

Implementation Statement

Thomas Dudley Group Limited Pension and Life Assurance Scheme

Purpose of the Implementation Statement

This Implementation Statement has been prepared by the Trustees of the Thomas Dudley Group Limited Pension and Life Assurance Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights), and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 March 2021 as this is the closest quarter-end date to the Scheme's year-end date.

How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies have been met in the following ways:

- At the Scheme year-end, the Scheme's investment managers were: Aviva Investors, Quilter Cheviot Investment Management and Seven Investment Management. The Trustees consider the performance of the funds held with the investment managers on a regular basis, and any significant developments that arise. Over the Scheme year the Trustees reviewed the ESG, Stewardship and ethical considerations in relation to their investment managers.
- The Scheme invests in a mix of pooled funds and a segregated account and delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers.
- The Trustees receive information on Environmental, Social and Governance ("ESG") considerations, engagement and voting annually from their investment managers, via their investment consultant, and review this annually to ensure alignment with their own policies. The findings of the Trustees' review are reported in this Implementation Statement which will also be included in the Scheme's Annual Report & Accounts for the year to 30 April 2021.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and Stewardship policies.

The tables provided in the remainder of the statement provide an indication of the investment managers' overall voting and engagement activities.

Voting Data

Manager	Quilter Cheviot Investment Manager	Aviva Investors	Seven Investment Manager (7IM)**
Fund name	Segregated Account	Aviva Pensions Limited Balanced Managed Fund	7IM Moderately Adventurous Fund
Structure	Segregated		Pooled
Ability to influence voting behaviour of manager	The segregated mandate allows the Trustees to engage with the manager and influence their voting behaviour.		The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
Number of company meetings the manager was eligible to vote at over the year	357	267	182
Number of resolutions the manager was eligible to vote on over the year	5,326	2,861	2,005 [^]
Percentage of resolutions the manager voted on	97.0%	97.3%	n/a
Percentage of resolutions the manager abstained from	0.6%	1.3%	0.0%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	97.0%	84.3%	98.7%
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	2.4%	14.5%	1.3%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor*	2.0%	10.1%	Data not provided

* Quilter and Aviva employ the use of Institutional Shareholder Services (ISS) as a proxy voting service. 7IM employ the use of Broadridge as their proxy voting service.

**7IM figures are as at 31 December 2020.

[^]This figure represents the actual number of resolutions voted on. The number of resolutions the manager was eligible to vote on were not provided.

Significant votes

For the first year of implementation statements, we have asked investment managers to define what a "significant vote" is. A summary of the data they have provided is set out below. Quilter and Aviva provided ten examples of significant votes; data on the first three votes listed by each manager is shown here as an indicative sample. At the time of writing, 7IM have not been able to provide sufficient information in a suitable format for the Trustees to report on the key votes over the period or on voting and engagement at fund level. However, 7IM are currently working on their own ESG reporting on engagement issues following their research into the ESG policies of their third-party managers.

Quilter Cheviot Investment Manager

	Vote 1	Vote 2	Vote 3
Company name	AVEVA Group PLC	Royal Dutch Shell PLC	Barclays PLC
Date of vote	21/07/2020	19/05/2020	07/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Data Not Available	Data Not Available	Data Not Available
Summary of the resolution	Approve Remuneration Policy	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Approve ShareAction Requisitioned Resolution
How the manager voted	For	Against	Abstain
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a	Data Not Available	Data Not Available
Rationale for the voting decision	The bonus increases are aligned with FTSE 100 comparisons and no furloughing or government pay-outs have been utilised during the COVID-19 crisis.	Shell has recently announced an ambition to become a net-zero emissions energy business by 2050 (covering Scopes 1, 2 and 3) and a strengthened Net Carbon Footprint reduction target of 65% by 2050, with an interim target of 30% by 2035. The Company's climate strategy is considered at this time to be a sufficient and appropriate response to the matters raised in the resolution.	Barclays have put forward their own pathway towards being a net zero emitter by 2050. Although there are significant crossovers in the management plan and the shareholder proposal, Quilter will support the Barclays climate resolution in order to ensure consistency and provide management the space/time to execute their strategy.
Outcome of the vote	Data Not Available	Data Not Available	Data Not Available
Implications of the outcome	Data Not Available	Data Not Available	Data Not Available
Criteria on which the vote is considered "significant"	As a firm, Quilter Cheviot vote on their centrally monitored UK and investment trust holdings, as well as holdings where they hold more than 0.2% or £2 million, and from 1/7/21, they will vote on their centrally monitored US and European holdings across the firm as well. As they have set the parameters for their voting universe, they have determined that this represents their most significant votes. The rationale behind this is that for a discretionary fund manager such as Quilter Cheviot, the size question can be problematic. For example, for some of their largest holdings by monetary value, they will have a very small percentage ownership of the market capital of that company. Equally they may have a significant percentage holding in a smaller company, however, in monetary terms this may be very small.		

Aviva Pensions Limited Balanced Managed Fund

	Vote 1	Vote 2	Vote 3
Company name	AstraZeneca PLC	British American Tobacco PLC	Barclays PLC
Date of vote	29/04/2020	30/04/2020	07/05/2020
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.1	0.4	0.04
Summary of the resolution	Resolution 5I. Re-elect Marcus Wallenberg as Director	Resolution 2. Approve Remuneration Report	Resolution 29. Approve Barclays' Commitment in Tackling Climate Change
How the manager voted	Against the resolution	Against the resolution	Supported
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Yes	Yes	N/A
Rationale for the voting decision	<p>Marcus Wallenberg is the Vice Chair at Investor AB, and chairs the boards of SEB AB, SAAB AB, and FAM AB, an asset management company through which the Wallenberg family controls Investor AB. It is recognised that all four of these listed companies are related to his position at Investor AB, on behalf of whom he serves as a shareholder representative. This is not the point however, and there is no way he is able to devote the necessary time to AstraZeneca and these other companies especially during the current COVID-19 crisis where all directors are expected to be making themselves available for urgent board meetings etc. In addition, he holds directorships at private entities such as Temasek Holdings Ltd.</p>	<p>Aviva's vote against reflected concerns over quantum. Specifically, CEO Jack Bowles was granted a 9.5% salary increase for FY2020. From FY2020, the new CFO's LTIP award has been increased to 400% of salary, up from 350% of salary previously. Under the LTIP, meeting threshold performance conditions will result in vesting of 15% of the award potential, and this level of vesting represents approximately 75% of salary for the CEO. Aviva consider this to be excessive.</p>	<p>Proposed by the Board, this resolution set out Barclays' commitment to climate change. Barclays is one of the largest lenders to fossil fuels globally, and it previously showed little intent to reduce its exposure. As such, support for this resolution is warranted as it sets out an ambition for Barclays to become a net zero bank by 2050 and directs the Company to set a strategy, with targets, to transition its provision of financial services across all sectors to align with the goals and timelines of the Paris Agreement. Barclays will report on progress annually starting from 2021. This resolution also signifies a dramatic cultural shift at the bank and culminates extensive work led by the Chair, Nigel Higgins and supported by the board and management team.</p>
Outcome of the vote	The resolution was approved (with 89% of the shares voted)	The resolution was approved (with 62% support).	The resolution was approved (the with 99.93% of shares voted)

	Vote 1	Vote 2	Vote 3
Implications of the outcome	<p>It is likely that Covid-19 has made investors and companies reconsider their views on how many other board positions directors can hold before these impede on a directors' ability to perform their duties effectively. As such, Aviva will continue to engage with AstraZeneca on this issue and it is likely there will be increased opposition at the 2021 AGM if Marcus Wallenberg hasn't by then reduced his aggregate board commitments.</p>	<p>Given the high level of opposition and the fact that against votes were over 20%, the company will be added to the Investment Association's public register. The company's response is that it will continue to listen to shareholder views to better understand the specific concerns of those who voted against this resolution. Aviva's engagement with the company on remuneration will be part of their broader questioning and considerations for such as the extent of its progress in switching to alternative, less harmful products.</p>	<p>The vote goes down as a milestone event because it's the first climate change resolution at a European bank and demonstrates how banks' contribution to global warming remains a top priority for shareholders. There is still a long way to go as Barclays didn't commit to phase out financing to fossil-fuel companies that have no plans to contribute to the Paris targets so progress will be subject to regular review and challenge.</p>
Criteria on which the vote is considered "significant"	<p>This vote was selected given it's a relatively large shareholding and effective Board oversight is a critical governance issue.</p>	<p>This vote was selected given it's a relatively large shareholding and large opposition to its remuneration report is a signal of broader discontent over its governance.</p>	<p>This vote was selected given it's a relatively large shareholding and the positive impact it will have on the company's reputation</p>

Fund level engagement

Manager	Quilter Cheviot Investment Manager	Aviva Investors	Seven Investment Manager (7IM)
Fund name	Segregated Account	Aviva Pensions Limited Balanced Managed Fund	7IM Moderately Adventurous Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	As a fund of funds manager, the principal engagements that 7IM undertakes are with the third party managers of the funds
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	63	296	Data not available
Number of engagements undertaken at a firm level in the year	64	3,073	Figure not available
Examples of engagements undertaken with holdings in the fund	<p>LondonMetric Property PLC</p> <p>Objective: Quilter began an engagement with the company in 2017 regarding the composition of the board – as a collaborative engagement organised by the 30% Investor Club. The company had no women on the executive committee and only one woman on its board (9% representation). Outcome: as of 29 January 2021, representation of women on board has now reached 33%.</p>	<p>BHP Group Ltd - We engage with the company on environmental issues more broadly. BHP knows that we will be holding boards accountable for (if in their view) they are failing to make sufficient progress in addressing the urgent issue of climate change.</p> <p>Ping An Insurance Group - we have engaged with the company to better understand their approach to, and management of ESG risks.</p>	<p>At a firm level, 7IM engaged with the manager of a closed ended investment vehicle where the market price of the shares was sitting at a deep discount to the net asset value, which 7IM felt was unacceptable. 7IM engaged with the directors to push for a solution which would reduce this discount. The main issue was the lack of liquidity in the shares and 7IM discussed various solutions to improve liquidity. This involved voting on various proposals during the year and resulted in some narrowing of the discount.</p>