

Implementation Statement

Thatcham Staff Pension and Life Assurance Scheme

Scheme year ended 30 June 2021

This implementation Statement has been prepared by the Trustee of the Thatcham Staff Pension and Life Assurance Scheme ("the Scheme") and sets out:

How the Trustee's policies on exercising rights (including voting rights) and engagement have been followed over the year.

The voting behaviour of the Trustee, or that undertaken on their behalf, over the year to 30 June 2021.

How voting and engagement policies have been followed

The Scheme invests using pooled funds. Assets with voting rights attached are invested entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the fund managers.

The Trustee reviews the fund managers' strategies and processes for exercising rights and conducting engagement activities periodically, this is annually alongside the preparation of the Implementation Statement. The Trustee 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 that the actions of the fund managers are in alignment with the Fund's stewardship policies.

The Trustee considers their voting and engagement policies to have been met in the following ways:

- At the Scheme year-end, the Scheme's investment managers were Legal and General Assurance (Pensions Management) ("LGIM") and Baillie Gifford & Co Limited ("Baillie Gifford"). The Trustee regularly considers the performance of the Scheme and any significant developments.
- The Trustee undertook an initial review of the ESG stances, stewardship and engagement activities of the current asset managers at their 8 May 2019 meetings, and were satisfied that their policies were reasonable and no remedial action was required at that time.
- The Scheme invests entirely in pooled funds, and as such the Trustee delegates responsibility for carrying out voting and engagement activities to the Scheme's asset managers.
- The Trustee receives reports on engagement and voting annually from their investment managers and review this to ensure alignment with their own policies. This exercise was undertaken in October 2021.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund investment managers are in alignment with the Scheme's ESG and Stewardship policies.

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

Implementation Statement (Cont)

Voting Data

The table below sets out the voting data collated for the Scheme for the year to 30 June 2021.

Manager	LGIM**	Baillie Gifford
Fund name(s)	Diversified Fund	Baillie Gifford Multi-Asset Growth Fund
Structure	Pooled	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.	
Number of resolutions the manager was eligible to vote on over the year	90,870	1,296
What % of resolutions did you vote on for which you are eligible?	98.7%	98.2%
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.7%	1.0%
Of the resolutions, on which you voted, what % did you vote with management?	80.5%	94.3%
Of the resolutions, on which you voted, what % did you vote against management?	18.8%	4.7%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy advisor? (if applicable)*	11.6%	n/a

*as a percentage of possible votes

**LGIM engage with companies at a firmwide level as they are predominantly a passive manager. All voting data is therefore provided at a firmwide level. Source: LGIM and Baillie Gifford.

LGIM employ the use of Institutional Shareholder Services (ISS) as a proxy voting service.

Baillie Gifford employ the use of ISS and Glass Lewis as proxy voting services.

Implementation Statement (Cont)

Significant votes

The Trustee has delegated to the investment managers to define what a “significant vote” is. A summary of the key voting action they have provided is set out below.

LGIM Diversified Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Intel Corporation	CVS Health Corporation	Fuji Electric Co. Ltd.	Sumitomo Mitsui Financial Group
Date of vote	13/05/2021	13/05/2021	25/06/2021	29/06/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.2%	1.5%	1.2%	5.4%
Summary of the resolution(s)	Resolution 5: Report on Global Median Gender/Racial Pay Gap	Resolution 5: Require Independent Board Chair	Resolution 1.1 Elect Director Kitazawa, Michihiro	Resolution 3: Amend Articles to Allow Virtual Only Shareholder Meetings.
How the manager voted	LGIM voted for the resolution (management recommendation: against).	LGIM voted in favour of the shareholder resolution (management recommendation: against).	LGIM voted against the resolution (management recommendation: for).	Against
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

Implementation Statement (Cont)

	Vote 1	Vote 2	Vote 3	Vote 4
Rationale for the voting decision	<p>Transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence their investee companies on having greater gender balance, they expect all companies in which they invest globally to have at least one female on their board. They have stronger requirements in the UK, North American, European and Japanese markets, in line with their engagement in these markets. For further details, please refer to the vote policies on LGIM's website.</p>	<p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles. Furthermore, they have published a guide for boards on the separation of the roles of chair and CEO and they have reinforced their position on leadership structures across their stewardship activities – e.g. via individual corporate engagements and director conferences.</p>	<p>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, they have been using their position to engage with companies on this issue. As part of their efforts to influence our investee companies on having greater gender balance and following a campaign on gender diversity in Japan in 2019, they decided to escalate their voting policy. In 2020, they announced they would be voting against all companies in the large-cap TOPIX 100 index that do not have at least one woman on their board. In 2021, they expanded the scope of their policy to vote against TOPIX Mid 400 companies that do not have at least one woman on the board.</p>	<p>A vote against this proposal is warranted because:- Japanese companies are able to hold virtual meetings using temporary regulatory relief (without amending articles) for two years, but the passage of this proposal will authorize the company to hold virtual meetings permanently, without further need to consult shareholders, even after the current health crisis is resolved.- The proposed language in the articles fails to specify situations under which virtual meetings will be held, raising concerns that meaningful exchange between the company and shareholders could be hindered, especially in controversial situations such as when shareholder proposals are submitted, a proxy fight is waged, or a corporate scandal occurs.</p>
Outcome of the vote	14.3% of shareholders supported the resolution.	24.7% of shareholders supported the resolution.	86.9% of shareholders supported the resolution.	81.6% of shareholders supported the resolution.
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor	LGIM will continue to engage on this important ESG issue. IM will continue to engage with their investee companies, publicly

Implementation Statement (Cont)

	Vote 1	Vote 2	Vote 3	Vote 4
	company and market-level progress.	company and market-level progress.	company and market-level progress.	advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is considered "significant"	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).	LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.	This was a high profile vote where the company proposed a change in articles to allow virtual-only AGMs beyond the temporary regulatory relief effective for 2 years from June 2021.

Baillie Gifford Multi Asset Growth Fund

	Vote 1	Vote 2	Vote 3	Vote 4
Company name	Rio Tinto PLC	Vonovia SE	Galaxy Entertainment Group	JC Decaux
Date of vote	09/04/2021	16/04/2021	13/05/2021	20/05/2021
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.7%	12.2%	3.3%	3.7%
Summary of the resolution(s)	Remuneration Report	Amendment of Share Capital	Incentive Plan	Amendment of Share Capital
How the manager voted	Against	Against	Against	Against
If the vote was against management, did the manager	No	Yes	No	No

Implementation Statement (Cont)

	Vote 1	Vote 2	Vote 3	Vote 4
communicate their intent to the company ahead of the vote?				
Rationale for the voting decision	Baillie Gifford opposed the remuneration report as they did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards.	Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels are not in the interest of shareholders.	Baillie Gifford opposed the Share Option Scheme due to poor disclosure, and the potential conflict of having the plan administrators eligible to participate in the plan. In addition they felt the level of dilution was not in the interests of shareholders.	Baillie Gifford opposed the resolution which sought authority to issue equity because the potential dilution levels were not in the interest of stakeholders.
Outcome of the vote	Pass	Pass	Pass	Pass
Implications of the outcome	Following the submission of their votes, Baillie Gifford engaged with the company to communicate their concerns. Whilst they did not support the backwards looking remuneration report, they took the decision to support the forward looking remuneration policy. They continue to be focused on having good open communication with the leadership team which they believe is valuable as long-term investors.	In advance of AGM, Baillie Gifford contacted the company to see if they could provide assurance that they would not issue shares below Net Tangible Asset (NTA). The company were not able to provide that assurance and therefore Baillie Gifford did not feel it was in their clients' interest to support the equity issuance resolutions. They encourage the company to provide this additional assurance so they could consider supporting in the future.	Baillie Gifford's principle concern was with the poor disclosure of how performance is calculated and awards granted under the Share Option Scheme. The resolution received a significant dissent with a 22% opposition. Following the AGM, Baillie Gifford contacted the company to encourage improved disclosure in this area.	The company requested an authority to issue up to 71% of issued share capital with or without pre-emption rights. This is much larger than authorities usually seen in Europe and could be dilutive to shareholders. Baillie Gifford will look to engage with the company to communicate their concerns and seek to obtain proposals they can support in the future.
Criteria on which the vote is considered "significant"	This resolution is significant because Baillie Gifford opposed remuneration.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.	This resolution is significant because it received greater than 20% opposition.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustee. The table below provides a summary of the engagement activity undertaken by each manager during the year for the relevant funds. The information is given over the year to 30 June 2021.

Manager	LGIM	Baillie Gifford
Fund name(s)	Diversified Fund	Baillie Gifford Multi-Asset Growth Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	Data not provided*	39
Number of engagements undertaken at a firm level in the year	1,003 engagements with 893 companies	3,030

Source: Legal and General and Baillie Gifford

*Legal & General engage with companies at a firm level as they are predominantly a passive manager. As such, all voting data is provided at a firm level

The Trustee believes there is less scope for engagement in relation to the LDI funds, and therefore there is no information shown above for these assets.

Summary

Based on the information received, the Trustee believes that the investment managers have acted in accordance with the Scheme's stewardship policies over the year. The Trustee is supportive of the key voting action taken by the fund managers over the period to encourage positive governance changes in the companies in which the managers hold shares.

The Trustee and their investment consultant are working with the investment managers to provide additional information in the future in order to enhance their ability to assess the investment managers' actions.