

The Taylor Hobson Limited Pension Plan

Implementation Statement

This Implementation Statement has been prepared by the Trustee of the Taylor Hobson Limited Pension Plan (“the Plan”). It covers the year to 5 April 2021 and sets out:

- The extent to which the policies set out in the Statement of Investment Principles (SIP) have been followed during the period, as well as describing and explaining the review of the SIP that took place in September 2020;
- How the Trustee’s policies on exercising rights (including voting rights) and engagement has been followed over the year; and,
- The voting behaviour of the Trustee, or that undertaken on their behalf, over the year.

How the SIP has been followed and reviewed over the year

The Plan’s SIP was updated in September 2020. The changes primarily reflected new legislation that came into force from 1 October 2020:

- A section was added called “Policy on arrangements with asset managers”. This section outlines how the Trustee incentivises managers to align their strategy and decisions with Trustee’s investment policies; how the arrangements incentivise managers to invest based on medium to long-term considerations; how the Trustee assesses their fund managers’ performance and portfolio turnover costs; and, whether the Trustee has committed to invest with any fund manager for a pre-determined minimum duration.
- The existing policy on exercising rights and engagement activities was extended to set out how the Trustee monitors and engages with managers on investee companies’ capital structure and how they manage conflicts of interest.

There were no changes to the Plan’s asset allocation during the period, including both the DB and DC sections.

In the Trustee’s opinion, the policies set out in the SIP have been followed over the year. For instance, the Trustee monitors the suitability of the fund managers for the DB section on a quarterly basis and carries out a more detailed review of how the DB strategy has performed relative to its objectives every six months. The performance of the fund managers for the DC section are also monitored on a six monthly basis. This monitoring is carried out in conjunction with the Trustee’s Investment Consultant, Barnett Waddingham. The rest of this Statement considers how the Trustee’s policies on voting and engagement have been followed.

How voting and engagement policies have been followed

The Plan invests entirely in pooled funds and, as such, the Trustee delegates responsibility for carrying out voting and engagement activities to the Plan's fund managers.

The Trustee reviews the fund managers' strategies and processes for exercising rights and conducting engagement activities periodically, usually annually alongside the preparation of the Implementation Statement, and will engage with the investment managers to the extent that any issues or questions are identified.

Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of their fund managers are in alignment with the Plan's stewardship policies.

Additional information on the voting and engagement activities carried out for the Plan's investments are provided on the following pages.

**Prepared on behalf of the Trustee of The Taylor Hobson Limited Pension Plan
September 2021**

Voting Data

Manager	Legal & General Investment Management		Barings Asset Management	Ruffer LLP	Aberdeen Standard Investments
Fund name	UK Equity Index (DB section)	World (ex UK) Equity Index (DB section)	Dynamic Asset Allocation Fund (DB section)	Ruffer Absolute Return Fund (DB section)	Standard Life Managed Fund (DC section)
Structure and ability to exert influence	The Plan invests in pooled funds. This means that there is limited scope for the Trustees to influence the manager's voting behaviour.				
Number of company meetings at which the manager was eligible to vote	943	3,243	93	86	144
Number of resolutions the manager was eligible to vote on	12,574	37,840	885	1,144	2,226
Percentage of resolutions the manager voted on	100.0%	99.8%	96.6%	97.0%	98.7%
Percentage of resolutions the manager abstained from*	0.0%	0.6%	0.0%	2.0%	1.6%
Percentage of resolutions voted <i>with</i> management*	92.9%	80.3%	92.2%	91.0%	96.9%
Percentage of resolutions voted <i>against</i> management*	7.1%	19.2%	7.8%	9.0%	3.1%
Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor	0.8%	0.3%	0.9%	7.9%	6.1%
Proxy voting advisor	ISS	ISS	ISS	ISS	ISS

Source: Legal & General Investment Management, Barings Asset Management and Ruffer LLP. Data covers year to 31 March 2021 and is deemed a reasonable estimate for the Plan year to 5 April 2021.

*As percentages of the total number of resolutions voted on.

There are no voting rights attached to the other assets held by the Plan (that is, the LGIM All Stocks Gilt and All Stocks Index-Linked Gilt index funds for the DB section; and, the Standard Life UK Mixed Bond Fund and the Standard Life Deposit and Treasury Fund for the DC section). No voting information has therefore been shown for these assets. The DC AVC assets have also been excluded on the grounds of materiality.

Significant votes

We have delegated to the investment managers to define what a “significant vote” is for this Implementation Statement. A summary of the data they have provided is set out below.

Aberdeen Standard Life Managed Fund (DC section)

Aberdeen Standard have informed us that they would prefer not to disclose the significant vote information as they do not believe they should take responsibility for deciding what votes are significant. The Trustee’s Investment Consultants are working with Aberdeen Standard to improve the process and should be able to provide something more substantial going forward.

LGIM UK Equity Index (DB section)

	Vote 1	Vote 2	Vote 3
Company name	International Consolidated Airlines Group	SIG plc	Barclays
Date of vote	7 September 2020	9 July 2020	7 May 2020
Summary of the resolution	Approve Remuneration Report	Approve one-off payment to interim CEO	Approve Barclays' Commitment in Tackling Climate Change
How the manager voted	Against	Against	For
If the vote was against management, did the manager communicate their intent ahead of the vote?	LGIM publicly communicates its vote instructions and rationale on its website. LGIM’s policy is not to engage with companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		

Continued overleaf.

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	LGIM were concerned about the level of bonus payments, which are 80% to 90% of salary for current executives and 100% of salary for the departing CEO. LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company during COVID-19. For instance, the proposal came after the company had taken up government support, cut the workforce by 30%, and withdrawn its 2020 dividend.	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. This one-off payment was outside the scope of their remuneration policy and on top of his existing remuneration, and therefore needed shareholder support. LGIM does not generally support one-off payments but also noted the company's liquidity position was so poor at the time that it risked breaching covenants on a revolving credit facility and therefore needed to raise additional funding through a new share issue.	The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction. LGIM are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.
Outcome of the vote	28% of shareholders opposed the remuneration report.	The resolution passed. However, 44% of shareholders did not support it. LGIM believe that with this level of dissent the company should not go ahead with the payment.	Supported by 99.9% of shareholders.
Implications of the outcome	LGIM will continue to engage closely with the company.	LGIM intend 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.	LGIM's focus will now be to help Barclays on the detail of their plans and targets. They will also continue to liaise with ShareAction, the Investor Forum, and other parties to ensure consistency of messaging and to drive positive change.
Criteria on which the vote is considered "significant"	LGIM considers this vote significant as it illustrates the importance of monitoring companies' responses to the COVID crisis.	LGIM deem this vote as high-profile and controversial.	Since the beginning of the year there has been significant client interest in LGIM's voting intentions and engagement activities in relation to the 2020 Barclays AGM.

LGIM World (ex UK) Equity Index (GBP hedged and unhedged share classes) (DB section)

	Vote 1	Vote 2	Vote 3
Company name	Whitehaven Coal	Medtronic plc	The Procter & Gamble Company (P&G)
Date of vote	22 November 2020	11 December 2020	13 October 2020
Summary of the resolution	Approve capital protection. Shareholders are asking for a report on the potential wind-down of the company's coal operations, with the potential to return capital to shareholders.	Advisory Vote to Ratify Named Executive Officers' Compensation.	Shareholder proposal to report on effort to eliminate deforestation.
How the manager voted	For	Against	For (i.e. against management as a shareholder proposal)
If the vote was against management, did the manager communicate their intent ahead of the vote?	LGIM publicly communicates its vote instructions and rationale on its website. LGIM's policy is not to engage with companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	LGIM has publicly advocated for a 'managed decline' of fossil fuel business activity, with capital being returned to shareholders instead of spent on projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will also be key to reaching global climate targets.	Following the end of the financial year, executive directors were granted a special, one-off award of stock options to compensate for no bonus being paid out during the financial year. LGIM voted against the one-off payment as they are not supportive of one-off awards in general and in particular when these are awarded to compensate for a payment for which performance criteria were not met	LGIM engaged with P&G to voice their concerns, e.g. the company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020, and two of their key suppliers of palm oil were linked to illegal deforestation. Following extensive discussion with P&G, the Natural Resource Defence Counsel, and Green Century (who proposed the resolution), LGIM felt P&G could be doing more.
Outcome of the vote	The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour.	The voting outcome was as follows: For: 92%; against: 8%.	The resolution received the support of 68% of shareholders (including LGIM).
Implications of the outcome	LGIM will continue to monitor this company.	LGIM will continue to monitor this company.	LGIM will continue to engage with P&G on the issue.
Criteria on which the vote is considered "significant"	The vote received media scrutiny and is emblematic of a growing wave of 'green' shareholder activism.	LGIM believe it is contrary to best practice and their pay principles to award one-off awards, especially to compensate for a forgone payment.	It is linked to LGIM's five-year strategy to tackle climate change and attracted a great deal of client interest.

Barings Dynamic Asset Allocation Fund (DB section)

	Vote 1	Vote 2	Vote 3
Company name	East Japan Railway Company	Nissan chemical corporation	Greencoat UK Wind PLC
Date of vote	23 June 2020	25 June 2020	30 April 2020
Approximate size of fund's holding (as % of portfolio)	< 0.5%	< 0.5%	< 0.5%
Summary of the resolution	Appointment of director	Appoint a director	Re-election of directors
How the manager voted	Against	Against	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Barings engaged with all companies ahead of the vote		
Rationale for the voting decision	Board is not sufficiently independent	Insufficient gender diversity/no diversity policy	Happy to re-elect the director
Outcome of the vote	Resolution accepted	Resolution accepted	Resolution accepted
Implications of the outcome		This information was not provided	
Criteria on which the vote is considered "significant"		This information was not provided*	

* The Trustee's Investment Consultants are working with managers across the industry to improve data going forward, albeit we note that the Barings DAAF was replaced following the period end.

Ruffer Absolute Return Fund (DB section)

	Vote 1	Vote 2	Vote 3
Company name	Lloyds Bank	Aena S.M.E	Countryside Properties
Date of vote	21 May 2020	29 October 2020	5 February 2021
Approximate size of fund's holding (as % of portfolio)	2.1%	0.7%	1.3%
Summary of the resolution	Vote on remuneration policy.	Vote on shareholder resolutions relating to the company's climate transition plan.	Board composition.
How the manager voted	Against	For	Abstain
If the vote was against management, did the manager communicate their intent ahead of the vote?	Yes	No	Yes
Rationale for the voting decision	Ruffer decided to vote against the proposed remuneration policy as although it reduces the maximum pay-out at the time of the grant, it significantly relaxes the vesting criteria. Therefore, Ruffer did not think it sufficiently incentivises management to deliver shareholder value.	Ruffer believe that climate change-related risks may be significant for the long-term performance of Aena, and therefore supported these resolutions.	Whilst Ruffer valued their engagements with non-executive directors before the vote, they did not receive confirmation that their concerns will be addressed. Consequently, Ruffer decided to abstain on their votes in relation to the re-election of all non-executive directors.
Outcome of the vote	Remuneration policy passed with 64% approval.	The 3 resolutions passed with 99%, 98% and 97% shareholder support.	Re-election proposals passed with a range of 78-93% shareholder approval for votes.
Implications of the outcome	The company has made some changes to the remuneration of the new CEO. While the changes do not fully address Ruffer's concerns, they are, more aligned to shareholder interests.	Management have committed to giving shareholders an annual vote on its climate transition plan.	Ruffer will continue to engage and look forward to continuing their discussions.
Criteria on which the vote is considered "significant"	Votes against remuneration policies for material holdings are significant.	Ruffer believe this vote will be of particular interest to their clients.	Votes abstaining or against the re-election of directors for material holdings are significant.

Fund level engagement

Manager	Legal & General Investment Management		Baring Asset Management	Ruffer LLP	Aberdeen Standard Investments
Fund name	Passive Equities (DB) LGIM World (ex UK) Equity Index (both GBP hedged and unhedged), LGIM UK Equity Index	Passive Gilts (DB) All Stocks Gilts Index, All Stocks Index-Linked Gilts	Baring Dynamic Asset Allocation Fund <i>(DB section)</i>	Ruffer Absolute Return Fund <i>(DB section)</i>	Standard Life UK Mixed Bond Fund Standard Life Managed Fund Standard Life Deposit and Treasury Fund <i>(DC section)</i>
Does the manager perform engagement on behalf of the holdings of the fund	Yes		Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes		Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	This data was not provided at a fund level		82	27	This data was not provided at a fund level
Number of engagements undertaken at a firm level in the year	974		230	33	2,493*

Manager	Legal & General Investment Management	Baring Asset Management	Ruffer LLP	Aberdeen Standard Investments
<p>Examples of engagements undertaken with holdings in the fund</p>	<p>No fund level examples were given.</p> <p>The key engagement topics at a firm level included: ESG, remuneration, board composition, diversity, public health, strategy, and Climate Change.</p>	<ol style="list-style-type: none"> 1. Barings engaged with a US chemicals firm with a large fertiliser businesses to push them towards shifting more of their business into 'greener' ammoniac production. In Barings' view, this would dramatically cut their carbon footprint and open up a very strong financial opportunity in hard-to-abate sectors of the economy. 2. The London Bullion Market Association (LBMA) has a responsibly sourced programme that validates the supply chain quality for gold bars. Physical Gold held by Barings is managed by Amundi. Barings reached out to them to push compliance with these standards. Amundi's fund is 100% backed by LBMA compliant gold bars. 	<p>ArcelorMittal: In line with the Climate Action 100+ initiative, Ruffer encouraged the company to adapt their business models for the transition to a low carbon economy, including setting both short- and long-term targets.</p> <p>Exxon: Owing to the company's lack of engagement with the Climate Action 100+ initiative, Ruffer decided further action was needed in line with their escalation policy. Ruffer stressed the importance of the Paris Agreement and accepting responsibility for Scope 3 emissions and highlighted the progress made by European oil and gas companies. Ruffer ultimately reduced their investment due to concerns about climate risk.</p>	<p>No fund level examples were given.</p> <p>At a firm level the key engagement topics included: disclosure concerns, climate change, corporate governance, labour practices, remuneration, and social issues.</p>

*ASI figures cover their holdings in public markets.