

THUS Group plc Pension Scheme

**Annual Implementation  
Statement – Scheme year  
ending 31 December 2020**

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## Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the THUS Group plc Pension Scheme (“the Scheme”) covering the Scheme year (“the year”) from 1 January 2020 to 31 December 2020.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Trustees’ policies on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) have been adhered to during the year; and
- A description of voting behaviour (including the most significant votes made on behalf of the Trustees) and any use of a proxy voter during the year.

The SIP is a document which outlines the Trustees’ policies with respect to various aspects related to investing and managing the Scheme’s assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online [here](#).

This statement reflects the Scheme year 1 January 2020 to 31 December 2020. The SIP linked above reflects the latest version which is dated September 2020. Prior to this version, the SIP which covered the majority of Scheme year was dated September 2019.

Following a review of the September 2019 SIP in 2020, the Trustees made the following changes which are reflected in the September 2020 version:

- The benchmark investment strategy was updated to reflect the Trustees’ decision to invest in a Liability Driven Investment mandate
- Addition of monitoring policies with respect to Environmental, Social and Governance (‘ESG’) issues. A brief summary of the changes made are as follows:
  - The investment management agreement may be ceased for reasons including policies in relation to ESG issues.
  - The investment manager’s policies in relation to ESG issues and performance are reviewed periodically to ensure that the funds invested in remain appropriate and consistent with the Trustees’ approach, policies and objectives.
  - The Trustees have appointed the investment manager with an expectation of a long-term partnership, which encourages active ownership of the Scheme’s assets and effective ESG management (which the Trustees believe is best reflected in the overall long-term performance of the manager).

## Section 2: How the Trustees have adhered to their engagement and voting policies

The Trustees' policies on voting and engagement, as stated in the SIP are:

- The Trustees' policy is to take into account factors that are considered to be financially material such as potential future returns and risks of any investments made. ESG-related matters, including broad corporate governance issues, effective stewardship and more specific considerations such as climate change and research and development practices are considered to be financially material by the Trustees. The Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment managers in the exercise of their delegated duties.
- The Trustees recognise that a company's long-term financial success is influenced by a range of factors including appropriate management of ESG issues. Whilst it is the Trustees' preference that all companies should be run in a socially responsible way, they take the view that their primary responsibility is to act in the best financial interests of the members of the Scheme.
- The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers.
- The Trustees' policy is that the extent to which social, environmental or ethical considerations are taken into account in these decisions is left to the discretion of the investment manager. However, the Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment manager in the exercise of its delegated duties. In the case of Legal & General, the Trustees recognise that it is likely that, as a result of the passive nature of the investments, there are likely to be limited occasions when the manager would take account of such considerations in its selection of investments.
- The Trustees expect their investment manager, where appropriate, to engage with companies (and other relevant persons including, but not limited to, other investment managers, other stakeholders, and issuers/other holders of debt and equity) on matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest risks, and ESG issues concerning the Trustees' investments. The Trustees believe such engagement will protect and enhance the long-term value of their investments and incentivise the investment manager to take a long-term view of the performance of their investments. The Trustees review their investment manager's policies in these areas to satisfy themselves that they broadly meet with the Trustees' views.
- In order to incentivise the investment manager to align its investment strategies and decisions with the Trustees' policies, the Trustees (with the assistance of the investment advisor): (i) assess the manager's policies, processes and views when selecting the investment managers; (ii) set investment objectives and benchmarks to be complied with by the investment managers which reflect relevant policies of the Trustees; and (iii) monitor the investment managers' performance.
- Should the Trustees' monitoring process reveal that, in their view, any of the investment manager's mandates are not sufficiently aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, and taking account of potential alternative options and implications for the governance requirements of the Scheme, the manager will be terminated and replaced.
- To maintain alignment, the investment manager is provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis. The Trustees also seek information regarding the manager's policies to consider whether the Scheme's assets are managed in line with the Trustees policies as outlined in the Statement of Investment Principles. As part of this monitoring process the investment manager provides the Trustees

with regular monitoring reports, which include information on the investment manager's approach to allowing for ESG issues.

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the manager to exercise those rights. The manager is expected to exercise these rights and engage with companies with care and diligence that could reasonably be expected of a prudent professional investment manager, taking into account any relevant policies adopted by the Trustees from time to time and their impact on eligible participants and beneficiaries of the Scheme over an appropriate time horizon.

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustees otherwise delegate responsibility for the exercising of voting rights to the Scheme's investment manager, it is the responsibility of the Trustees to monitor, review and engage with investment managers with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Corporate engagement is the responsibility of the managers of pooled funds and is otherwise delegated to the Scheme's investment manager because the Trustees believe that that manager is best placed to manage this engagement. The Trustees monitor, review and engage with the manager on how it has undertaken these activities.

Over the year, the Trustees have undertaken a number of actions in line with these policies as set out below:

- Over the year, the Trustees received training from the Scheme's investment manager, LGIM, on sustainability and ESG issues (at the September 2020 Trustee meeting).
- LGIM has also continued to provide the Trustees with quarterly statements on its ESG policies and actions.

As set out in section 4, the Trustees believe that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment manager's stewardship practices on an ongoing basis.

## Section 3: Voting information

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment managers.

The Scheme's equity holdings are invested with Legal & General Investment Management ("LGIM"), in the following pooled investment fund(s):

- **LGIM Diversified Fund:** pooled investment fund which invests in bonds and a range of assets including equities, property, commodities, listed infrastructure, private equity and global real estate companies. The fund's performance is compared to the FTSE Developed World Index – 50% Hedged.
- **LGIM All World Equity Index Fund:** pooled investment fund investing in global equities, which aims to track the performance of the FTSE ALL-World Index to within +/- 0.5% per annum for two years out of three.
- **LGIM All World Equity Index Fund – GBP Currency Hedged:** pooled investment fund investing in global equities, which aims to track the performance of the FTSE ALL-World Index (GBP Hedged) to within +/- 0.5% per annum for two years out of three. The fund is GBP hedged with the exception of emerging markets.

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment manager. This section sets out the voting activities of the Scheme's equity investment manager over the year, including details of the investment manager's use of proxy voting.

LGIM have their own voting policies that determine their approach to voting and the principles they follow when voting on investors' behalf. LGIM also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use or proxy advisor services:
<p><b>LGIM</b></p>	<p>LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision.</p> <p>LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.</p> <p>LGIM have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.</p>

As outlined in the SIP, the Trustees recognise the UK Stewardship Code 2020 and monitor the Scheme's investment managers adherence to the Code. LGIM are signatories to the code. Their latest statement of compliance can be found via the link below:

LGIM: <https://www.lgim.com/landq-assets/lgim/document-library/capabilities/uk-stewardship-code.pdf>

The below table sets out the voting activity of the Scheme's equity investment managers, on behalf of the Trustees, over the year:

Manager and strategy	Portfolio structure	Voting activity
LGIM Diversified Fund	Pooled investment fund	<p><b>Number of meetings at which the manager was eligible to vote:</b> 10,973</p> <p><b>Number of resolutions on which manager was eligible to vote:</b> 112,453</p> <p><b>Number of votes cast:</b> 111,328</p> <p><b>Percentage of eligible votes cast:</b> 98.76%</p> <p><b>Percentage of votes with management:</b> 81.87%</p> <p><b>Percentage of votes against management:</b> 17.48%</p> <p><b>Percentage of votes abstained from:</b> 0.55%</p> <p><b>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management:</b> 6.26%</p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:</b> 0.18%</p>
LGIM All World Equity Index Fund  LGIM All World Equity Index Fund (GBP Currency Hedged)	Pooled investment fund	<p><b>Number of meetings at which the manager was eligible to vote:</b> 7323</p> <p><b>Number of resolutions on which manager was eligible to vote:</b> 73595</p> <p><b>Number of votes cast:</b> 72,859</p> <p><b>Percentage of eligible votes cast:</b> 99.42%</p> <p><b>Percentage of votes with management:</b> 83.57%</p> <p><b>Percentage of votes against management:</b> 15.59%</p> <p><b>Percentage of votes abstained from:</b> 0.84%</p> <p><b>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management:</b> 5.55%</p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser:</b> 0.19%</p>

\*Voting statistics are out of total eligible votes and are sourced from the investment manager LGIM

The following table outlines a number of significant votes cast by the Scheme's investment managers on the Trustees' behalf. The commentary set out below is based on detail in the relevant manager's reports on the votes cast. LGIM reported on the most significant votes cast within the funds managed on behalf of the scheme over the year to 31 December 2020, including the rationale for the voting decision and the outcome of the vote. A number of these key votes is set out below.

Significant votes cast	Coverage in portfolio
<p><b><u>Company: Qantas Airways Limited</u></b></p> <p><b><u>Meeting date: 23 October 2020</u></b></p> <p><b>Management resolution:</b> Resolution 3 Approve participation of Alan Joyce in the Long-Term Incentive Plan; Resolution 4 Approve Remuneration Report.</p> <p><b>How the manager voted:</b> Against Resolution 3, For Resolution 4.</p> <p><b>Rationale:</b> The COVID crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. In collaboration with our Active Equities team, LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. The voting decision ultimately sat with the Investment Stewardship team. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs, which is against best practice. We voted against resolution 3 to signal our concerns</p> <p><b>Outcome:</b> About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration.</p>	<p>LGIM Diversified Fund</p>
<p><b><u>Company: Amazon</u></b></p> <p><b><u>Meeting date: 27 May 2020</u></b></p> <p><b>Management Resolution:</b> Shareholder resolutions 5 to 16</p> <p><b>How the manager voted:</b> Of 12 shareholder proposals, we voted to support 10. We looked into the individual merits of each individual proposal, and there are two main areas which drove our decision-making: disclosure to encourage a better understanding of process and performance of material issues (resolutions 5, 6, 7, 8, 10, 13, 15 and 16) and governance structures that benefit long-term shareholders (resolutions 9 and 14).</p> <p><b>Rationale:</b> In addition to facing a full slate of proxy proposals, in the two months leading up to the annual meeting, Amazon was on the front lines of a pandemic response. The company was already on the back foot owing to the harsh workplace practices alleged by the author of a seminal article in the New York Times published in 2015, which depicted a bruising culture.</p> <p>The news of a string of workers catching COVID-19, the company's response, and subsequent details, have all become major news and an important topic for our engagements leading up to the proxy vote. Our team has had multiple engagements with Amazon over the past 12 months. The topics of our engagements touched most aspects of ESG, with an emphasis on social topics: Governance: Separation of CEO and board chair roles, plus the desire for directors to participate in engagement meetings Environment: Details about the data transparency committed to in their 'Climate Pledge' Social: Establishment of workplace culture, employee health and safety</p> <p>The allegations from current and former employees are worrying. Amazon employees have consistently reported not feeling safe at work, that paid sick leave is not adequate, and that the company only provides an incentive of \$2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. We discussed with Amazon the lengths the company is going to in adapting their working environment, with claims of industry leading safety protocols, increased pay, and adjusted absentee policies. However, some of their responses seemed to have backfired. For example, a policy to inform all workers in a facility if COVID-19 is detected has definitely caused increased media attention.</p> <p><b>Outcome:</b> Resolution 5 to 8, and 14 to 16 each received approx. 30% support from shareholders. Resolutions 9 and 10 received respectively 16.7% and 15.3% support.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>

<p>Resolution 11 received 6.1% support. Resolution 12 received 1.5% support. Resolution 13 received 12.2% support. (Source: ISS data).</p>	
<p><b><u>Company: Barclays</u></b>  <b><u>Meeting date: 07 May 2020</u></b>  <b>Management resolution:</b>  Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change  Resolution 30 - Approve ShareAction Requisitioned Resolution  <b>How the manager voted:</b> LGIM voted for resolution 29, proposed by Barclays and for resolution 30, proposed by ShareAction.  <b>Rationale:</b> The resolution proposed by Barclays sets out its long-term plans and has the backing of ShareAction and co-filers. We are particularly grateful to the Investor Forum for the significant role it played in coordinating this outcome.  <b>Outcome:</b>  Resolution 29 - supported by 99.9% of shareholders  Resolution 30 - supported by 23.9% of shareholders (source: Company website)</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p><b><u>Company: Olympus Corporation</u></b>  <b><u>Meeting date: 30 July 2020</u></b>  <b>Management resolution:</b> Resolution 3.1: Elect Director Takeuchi, Yasuo' at the company's annual shareholder meeting.  <b>How the manager voted:</b> LGIM voted against the resolution  <b>Rationale:</b> Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM have for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level we consider that every board should have at least one female director. We deem this a de minimis standard. Globally, we aspire to all boards comprising 30% women. Last year in February we sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that we expect to see at least one woman on the board. One of the companies targeted was Olympus Corporation.  In the beginning of 2020, LGIM announced that we would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100.  LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue.  <b>Outcome:</b> 94.90% of shareholders supported the election of the director</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p><b><u>Company: ExxonMobil</u></b>  <b><u>Meeting date: 27 May 2020</u></b>  <b>Management resolution:</b> Resolution 1.10 - Elect Director Darren W. Woods  <b>How the manager voted:</b> LGIM voted against the resolution  <b>Rationale:</b> In June 2019, under our annual 'Climate Impact Pledge' ranking of corporate climate leaders and laggards, we announced that we will be removing ExxonMobil from our Future World fund range, and will be voting against the chair of the board. Ahead of the company's annual general meeting in May 2020, we also announced we will be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, our voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration.  <b>Outcome:</b> 93.2% of shareholders supported the re-election of the combined chair and the CEO Darren Woods. 30% supported the proposals for independence and lobbying.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>

<p><b><u>Company: Pearson</u></b></p> <p><b><u>Meeting date: 18 September 2020</u></b></p> <p><b>Management resolution:</b> 'Resolution 1: Amend remuneration policy' was proposed at the company's special shareholder meeting, held on 18 September 2020.</p> <p><b>How the manager voted:</b> LGIM voted against the amendment to the remuneration policy.</p> <p><b>Rationale:</b> Pearson issued a series of profit warnings under its previous CEO. Yet shareholders have been continuously supportive of the company, believing that there is much value to be gained from new leadership and a fresh approach to their strategy. However, the company decided to put forward an all-or-nothing proposal in the form of an amendment to the company's remuneration policy. This resolution at the extraordinary general meeting (EGM) was seeking shareholder approval for the grant of a co-investment award, an unusual step for a UK company, yet if this resolution was not passed the company confirmed that the proposed new CEO would not take up the CEO role.</p> <p>This is an unusual approach and many shareholders felt backed into a corner, whereby they were keen for the company to appoint a new CEO, but were not happy with the plan being proposed. However, shareholders were not able to vote separately on the two distinctly different items, and felt forced to accept a less-than-ideal remuneration structure for the new CEO.</p> <p>LGIM spoke with the chair of the board earlier this year, on the board's succession plans and progress for the new CEO. We also discussed the shortcomings of the company's current remuneration policy.</p> <p>We also spoke with the chair directly before the EGM, and relayed our concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. We also asked that the post-exit shareholding requirements were reviewed to be brought into line with our expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.</p> <p><b>Outcome:</b> 94.90% of shareholders supported the election of the director.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
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## Section 4: Conclusion

The Trustees believe that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment manager over the year, and reviewing the voting information outlined in this statement, the Trustees are satisfied that LGIM are acting in the Scheme members' best interests and are effective stewards of the Scheme's assets.

The Trustees will continue to monitor the investment manager's stewardship practices on an ongoing basis.

# Appendix 1: LGIM's voting policy

## **Policy on consulting clients:**

LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

## **Process for deciding how to vote:**

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

## **Use of proxy voting services:**

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.