

The Wyko Group Retirement Benefits
Scheme

**Annual Implementation
Statement – Scheme year
ending 30 April 2020**

Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustee of Wyko Group Retirement Benefit Scheme (“the Scheme”) covering the scheme year (“the year”) to 30 April 2020.

The purpose of this statement is to:

- Detail how and the extent to which, in the opinion of the Trustees, the Scheme’s policy on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) has been followed during the year; and
- Provide a description of voting behaviour (including the “most significant” votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some responsibilities. In particular, the Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustee. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustee’s SIP.

Review of and changes to the SIP

The SIP was reviewed and updated once in the year. The version in place as at the end of the year was dated as at September 2019 and was comprehensively updated to reflect the appointment of the Fiduciary manager. This update also reflected new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2019 regarding:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments.
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments.
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

For the purpose of assessing how the Scheme’s SIP has been followed, the remainder of this statement specifically focusses on the September 2019 SIP. We consider that all SIP policies and principles relevant to this statement were adhered to.

Since the end of the Scheme Year, a new version of the SIP was adopted in September 2020 to reflect new regulatory requirements coming into force from 1 October 2020. The new SIP (including the latest regulatory changes) will be reported on in next year’s Implementation Statement covering the 2020/21 Scheme year.

Adherence to the SIP – voting and engagement

As a result of the appointment of the Fiduciary Manager, the assets of the Scheme were significantly restructured during the year (predominantly in October 2019). The Trustees' focus in this implementation statement is on the assets held following this revision in asset strategy. The voting activities of the Scheme's legacy assets can be seen in Appendix 2. The revised strategy has been assessed against the relevant SIP (as noted above), which introduced the current policies in relation to engagement and voting

Industry wide / public policy engagement:

Regarding engagement, the Trustees' SIP states that:

“The Fiduciary Manager encourages and expects the Scheme's investment managers to sign up to local or other applicable Stewardship Codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.”

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustee). This public policy and market best practice engagement is done with legislators, regulators, industry bodies and other standard setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. The Fiduciary Manager represents client policies/sentiment to Hermes EOS via the Client Advisory Council. Engagement activities by Hermes EOS on public policy over the year included:

- Participation in a series of meetings with the UK Government's Department for Business, Energy and Industrial Strategy in order to help set out the UK's decarbonization roadmap and steps to achieve agreed climate targets,
- Feedback/assistance on the production of a new anti-microbial resistance benchmark with the aim of reducing the use of anti-biotics in agriculture
- Co-signing of an investor letter to the Brazilian government in support of the Amazon Soy Moratorium, an agreement which aims to limit damage and deforestation caused by soy production, supporting expansion only on existing agricultural land.
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is among over 370 investors with over \$35tn under management who have signed up to the initiative. Further, they are leading or co-leading the engagement on 27 companies and collaborating with other investors on another 14 companies as part of this initiative.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Tier 1 signatory of the UK Stewardship Code
- A signatory of the Principles for Responsible Investment (PRI) and active member of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations
- A member of the Institutional Investors Group on Climate Change (IIGCC)
- A founder of the Coalition for Climate Resilient Investment (with the World Economic Forum)

The Fiduciary Manager engages with the Scheme's investment manager's on behalf of the Trustees. The Trustees have considered and reviewed their stewardship and engagement policies as part of the recent reviews of their Statement of Investment Principles.

The Fiduciary Manager's process for selecting, monitoring and de-selecting investment managers explicitly and formally includes an assessment of a manager's approach to sustainable investment (recognising that the degree to which these factors are relevant to any given strategy is a function of

time horizon, investment style, philosophy and exposures). The Scheme is invested across a diverse range of asset classes which carry different ownership rights. This document focusses on the equity holdings, which have voting rights attached.

Company level engagement and rights attached to investments (including voting):

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the day to day ESG integration to the Scheme's investment managers.

The Fiduciary Manager delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. The Fiduciary Manager has also appointed EOS to provide voting advice to the asset managers and to engage with the companies on their behalf, or in collaboration with them.

At the year end, The Scheme was invested in two in-house multi-asset growth funds managed by the Fiduciary Manager, each of which have an allocation to equity holdings in underlying pooled funds:

- Towers Watson Partners Fund
- Towers Watson Core Diversified Fund

Further information on the voting and engagement activities of the managers invested at the year-end is provided in the table below. The voting records provided below cover the period 1 April 2019 to 31 March 2020 for each fund, based on information provided by the manager of these funds; given the change in strategy and portfolio during the year the Trustee considers this to be representative of their investment strategy going forwards:

Manager and fund	Portfolio structure	Voting activity
Towers Watson Partners Fund	Fund of funds	Number of meetings at which the manager was eligible to vote: 17,812 Number of resolutions on which manager was eligible to vote: 308,429 Percentage of eligible votes cast: 100% Percentage of votes with management: 84.4% Percentage of votes against management: 15.6% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 36.6% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 6.0%
Towers Watson Core Diversified Fund	Fund of funds	Number of meetings at which the manager was eligible to vote: 4,640 Number of resolutions on which manager was eligible to vote: 54,921 Percentage of eligible votes cast: 97.2% Percentage of votes with management: 82.7% Percentage of votes against management: 16.7% Percentage of votes abstained from: 0.7% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64.6% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9.9%

In addition, each TWIM fund has reported on the most significant votes cast within the underlying funds managed on behalf of the Scheme, including reasons from the underlying managers why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

Coverage in portfolio	Size of holdings	Most significant votes cast	
Towers Watson Partners Fund	0.1%	Company: Resolution Decision/Vote Rationale for decision Rationale for classifying as significant	Magnit OJSC Election of Hans Koch, Evgeniy Kuznetsov and Vladimir Chirakhov as Director For A variety of directors were put forward for election, the majority of which we did not support. Since the voting was a cumulative process, we decided to back only the candidates with the best governance credentials. We consulted with other minority shareholders regarding their thinking. Our preferred candidates were independent of the large shareholders VTB and Marathon Group. We also did not support members who held an executive role as we felt it was against best practice to also serve on the board. Material Issue - The importance of a strong, independent board, especially given the controversial purchase of SIA Group and the continued operational weakness, is particularly important for Magnit.
Towers Watson Partners Fund	0.1%	Company: Resolution Decision/Vote Rationale for decision Rationale for classifying as significant	Naspers Ltd Approve Remuneration Policy and approve implementation of the remuneration policy Against Voted against Naspers remuneration policy for 2020 and the implementation of it for 2019. This followed a year-long engagement regarding long term incentives, particularly the use of 10-year options that could result in excessive remuneration. These concerns and the vote against the policy were also communicated in a meeting with the chair of the Remuneration committee. Material Issue - Alignment with shareholder interest
Towers Watson Partners Fund	0.1%	Company: Resolution Decision/Vote Rationale for decision	Naspers Ltd Reappoint PricewaterhouseCoopers Inc as Auditors of the Company with V Myburgh as the Individual Registered Auditor Against As part of our efforts to safeguard against fraud and corruption, we apply a hard rule requiring audit firms to rotate after a maximum 10-year term. The audit process must be objective, rigorous and independent to maintain investor

			<p>confidence. We have experienced too many instances over the past few years where auditors have not applied sufficient rigour in their audit processes or objectivity in their oversight of financial reports. We accordingly communicated to our investee companies that, after 10 years, companies may no longer have the same auditor. We believe this is crucial to re-establish a link between the accountability of auditors and shareholders.</p> <p>Mandatory Audit Rotation Policy</p>
Towers Watson Partners Fund	0.1%	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Wuliangye Yibin Co., Ltd.</p> <p>Approve Daily Related-party Transactions</p> <p>Against</p> <p>Potential Conflict of Interest with Related party Transaction</p> <p>Against policy guideline to vote in favour of Related party Transactions</p>
Towers Watson Partners Fund	0.1%	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Heineken NV</p> <p>Authorisation of the Executive Board to restrict or exclude shareholders' pre-emptive rights</p> <p>Against</p> <p>The manager favours equal/proportional rights of subscription to new issuances for all shareholders.</p> <p>Material Issue - preference for equal/proportional rights of subscription for all shareholders so as to avoid dilution of shares of existing shareholders.</p>
Towers Watson Partners Fund	0.3%	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Citigroup Inc.</p> <p>Reduce Ownership Threshold for Shareholders to Call Special Meeting</p> <p>For</p> <p>The reduction to a 15 percent threshold to call a special meeting would improve shareholder rights. Our proxy voting policies explicitly support such measures at a 10% threshold. We also believe that lower thresholds may be appropriate for large companies as abuse is less likely.</p> <p>We believe it was significant given the size of the holding (as a percentage of the Fund) and the outcome of the vote. The vote was non-binding and we believe our support likely had an influence on the company ultimately adopting this shareholder-friendly change.</p>
Towers Watson Partners Fund	0.1%	<p>Company:</p>	<p>Lenovo Group Ltd.</p>
Towers Watson Core Diversified Fund	0.1%	<p>Resolution</p>	<p>Authority to Issue Shares w/o Pre-emptive Rights; Authority to Issue Repurchased Shares</p>

		Decision/Vote	Against
		Rationale for decision	Potentially large dilution – rights issue for all shareholders would be preferred if large fund-raising is required.
		Rationale for classifying as significant	Against management
Towers Watson Partners Fund	0.1%	Company:	Haier Smart Home
Towers Watson Core Diversified Fund	0.1%	Resolution	Amendments to the Company's articles of association; Amendments to the rules of procedure governing shareholders general meetings
		Decision/Vote	Against
		Rationale for decision	Shortened notice period; not ideal to change the notice period before AGM from 45 days to 20 days
		Rationale for classifying as significant	Against management
Towers Watson Partners Fund	0.1%	Company:	Huayu Automotive
Towers Watson Core Diversified Fund	0.1%	Resolution	Elect Zhuang Jingxiong
		Decision/Vote	For
		Rationale for decision	It is more important to ensure sufficient independence for the board of directors compared to supervisors.
		Rationale for classifying as significant	Against provider recommendations
Towers Watson Partners Fund	0.1%	Company:	China Telecom
Towers Watson Core Diversified Fund	0.1%	Resolution	Elect LIU Guiqing
		Decision/Vote	For
		Rationale for decision	It is a bit unfair to count a former representative of BlackRock (which owns 1.4%) as a non-independent board member.
		Rationale for classifying as significant	Vote against provider recommendations
Towers Watson Partners Fund	0.1%	Company:	Great Wall Motor
Towers Watson Core Diversified Fund	0.1%	Resolution	Appraisal Measures for Implementation of 2019 Restricted Share and Share Option Incentive Scheme
		Decision/Vote	For
		Rationale for decision	Equity-linked incentives help improve alignment with minority interests. KPIs such as sales volume and profit have also been announced.
		Rationale for classifying as significant	Vote against provider recommendations

<p>Towers Watson Partners Fund</p> <p>Towers Watson Core Diversified Fund</p>	<p>0.1%</p> <p>0.1%</p>	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Shanghai International Airport</p> <p>Election of Supervisor</p> <p>For</p> <p>Supervisor committee of SIA has 5 members. 3 are nominated by the parent group and 2 are elected from employees. The structure is fine (at least 1/3 of supervisors should come from employees).</p> <p>Vote against provider recommendations</p>
<p>Towers Watson Core Diversified Fund</p>	<p>No information was provided by the investment manager</p>	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>BP PLC</p> <p>Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures</p> <p>For</p> <p>Manager and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change.</p> <p>Has led to a dramatic shift in the direction of the company's strategy. The company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.</p>
<p>Towers Watson Core Diversified Fund</p>	<p>No information was provided by the investment manager</p>	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Bayer AG</p> <p>Approve Discharge of Management Board for Fiscal 2018</p> <p>Following its acquisition of agribusiness Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that Monsanto's glyphosate-based weedkiller RoundUp was linked to causing cancer. Although the damages were reduced upon appeal, and Bayer was adamant that RoundUp was not carcinogenic, we are concerned that the Bayer supervisory and management boards had not fully considered the significant risks related to glyphosate litigation in the US prior to acquiring Monsanto.</p> <p>Against</p> <p>A vote of no confidence in a company board is a rare escalation, and the company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. The company also announced that the chair would step down at the 2020 AGM.</p>
<p>Towers Watson Core Diversified Fund</p>	<p>No information was provided by the</p>	<p>Company:</p> <p>Resolution</p>	<p>Essilor Luxottica</p> <p>Res A, B and C: Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director</p>

	investment manager	<p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>For</p> <p>In 2018, French lenses producer Essilor merged with Italian frame manufacturer Luxottica. Upon conclusion of the merger, the executive chair of Luxottica’s holding company (Delfin) owned 32.7% of the merged company’s share capital. Under the terms of the merger agreement, the aforementioned executive chairman and Essilor’s executive vice-chairman were both given equal powers. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company’s shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. We contacted EssilorLuxottica to discuss the issue, but received no reply. We engaged extensively with Comgest, Valoptec and the board nominees. We publicly announced our support for the board nominees ahead of the AGM to ensure the current board knew our intentions and to raise awareness to the other shareholders.</p> <p>Escalation of engagement. The manager publicly announced their support for the board nominees ahead of the AGM to ensure the current board knew their intentions and to raise awareness to the other shareholders.</p>
Towers Watson Core Diversified Fund	No information was provided by the investment manager	<p>Company:</p> <p>Resolution</p> <p>Decision/Vote</p> <p>Rationale for decision</p> <p>Rationale for classifying as significant</p>	<p>Hyundai MOBIS and Hyundai MOTOR</p> <p>Mobis: Elect Karl-Thomas Neumann as a Member of Audit Committee and Elect Rudolph William C. Von Meister a Member of Audit Committee</p> <p>Motor: Elect John Y. Liu as a Member of Audit Committee and Robert Randall MacEwen as a Member of Audit Committee and Elect Margaret S. Bilson as a Member of Audit Committee</p> <p>For</p> <p>In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. Activist investor Elliott Management, which owned a \$1 billion stake in the group, challenged these plans by putting forward its own proposals for the two businesses. This included increasing the dividend payout, establishing separate compensation and governance committees, and appointing directors who were not already on the group’s boards. Elliott Management’s proposals were defeated at both companies’ AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders. Shareholder activism is not common in South Korea.</p>

Appendix 1: Manager voting policies

TWIM's voting policy is provided below

TWIM Partners' underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. For the Towers Watson Global Equity Focus Fund, in which the Towers Watson Partners Fund invests, we also use EOS at Federated Hermes for voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. Our underlying managers are ultimately responsible for the votes.

The TWIM Core Diversified Fund's equity holdings as at the end of the year are held with Legal and General Investment Management ("LGIM") and an active manager in a China Equity Fund. The voting policies of each of these managers are set out below.

LGIM's voting policy is provided below

"Policy on consulting clients:

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) 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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Process for deciding how to vote:

All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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. This ensures our 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.

Use of proxy voting services:

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 we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions

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

We retain the ability in all markets to override any vote decisions, which are based on our 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action."

The active manager – China equity’s voting policy is provided below

“[We use] Glass Lewis as proxy voting service vendor to process votes on resolutions of investment companies in their shareholders’ meetings. The service platform allows us to source voting ballots from multiple custodians, provide voting research papers with detailed analysis and recommendations it also allows us to submit voting decisions in an efficient centralised manner. It also possesses a reporting function on voting data in various formats which is helpful in reporting to our clients. “

Appendix 2: Legacy Manager Voting Data

The voting records provided below cover the period 1 April 2019 to 31 March 2020 for each fund, based on information provided by the manager of these funds; given the change in strategy and portfolio during the year the Trustee considers this to be representative of the previous investment strategy:

Manager and fund	Portfolio structure	Voting activity
Newton Investment Management BNY Mellon Real Return Fund	Equity Fund	Number of meetings at which the manager was eligible to vote: 70 Number of resolutions on which manager was eligible to vote: 953 Percentage of eligible votes cast: 97.2% Percentage of votes with management: 90.0% Percentage of votes against management: 10.0% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 30.0% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9.2%
Newton Investment Management BNY Mellon Global Income Fund	Equity Fund	Number of meetings at which the manager was eligible to vote: 48 Number of resolutions on which manager was eligible to vote: 806 Percentage of eligible votes cast: 97.4% Percentage of votes with management: 83.2% Percentage of votes against management: 16.8% Percentage of votes abstained from: 0.0% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 58.0% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 14.6%
Legal and General Investment Management Dynamic Diversified Fund	Diversified Growth Fund	Number of meetings at which the manager was eligible to vote: 4810 Number of resolutions on which manager was eligible to vote: 54988 Percentage of eligible votes cast: 97.5% Percentage of votes with management: 84.3% Percentage of votes against management: 15.2% Percentage of votes abstained from: 0.4%

		<p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management:60.1%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.5%</p>
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Appendix 3: Legacy Manager Voting Policies

Newton Investment Management voting policy is provided below

“Policy on consulting clients:

Where we plan to vote against management on an issue, we often engage with the company in order to provide an opportunity for our concerns to be allayed. In such situations, it would not be a surprise should we vote against. We only communicate our voting intentions ahead of the meeting direct to the company and not to third parties. We do alert a company regarding an action we have taken at their annual general meeting (AGM) through an email, to explain our thought process. We then often hold a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the sponsoring global industry analyst.

Overall, we prefer to retain discretion in relation to exercising our clients’ voting rights and have established policies and procedures to ensure the exercise of global voting rights. We believe the value of our 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. Our understanding of a company’s fundamental business enables us to assess the appropriate balance between the strict application of corporate governance policies and taking into account a company’s unique situation.

Process for deciding how to vote:

Our head of responsible investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. We do not maintain a strict proxy voting policy. Instead, we prefer to take into account a company’s individual circumstances, our 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, we 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 are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (Institutional Shareholder Services, or the ISS) will take precedence.

It is also only in these circumstances when we may register an abstention given our stance of either voting in favour or against any proposed resolutions. The discipline of having to reach a position of voting in favour or against management ensures we do not provide confusing messages to companies.

We employ a variety of research providers that aid us in the vote decision-making process, including proxy advisors such as ISS. We utilise ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions take into account local market best practice, rules and regulations while also supporting our investment rationale. For example, when voting on the election of directors in Japan, we are unlikely to vote against a board chair should the board not be majority independent given that only recently the corporate governance code has recommended boards appoint independent directors. However, in the UK, where majority independent boards are well established and expected by investors, we are likely to vote against the chair and non-independent directors. This being said, we frequently votes against executive pay at US companies despite it being accepted US market practice of granting significant awards of free shares as we believe executive pay should be aligned with performance.

Use of proxy voting services:

We utilise ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. Only in the event where we recognise a potential material conflict of interest do we follow the voting recommendations of ISS.

We do not maintain a rigid voting policy with any proxy voting service provider.