

# Spectris Pension Plan - Implementation Statement for the year ended 31 December 2021

## Purpose

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This Implementation Statement provides information on how, and the extent to which, the Trustee of the Spectris Pension Plan (“the Plan”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Plan’s investments, and engagement activities during the year ended 31 December 2021 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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In July 2019, the Trustee received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”) and discussed their beliefs around those issues. This enabled the Trustee to consider how to update its policy in relation to ESG and voting issues which, up until that point, had simply been a broad reflection of the investment managers’ own equivalent policies. The Trustee’s new policy was documented in its updated Statement of Investment Principles.

## The Trustee’s updated policy

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The Trustee believes that there can be financially material risks relating to ESG issues. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan’s investment managers. The Trustee requires the Plan’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee has delegated responsibility for the exercise of rights (including voting rights) attached to the Plan’s investments to the investment managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.

## Manager selection exercises

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One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustee seeks advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. During the reporting year, there have been no such manager selection exercises.

## Ongoing governance

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The Trustee, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee’s requirements as set out in this statement. Further, the Trustee has set XPS the objective of ensuring that any selected managers reflect the Trustee’s views on ESG (including climate change) and stewardship.

During the reporting year the Trustee received a report from XPS on the extent to which ESG considerations were incorporated into the managers investment processes over the course of 2021. The Trustee recognises that the level of ESG integration within the investment processes is dependent on the asset class in question. The report was discussed at the July 2021 meeting. One of the areas considered by the report was stewardship, which relates to influencing a company in which the Plan is ultimately invested via the funds held within the Plan’s portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The

report rated each fund in this area and on ESG matters overall. The Trustee concluded that the ESG capabilities of the investment managers were satisfactory for the Plan, but noted that ESG issues will be kept under review.

Beyond the governance work currently undertaken, the Trustee believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

## **Adherence to the Statement of Investment Principles**

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During the reporting year the Trustee is satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

## **Voting activity**

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The main asset class where the investment managers will have voting rights is equities. The Plan has exposure to equities within the Ruffer Absolute Return Fund. A summary of the voting behaviour and most significant votes cast by Ruffer is shown below.

The Plan also has exposure to equities within the River & Mercantile structured equity mandate. However, as the exposure is synthetic (is via obtained via derivatives) the portfolio does not have voting rights

Please note that the information on the managers' voting activity has been provided by Ruffer, and this is reflected in the use of "we" throughout. Any opinions contained within do not necessarily reflect the views of the Trustee.

### Voting Information

Ruffer LLP Absolute Return Fund

The fund manager occupies tier 1 of the UK Stewardship code.

The manager voted on 100% of resolutions of which they were eligible out of 1265 eligible votes.

### Investment Manager Client Consultation Policy on Voting

Ruffer, as a discretionary investment manager, does not have a formal policy on consulting with clients before voting. However, we can accommodate client voting instructions for specific areas of concerns or companies where feasible.

### Investment Manager Process to determine how to Vote

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

Research analysts are responsible, supported by our responsible investment team, for reviewing the relevant issues on a case-by-case basis and exercising their judgement, based upon their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer. We look to discuss with companies any relevant or material issue that could impact our investment. We will ask for additional information or an explanation, if necessary, to inform our voting discussions. If we decide to vote against the recommendations of management, we will endeavour to communicate this decision to the company before the vote along with our explanation for doing so although we acknowledge this may not always be possible.

### How does this manager determine what constitutes a 'Significant' Vote?

We have defined 'significant votes' as those that we think will be of particular interest to our clients. In most cases, these are when they form part of continuing engagement with the company and/or we have held a discussion between members of the research, portfolio management and responsible investment teams to make a voting decision following differences between the recommendations of the company, ISS and our internal voting guidelines.

Does the manager utilise a Proxy Voting System? If so, please detail

Ruffer's proxy voting advisor is Institutional Shareholder Services (ISS).

We have developed our own internal voting guidelines, however we take into account issues raised by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares.

Each research analyst, supported by our responsible investment team, reviews the relevant issues on a case-by-case basis and exercises their judgement, based on their in-depth knowledge of the company. If there are any controversial resolutions, a discussion is convened with senior investment staff and, if agreement cannot be reached, there is an option to escalate the decision to the Head of Research or the Chief Investment Officer.

As discussed above, we do use ISS as an input into our decisions. In the 12 months to 31 December 2021, of the votes in relation to holdings in the Ruffer Absolute Return Fund we voted against the recommendation of ISS 7.4% of the time.

Top 5 Significant Votes during the Period

Company	Voting Subject	How did the Investment Manager Vote?	Result
WH Smith	Governance – remuneration	Against	The vote in favour of approving of the remuneration report passed with 67.4% shareholder support. However, the Board has subsequently confirmed they are revising the remuneration report and will not include the executive pay increase due to the feedback from shareholders.
<p>When determining whether to support a remuneration policy or report, we assess a number of factors including how management are incentivised, the structure of executive remuneration and the overall quantum.</p> <p>We voted against management on the approval of the remuneration report at WH Smith as we felt the timing of an executive pay increase in the current circumstances was inappropriate. This did not express a negative view of the performance of the CEO and management team during this challenging period, but rather we felt that going ahead with a pre-planned base remuneration increase was not appropriate for a company that is at present loss-making, has suspended its dividend, raised equity, may benefit from government support measures and has made a large number of staff redundant. We were also of the view that the disclosure around the personal performance criteria is not clear.</p> <p>We communicated these views in a letter to the Board and subsequently held a meeting with the company to discuss the concerns we had in more detail.</p>			
Walt Disney			

	Governance – lobbying and succession planning	Voted for shareholder resolutions and re-election of Board member	Re-election proposal passed with 97.2% shareholder approval for vote. Shareholder resolution failed with only 32.7% shareholder approval for the vote.
<p>On the topic of lobbying and the company's memberships of trade associations, we voted for a shareholder resolution in 2018, 2019 and 2020 requesting additional disclosure. While the company has responded to these resolutions by increasing its disclosure, this only includes trade associations based in the US. As the framework has been established, and the analysis already conducted for these associations, we do not think it is onerous for the company to expand this to cover all trade associations of which it is a member. We stated clearly to the company that we were disappointed that it has not expanded its analysis and that we would support the shareholder resolution at the 2021 AGM.</p> <p>Another significant concern for us is succession planning at the board level. As we did in 2020, we debated whether to support the re-election of Susan Arnold given her long tenure on the board. This is of particular importance to us when there is not an independent Chair of the Board. We decided to support her re-election to provide continuity in a year where we expect changes to the board. We communicated our concerns to the company prior to the AGM.</p>			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Royal Dutch Shell	Vote on management resolution relating to the company's climate transition plan	For	The resolution passed with 88.7% votes in favour.
<p>We supported Royal Dutch Shell's first Energy Transition Strategy plan. The decision was made in the context of the progress Shell has made as a result of engagement and the commitment of the company leadership to continue to meaningfully engage on the remaining areas of Climate Action 100+. The management resolution gained support of 88.7% of its shareholder base. We are committing to continued engagement with the company to work on details of the company's transition plans to ensure absolute emission equivalent targets sit alongside short- and medium-term intensity targets, and the need for further alignment on capital expenditure. In light of the opportunity to vote on the company's transition strategy and the progress made, we did not see a need to vote in favour of the shareholder proposal filed by the NGO Follow This. As a founding member of Climate Action 100+ initiative we engaged with Shell collaboratively and individually over several years and we are looking forward to continuing our engagements, focusing on the company's progress on its transition plan.</p>			
Aena	Advisory Vote on Company's Climate Action Plan	For	The resolution passed with 95.7% votes in favour.
<p>We supported the company's 2021-2023 climate action plan, as we believe that climate change-related risks may be significant for the long-term performance of Aena and should be taken into consideration. This followed our support for the shareholder resolution brought forward in 2020 requesting the company to submit climate transition plans to advisory vote at its 2021 AGM and provide updates to its plan on an annual basis from 2022.</p>			

Ambev	Governance – remuneration	Against	The resolution passed with 86.5% votes in favour.
<p>The company asked to increase its annual remuneration cap by 11.2%. The company only used 64% of its cap in 2020 and 75% of its cap in 2019. Given the current cap hasn't been met and the company is proposing an 11.2% increase in that cap despite weak share price and margin performance over a number of years, we did not believe approving the increase would be warranted. We have engaged with the company on this item and they point to the need to adjust compensation for inflation and market benchmarks. Voting for this item would seem to be perpetuating the inflationary spiral of executive compensation and we believe we need to send a message that poor performance cannot be rewarded with higher pay.</p>			