and engagement activity of the top ten holdings for the Scheme that invest in equities, representing c. 55% of total Scheme assets. The Trustees are generally content that the Scheme’s underlying investment managers have appropriately carried out their stewardship duties, but have raised concerns with Cazenove concerning the unavailable voting and stewardship information.
- Are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP.

## 3. Policies

### **Trustees voting and stewardship policies**

The Trustees acknowledge the constraints that they face in terms of influencing change due to the size and nature of the Scheme’s investments. They do, however, acknowledge the need to be responsible stewards and exercise the rights associated with their investments in a responsible manner.

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring the existing investment manager. The Trustees have provided the appointed investment manager with full discretion concerning the stewardship of their investments. The Trustees periodically consider publicly available stewardship related publications pertaining to the incumbent investment manager.

With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment manager. The Trustees have provided the appointed investment manager with full discretion concerning the evaluation of ESG factors. The Trustees periodically consider publicly available ESG related publications pertaining to the incumbent investment manager.

The Trustees acknowledge that a significant proportion of the Scheme's investments are implemented on a passive basis. This restricts the ability of the investment manager to take active decisions on whether to hold securities based on the investment manager's consideration of ESG factors. The Trustees do however expect the incumbent manager, where relevant, to utilise their position to engage with investee companies on these matters.

The Trustees will also consider ESG factors when determining future investment strategy decisions. To date, the Trustees have not established any restrictions on the appointed investment managers, but may consider this in future.

### **Investment manager – Cazenove**

The Trustees have signed an investment management agreement with their investment manager, Cazenove, setting out in detail the terms on which the assets are managed. In doing so, the investment manager can utilise internal funds and/or external third-party funds over which they have been granted Power of Attorney.

Cazenove were unable to provide underlying voting policies and statistics for external third-party funds that they had selected for use by the Scheme. The Trustees were dissatisfied with this response and have raised this issue with Cazenove. Following this challenge, Cazenove confirmed that the level of voting data required goes beyond their existing disclosures and system capabilities for the funds in question and they are only able to provide data for internally run funds i.e. Schroder funds. The Trustees are disappointed by Cazenove's inability to provide the data as requested.

In order to review stewardship and engagement policies for the Scheme's investment portfolio, the Trustees contacted the underlying investment managers used by Cazenove in the discretionary portfolio.

As part of preparing this statement, the Trustees reviewed the voting activity of funds (i) where there is an increased ability to influence practises (namely those that invest in equities) and (ii) which form the top ten holdings within the portfolio, representing c55% of the total Scheme assets. The Trustees believe this approach is reasonable and proportionate given the number of funds held, relative size of the holdings, and the fact that a new investment strategy and fund managers has been agreed, which will simplify the strategy and improve reporting in future years.

The following funds have therefore been reviewed:

- Findlay Park American
- Vanguard S&P 500 ETF
- Vanguard FTSE UK All Share Index
- LF Majedie UK Equity
- Schroder Income
- T. Rowe Asian Opportunities Equity
- Troy Asset Management ("Troy") Trojan Income

- Schroder Asian Alpha Plus
- Robeco BP Global Premium Equities
- Vanguard Japan Stock Index

Each of the above investment manager's voting policies and procedures are outlined in Appendix 1 of this report.

## Voting statistics

The table below sets out the key statistics on voting eligibility and action over the Scheme year. The Trustees are satisfied with the level of voting activity that has been undertaken.

Statistic / Fund	Findlay Park American	Vanguard S&P 500 ETF	Vanguard FTSE UK All Share Index	LF Majedie UK Equity	Schroder Income	T. Rowe Asian Opportunities Equity	Troy Trojan Income	Schroder Asian Alpha Plus	Robeco BP Global Premium Equities	Vanguard Japan Stock Index
Number of equity holdings	51	509	591	145	39	67	36	57	112	301
Meetings eligible to vote at	49	515	773	158	48	76	44	77	123	319
Resolutions eligible to vote on	600	6,611	10,660	2,382	808	665	759	758	1,820	3,847
Proportion of eligible resolutions voted on (%)	100.0	99.0	100.0	97.4	100.0	100.0	100.0	100.0	100.0	100.0
Votes with management (%)	96.0	98.0	99.0	96.0	96.7	89.0	99.7	92.9	89.0	99.0
Votes against management (%)	4.0	1.0	0	3.4	3.3	11.0	0.3	7.1	11.0	0
Votes abstained from (%)	0	0	0	0.7	1.0	0.0	0	0	0.3	0
Meetings where at least one vote was against management (%)	32.0	15.0	8.0	38.6	29.2	44.8	2.3	33.8	63.0	6.0
Votes contrary to the recommendation of the proxy adviser (%)	6.0	0	0	3.2	3.2	N/A	1.3	4.0	6.0	0

Totals may not sum due to rounding. Source: respective investment managers. <sup>1</sup> These investment managers only provide information on a quarterly basis and therefore the statistics shown are over the year to 31 March 2021.

### **Significant votes**

The Trustees reviewed the significant votes cast by the investment managers and are generally satisfied with their voting behaviour.

A cross section of the most significant votes cast is contained in Appendix 2.

## **4. Conflicts of interest**

This section provides information on whether the managers are affected by the following conflicts of interest.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer;
5. Differences between the stewardship policies of managers and their clients.

Having reviewed the available information, the Trustees have not raised any material concerns regarding the managers' conflicts of interest over the period or the policies in place.

### **Findlay Park**

Findlay Park confirmed they are not affected by any of the conflicts noted above.

### **Vanguard**

Vanguard did not comment directly on whether they are affected by the five conflicts of interest noted above, but instead directed the Trustees to the conflicts of interest section of the Vanguard Engagement Statement which can be found here: <https://global.vanguard.com/documents/Vanguard-Engagement-Statement.pdf>.

### **LF Majedie**

LF Majedie confirmed that they are affected by point 1 above.

### **Schroders**

Schroders confirmed that, over the period and regarding the Schroders Income Fund, they did not experience any of the conflicts noted above. However, one conflict of interest arose with respect to holdings in the Schroders Asian Alpha Plus Fund whereby the fund invests in the Schroder Asian Pacific Fund Plc which is managed by Schroders.

### **T. Rowe Price**

T. Rowe Price confirmed they are not affected by conflicts 1-3 noted above. With regards to point 4, T. Rowe Price would vote the shares of the acquirer and the target solely in the interest of the shareholders of each entity. With regards to point 5, T. Rowe Price offers clients the option of directing their voting, and this would allow a client who perceived a significant gap between their stewardship policy and the T. Rowe Price approach to manage that conflict in practice.

### **Troy**

Troy confirmed, to the best of their knowledge, they are not affected by points 2, 3, 5 above. With regards to point 1, Troy's Conflicts of Interest Register has identified a small number of listed companies in which Troy portfolios invest (such as investment platforms/wealth managers), that Troy also provides products/services for; such as Troy products being available on their platform, or for whom Troy manages segregated mandates. Troy's Conflicts of Interest Register details the relevant systems and controls which the firm has implemented to manage such conflicts. With regards to point 4, it is possible that funds could take different views on resolutions in order to reflect the long-term interests of each vehicle's underlying shareholders, in such an instance it is possible that votes could be cast differently by each mandate.

### **Robeco**

Robeco confirmed that, over the period, they did not experience any of the conflicts noted above.

## Appendix 1 – Investment manager voting policies and procedures

### Findlay Park

Findlay Park see voting as an opportunity to either signal support for companies, or to challenge them, acting in the long-term interest of their investors. Findlay Park do not participate in stock lending arrangements and retain voting rights across all holdings. They aim to achieve a 100% voting record, abstaining only in exceptional cases, which they would explain in their reporting. Findlay Park consider the specific circumstances of each company in which they invest and the detail of the individual resolutions. Although they subscribe to the services of a third-party proxy voting provider, Institutional Shareholder Services (“ISS”), they make independent decisions based on their own research and engagement with management teams. They also seek to engage with management when they intend to vote against them.

Their voting approach draws on the following principles:

- Remuneration should align management with shareholder interests
- Focus on less risk for reward: they want companies with strong risk oversight
- Culture and purpose are key to long-term success

Coordination by the Responsible Investment Lead and oversight by the Investment Committee ensures consistency of voting and reporting. Portfolio Manager(s) responsible for the company concerned cast the vote.

### Vanguard

The Vanguard Investment Stewardship team makes every effort to cast proxy votes at all meetings at which their funds are eligible to vote. Each fund advised by Vanguard has adopted a voting policy, which details the general positions of the funds on recurring proxy proposals at public companies. In some cases, country-specific guidelines for key markets are applied. An experienced team of analysts evaluates each proposal on a case-by-case basis and casts the funds’ votes in accordance with their voting guidelines, and based on their analysis of the impact of the proposal on long-term value. The guidelines for these case-by-case items set forth the general frameworks for their analysis. Proposals for which specific guidelines are not defined will likewise be voted on a case-by-case basis in the best interests of each fund consistent with the principles articulated in their proxy voting guidelines and each fund’s investment objective.

The Vanguard Investment Stewardship team utilises the ISS ProxyExchange platform for the execution of votes. They have developed a robust custom policy that ISS has implemented on their behalf along with rigorous controls and oversight mechanisms to ensure the accurate application of the Vanguard policy.

### LF Majedie

LF Majedie is guided by a set of Voting Principles, which can be accessed via <https://www.majedie.com/wp-content/uploads/Proxy-Voting-Principles.pdf>.

LF Majedie votes at all applicable meetings and takes voting research and platform services from ISS. In terms of reaching a voting decision, where a management recommendation and its proxy voting research provider's recommendation are in alignment, they will be minded to vote the same, except where items concern approval of political donations and expenditure, where they will be minded to vote against.

Where there is divergence, the relevant LF Majedie fund manager will decide on how to vote. They also scrutinise in particular the recommendations of management and ISS in the UK small capitalisation space.

### **Schroders**

The overriding principle governing Schroders' approach to voting is to act in the best interests of their clients. Where proposals are not consistent with the interests of shareholders and their clients, they are not afraid to vote against resolutions. Schroders vote on a variety of issues; however, the majority of resolutions target specific corporate governance issues which are required under local stock exchange listing requirements, including but not limited to: approval of directors, accepting reports and accounts, approval of incentive plans, capital allocation, reorganisations and mergers.

Schroders evaluate voting issues arising at their investee companies and, where they have the authority to do so, vote on them in line with their fiduciary responsibilities in what they deem to be the interests of their clients. They utilise company engagement, internal research, investor views and governance expertise to confirm their intention.

In applying the policy, Schroders consider a range of factors, including the circumstances of each company, its performance, governance, strategy and personnel. Their specialists may draw on external research, such as the Investment Association's Institutional Voting Information Services and the ISS, and public reporting. Their own research is also integral to their process; this will be conducted by both the financial and ESG analysts. For contentious issues, their Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. Schroders make use of proxy advisory services as a compliment to their own research and voting engagement processes.

Any UK company which in Schroders' opinion meets the spirit of the UK Corporate Governance Code should, in the absence of other factors, expect to be supported on corporate governance issues covered by the Code. Where a company does not comply with the spirit of the Code, Schroders will consider the company's explanation and circumstances, and then react accordingly in a manner they deem most appropriate. If the company provides a convincing justification and/or the issue is not material to the value of its shares, Schroders would ordinarily expect to support the company. Where Schroders are not satisfied with the explanation and they view the departure from the Code as material, they will engage further with the company and or non-executive directors, and may vote against management.

### **T. Rowe Price**

Proxy voting decisions are made internally and are executed with the assistance of an external proxy voting partner. T.Rowe Price view proxy voting as an important component of their ongoing responsibilities as engaged shareowners. They believe it can also provide a unique opportunity to open a dialogue with management or boards of the companies in our portfolios. Therefore, they do not delegate voting decisions to outside advisers.

The T. Rowe Price ESG Committee maintains guidelines for analysing voting decisions for most corporate governance issues. They believe a "one size fits all" approach to corporate governance does not adequately address the complexity of some issues. Therefore, they allow for exceptions and nuance. Consequently, their voting policies are simply guidelines for their portfolio managers to use, and they allow them to apply their professional judgment when voting proxies for their portfolio companies. When

a portfolio manager votes opposite to the T. Rowe Price guidelines, he or she must document the reason through their customized online system. These explanations are reviewed by the ESG Committee.

T. Rowe Price has retained ISS to provide fiduciary-level proxy advisory and voting services. These services include voting recommendations, as well as vote execution and reporting for the handling of proxy voting responsibility. In order to reflect T. Rowe Price's issue-by-issue voting guidelines as approved each year by the T. Rowe Price ESG Committee, ISS maintains and implements a custom voting policy for the Funds.

### **Troy**

Troy conducts analysis of each management or shareholder resolution ahead of voting. Votes are then cast in line with what they deem to be in the best long-term interest of shareholders. Environmental and social sustainability are considered alongside governance factors in this analysis. To-date, Troy has not felt that any universally applied or prescriptive policy can adequately reflect the best interests of long-term shareholders and have preferred to take a case-by-case approach across their tight universe of investee companies, voting against management if circumstances warrant such action. Voting decisions are supported by a set of voting guidelines which cover Troy's default view on a range of ESG issues.

The impetus to vote against management in relation to a resolution may come from the analysis of proxy statements, from their integrated ESG approach, as an outcome of an engagement or from Troy's proxy voting guidance. Voting is conducted through ProxyExchange, a platform provided by ISS. ISS also provides Troy with proxy voting research. Analysis of the agenda items and resolutions is conducted by the relevant analyst and a voting recommendation is presented to the managers of any portfolio with a holding in the underlying company. Each manager is required to instruct voting on the assets they manage and may, if warranted, opt to vote the assets within the relevant mandate independently from other mandates. Troy invests only in a select universe of stocks and as such is able to consider all resolutions without the need to prioritise.

### **Robeco**

The Robeco proxy voting policy relies on the internationally accepted set of principles of the International Corporate Governance Network ("ICGN"). The ICGN Principles reflect both the Principles of Corporate Governance of the Organization for Economic Co-Operation and Development ("OECD") and principles developed by the ICGN itself.

Robeco uses their voting rights with the aim to influence company's corporate governance and other relevant investment related decisions in the best interest of their clients. The Robeco voting policy consists of principles, guidance and example scenarios to assist in determining their voting instructions. Broadly, Robeco votes against management recommendations in case of poor corporate governance practices, when proposals are not in the best interest of long-term shareholders and on any other proposal that is out of line with their policy principles.

The proxy voting process imposes several practical issues that Robeco considers to determine if casting proxy votes is in the best interest of the beneficial owner and how votes are cast. The Active Ownership team carries out proxy voting at Robeco. As Active Ownership is part of the investments domain's Sustainable Investment ("SI") Centre of Expertise, voting decision-making integrates the perspectives of portfolio managers and analysts, as well as SI Research analysts, SI Strategists, and clients in discretionary mandates. The final responsibilities for all vote decisions rests with the Active Ownership team.

## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds under consideration.

### Findlay Park American Fund

Findlay Park use voting against the recommendations of ISS as a proxy for contentious votes, given their influence across the broader investment management community. They also disclose votes against key management resolutions (e.g. on Board, pay) and their voting on all shareholder resolutions.

Company Name	Air Products	Charles Schwab
Date of Vote	28 January 2021	4 June 2020
Summary of the resolution	Executive compensation	Diversity reporting
How the firm voted	Against management	Against management
Outcome of the vote	Resolution passed	Resolution did not pass
On which criteria have you assessed this vote to be "most significant"?	The vote was against the recommendations of ISS and management	The vote was against key management resolution

Source: Investment Manager.

### Vanguard S&P 500 ETF, Vanguard FTSE UK All Share Index and Vanguard Japan Stock Index funds

Vanguard has identified a range of criteria that they contribute to a vote being deemed as a 'Significant vote'. The criteria used involved a vote at a company in which Vanguard holds a meaningful ownership position, conveyed their perspective on an important governance topic elevated during the proxy season, or communicated their view of positive progress—or lack of it—by a company and its board.

Vanguard publishes significant votes at an entity level in line with the Shareholders Rights Directive II. Only the Vanguard S&P 500 ETF held portfolio companies where the votes were deemed significant. The Vanguard UK All Share Index Fund and the Vanguard Japan Stock Index Fund did not hold any portfolio companies where Vanguard deemed there to be a significant vote.

Company Name	Johnson & Johnson	Snap-on Incorporated
Date of Vote	23 April 2020	23 April 2020
Summary of the resolution	Report on Governance Measures Implemented Related to Opioids	Advisory Vote to Ratify Named Executive Officers' Compensation
How the firm voted	For the resolution	Against the resolution
Outcome of the vote	Resolution passed	Resolution passed

Source: Investment Manager.

### LF Majedie UK Equity Fund

LF Majedie defined 'significant' votes, as those which could include, for example, executive remuneration or where they have supported management against the recommendation of their proxy voting research provider.

Company Name	Barclays	Tesco
Date of Vote	7 May 2020	26 June 2020
Summary of the resolution	To Approve Barclays' Commitment in Tackling Climate Change	To approve the Remuneration Report
How the firm voted	For the resolution	Against the resolution
Outcome of the vote	The resolution passed.	The Remuneration Report was voted against.
On which criteria have you assessed this vote to be "most significant"?	It was a vote that concerned climate change	It is an example of voting against executive remuneration

Source: Investment Manager.

### Schroders Income Fund and Schroders Asian Alpha Plus Fund

Schroders consider "most significant" votes as those against the voting recommendation company management as these will typically follow an engagement and the company.

At the time of preparing this report, Schroders were unable to provide details of their most significant votes cast.

### T. Rowe Price Asian Opportunities Fund

The process T. Rowe Price used to identify the "most significant" votes reflected the T. Rowe Price special operating procedures for any vote deemed particularly significant or "Critical" by the Head of Corporate Governance. However, they are currently reviewing their definition of significant votes to reflect the guidance from the PLSA, the feedback they received from clients in the initial reporting cycle and how they see market practice developing. The significant votes chosen for the pilot set of disclosures under the PLSA template format are those where they had a significant holding, where the situation was particularly contentious, or the vote illustrates a key aspect of their voting approach. Please note this methodology may be refined in future iterations.

Company Name	CP All Public Company Limited	Yum China Holding Inc.
Date of Vote	16 July 2020	8 May 2020
Summary of the resolution	Elect Pittaya Jearavisitkul as Director; Elect Piyawat Titasattavorakul as Director	Elect Director Louis T. Hsieh
How the firm voted	Against both resolutions	Against the resolution
Outcome of the vote	Resolutions passed	Resolution passed
On which criteria have you assessed this vote to be "most significant"?	The severity of the oversight failing by the Nomination and Remuneration Committee, given that Pittaya Jearavisitkul and Piyawat Titasattavorakul were convicted for insider trading.	Minority shareholders rely on having directors in the board room who will ensure their interests are respected. This is a long-running issue, which they have raised with the company previously.

Source: Investment Manager.

### Troy Trojan Income Fund

Troy consider votes to be 'significant' if: (i) Troy holds a material stake in the business (greater than 5% of the shares in issue); (ii) Troy has formally engaged with the company on a specific issue in the 12 months previous to the AGM ; or (iii) any other material ESG matters are voted on.

Company Name	The Procter & Gamble Company	Royal Dutch Shell
Date of Vote	13 October 2020	19 May 2020
Summary of the resolution	Reports on Efforts to Eliminate Deforestation	Request Shell to set and publish targets for Greenhouse Gas Emissions
How the firm voted	For the resolution	Against the resolution
Outcome of the vote	Resolution passed	Resolution not passed
On which criteria have you assessed this vote to be "most significant"?	Troy formally engaged with the company on this specific issue in previous 12 months	Troy deemed this issue to be a material ESG matter

Source: Investment Manager.

### Robeco BP Global Premium Equities Fund

Robeco's Active Ownership team monitors all votes to determine if they are significant along the dimensions of news flow, receipt of client questions, salience and relevance to societal trends, and significant dissent against management (ex-post). This monitoring criteria allow them to define the most significant votes in line with the PLSA's suggested principles.

Company Name	Cisco Systems	Pfizer
Date of Vote	10 December 2020	23 April 2020
Summary of the resolution	Approval of Executive Pay Package	Shareholder Proposal Regarding Gender Pay Equity Report
How the firm voted	Against the resolution	For the resolution
Outcome of the vote	Resolution passed	Resolution did not pass
On which criteria have you assessed this vote to be "most significant"?	Salience and relevant to societal trends	News flow, salience and societal trends

Source: Investment Manager.