

Newcastle Building Society Pension and Assurance Scheme - Implementation Statement for 2019 DB Regulations

Statement of Compliance with the Newcastle Building Society Pension and Assurance Scheme Stewardship Policy for the year ending 30 June 2021.

Introduction

This is the Trustees' statement prepared in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. This statement sets out how the Trustees have complied with the Scheme's Stewardship Policy during the period from 1 July 2020 to 30 June 2021.

Stewardship policy

The Trustees' Stewardship (voting and engagement) Policy set out in the Statement of Investment Principles sets out how the Trustees will behave as an active owner of the Scheme's assets which includes the Trustees' approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustees monitor and engage with their investment managers and any other stakeholders.

The Scheme's Stewardship Policy is reviewed at least every three years in line with the Scheme's Statement of Investment Principles (SIP) review which was last completed in October 2021.

You can review the Scheme's Stewardship Policy which can be found within the Scheme's Statement of Investment Principles, at <https://www.newcastle.co.uk/about-us/governance/statement-of-investment-principles/>

The Trustees have delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment manager. The Trustees believe it is important that their investment manager take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance.

The Trustees' own engagement activity is focused on their dialogue with their investment manager which is undertaken in conjunction with their investment advisers. The Trustees meet regularly with their manager and the Trustees consider manager exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustees also monitor their compliance with their Stewardship Policy on a regular basis and are satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustees seek to ensure that their manager is exercising voting rights and where appropriate, to monitor the managers' voting patterns.

The Trustees have investment in equity assets solely through the funds managed by Legal & General Investment Management ('LGIM'). LGIM have reported on how votes were cast in aggregate across all of the Scheme's equity holdings the table below:

Strategy/Fund name	
No. of meetings eligible to vote at during the year	17,719
No. of resolutions eligible to vote on during the year	190,555
% of resolutions voted	99.3%
% of resolutions voted with management	82.2%
% of resolutions voted against management	17.8%
% of resolutions abstained	0.9%
% of meetings with at least one vote against management	63.8%

Source: LGIM

The resolutions which LGIM voted against management the most on over the scheme year were mainly in relation to:

- General governance;
- Board of Directors and;
- Corporate Structure.

Significant votes

The Trustees have asked LGIM to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. LGIM were asked to explain the reasons why votes identified were significant, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote.

From the managers' reports, the Trustee have identified the following votes as being of particular relevance to the Scheme:

Example 1

The Procter & Gamble Company, 13 Oct 2020, vote for a report on the Company effort to eliminate deforestation. Resolution was approved.

P&G uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Palm oil and Forest Pulp are both considered leading drivers of deforestation and forest degradation, which both contribute to climate change. LGIM engaged with P&G to hear its response to the concerns raised and environmental third parties to understand the issues. LGIM voted for the resolution to produce a report as, although P&G has introduced a number of objectives and targets to ensure their business does not impact deforestation, LGIM felt it was not doing as much as it could. LGIM has continued to engage on the topic and push other companies to ensure more of their pulp and wood is from Forestry Stewardship Council certified sources.

Example 2

Barclays, 7 May 2021, votes for the Company commitment in tackling climate change. Resolution was approved.

LGIM voted for the resolution proposed by Barclays that set out its target of aligning the entire business to the goals of the Paris Agreement through shrinking its carbon footprint to net zero by 2050. The plans were backed by ShareAction, a charity that promotes responsible investment.

Engagement activity

The Trustees meet with LGIM once a year and will use the opportunity to discuss stewardship issues in further detail, amongst other things. In addition, the investment advisor monitors the Scheme's investment manager on an ongoing basis, including a formal assessment of the manager's approach to responsible investment. This provides the mechanism for the Trustees to understand wider responsible investment issues and subsequently challenge the Scheme's investment manager where appropriate.

Summary of manager engagement activity

LGIM have actively engaged on 891 occasions over the past 12 months. These engagements have been on the following topics (noting that an engagement can cover more than a single topic, so the numbers won't sum):

Topic	Number of engagements relating to topic
Climate change	407
Remuneration	234
Diversity	174
Board composition	94
Others (eg. financials and strategy)	92

Source: LGIM

Use of a proxy advisor

LGIM have appointed ISS ProxyExchange to advise on voting and/or conduct company engagement.

Review of policies

The Trustees have committed to reviewing their investment managers' RI policies on an annual basis. This review was last undertaken by the Trustees on in October 2020. The review considered LGIM's broader approach to responsible investment including compliance with industry governance codes. The Trustees also considered changes to their managers voting policies.

The Trustees and their advisors remain satisfied that the responsible investment and voting policies of the investment manager remain suitable for the Scheme.

Signed for and on behalf of the Newcastle Building Society Pension and Assurance Scheme:

Mick Thompson
Chair of Trustees
20 October 2021