

Daniel Thwaites 1959 Pension Scheme

Implementation Statement as at 31 December 2020

Purpose of the Implementation Statement

This statement has been produced by the Trustees of the Daniel Thwaites 1959 Pension Scheme (the Scheme) for the purpose of monitoring how the Trustees' policies on engagement and voting set out in the Scheme's Statement of Investment Principles (SIP) have been followed over the year.

How voting and engagement policies have been followed

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

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

- The Trustees undertook an initial review of the stewardship and engagement activities of the current managers in June 2020. The Trustees received stewardship reports from State Street Global Advisors, Carnegie Worldwide Asset Management and M&G, who were the Scheme's only managers at this time, and were satisfied that their policies were reasonable and no remedial action was required at that time.
- The Trustees request voting information and engagement policies from the Scheme's investment managers periodically, which is then reviewed to ensure alignment with the Trustees' own policies. This Implementation Statement shows information on voting and engagement activities carried out on behalf of the Scheme over the year to 31 December 2020.
Having reviewed the voting and engagement data provided by the managers, the Trustees are comfortable with the actions of the fund manager and their alignment with the Scheme's stewardship policies. However, the data provided by State Street was very limited therefore the Scheme's Investment Consultants will be liaising with State Street to improve their reporting in the future.
- During the year, State Street Global Advisors announced that from 18 November 2020 they would be integrating some exclusions across their Managed Pension Fund (MPF) range. The Scheme invests in two of the equity funds within this fund range (now named the UK ESG Screened Index Equity Sub-Fund and the All World Developed ESG Screened Index Sub-Equity Fund). The benchmark of these funds changed to the FTSE ex-CW ex-Controversies index range and the change meant that the funds would no longer invest in the equities of companies that breach the FTSE definition of controversial weapons and controversies/UN Global Compact Violators. The Trustees reviewed these changes against their policy within the Statement of Investment Principles and concluded that these changes were in line with their policy.
- The Trustees appointed two new managers over the year, Janus Henderson, and CQS. The managers were selected in 2019 before the Trustees agreed their policies in relation to ESG and stewardship. Despite this, the Trustees did review the ESG policies of the selected managers at the 6 November 2019 Trustee meeting. Voting and Stewardship policies were requested from the new managers ahead of producing this Implementation Statement, and this information will be reviewed by the Trustees annually alongside their other managers in future years.

Summary of Voting Data

This section provides a summary of the voting activity undertaken by the Scheme's equity managers on behalf of the Trustees over the year to 31 December 2020.

| Manager | State Street Global Advisors | | Carnegie Worldwide Asset Management |
|---|---|--|-------------------------------------|
| Fund name | UK ESG Screened Index Equity Sub-Fund | All World Developed ESG Screened Index Sub-Equity Fund | C Worldwide Global Equity Fund |
| Structure | Pooled | | |
| Ability to influence voting behaviour of manager | 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 | 738 | 1,627 | 33 |
| Number of resolutions the manager was eligible to vote on over the year | 10,813 | 21,912 | 458 |
| Percentage of resolutions the manager voted on | 100.0% | 99.6% | 100.0% |
| Percentage of resolutions the manager abstained from* | 0.6% | 0.6% | 0.0% |
| Percentage of resolutions the manager withhold their vote** | 0.0% | 1.1% | 0.0% |
| Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on | 91.5% | 88.3% | 95% |
| Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on | 8.0% | 10.0% | 5% |
| Percentage of resolutions voted <i>contrary</i> to the recommendation of the proxy advisor | | n/a | 9% |

*By abstaining, one states that one is uncertain of the arguments for or against the alternatives which form the subject of a ballot or vote
 **By withholding a vote, one states either of the following: 1. one principally disagrees with one or both (or all) of the alternatives which form the subject of a ballot of vote; 2. one is opposed to one or both or all the alternatives being voted on

Voting activity over the year to 31 December 2020 | Significant votes

For the first year of implementation statements the Trustees have asked the investment managers to define what a "significant vote" is at their discretion. In future, the Trustee may wish to specify what it considers to be a "significant vote" for reporting purposes. A summary of the data they have provided is set out below.

Data on significant votes was requested from State Street. However, the data provided by State Street, which is set out in the table below, was very limited. The Trustees' Investment Consultants are liaising with the managers to improve delivery of the data in future, and we understand that the managers are working to improve their disclosures

State Street Equity funds

| | Vote 1 | Vote 2 | Vote 3 |
|---|--|---------------------------------------|---|
| Company name | Saputo Inc. | FedEx Corporation | Tesla, Inc. |
| Date of vote | 06/08/2020 | 21/09/2020 | 22/09/2020 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | | n/a | |
| Summary of the resolution | Link Executive Pay to Social Criteria | Link Executive Pay to Social Criteria | Miscellaneous Proposal - Environmental & Social |
| How the manager voted | Against | Against | Against |
| If the vote was against management, did the manager communicate their intent to the company ahead of the vote? | | n/a | |
| Rationale for the voting decision | This item does not merit support due to concerns with the terms of the proposal. | | |
| Outcome of the vote | | n/a | |
| Implications of the outcome | | n/a | |
| Criteria on which the vote is considered "significant" | Any vote against is considered to be a significant vote. | | |

Carnegie Worldwide Asset Management C Worldwide Global Equity Fund

| | Vote 1 | Vote 2 | Vote 3 |
|---|--|---|--|
| Company name | Procter & Gamble | Amazon.com | Visa |
| Date of vote | 13/10/2020 | 27/05/2020 | 28/01/2020 |
| Approximate size of fund's holding as at the date of the vote (as % of portfolio) | 3% | 5.7% | 8.0% |
| Summary of the resolution | To further report and disclose the companies work to eliminate deforestation and to publish annually a report assessing diversity and inclusion efforts. | Reducing environmental and health harms to communities of colour, and promotion of velocity rates. | Elect Director Lloyd Carney |
| 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? | No | n/a | n/a |
| Rationale for the voting decision | Even though these are topics the company considers today; we do believe investors will benefit more from increased and detailed disclosures by P&G. | Like last year there was an excessive amount of shareholder proposals for the AGM at Amazon. We voted against two of these proposals. Amazon has increased its environmental efforts both in terms of targets and actions; they still lag in several areas but increased improvement around disclosure/targets should have broader/global scope. Amazon do seem to lag on disclosure on velocity rates compared to peers, but proposed disclosure is not among best practice. | Just as ISS released its recommendations on Visa, we were to meet Visa in San Francisco. We addressed the issue posed by ISS and got a solid response from Visa that Lloyd Carney is expected to step down from his executive role at ChaSerg later this quarter. We thus voted with management and against the ISS recommendation on the election of Lloyd Carney as a Director of the Board. |

| | Vote 1 | Vote 2 | Vote 3 |
|---|--|--|--|
| Outcome of the vote | Following the meeting it turned out that this proposal had received a massive 67% shareholder support, which is quite significant for these types of environmental issues. | Proposals not approved. | Proposal approved. |
| Implications of the outcome | n/a | n/a | n/a |
| Criteria on which the vote is considered "significant" | Due to the massive shareholder support it received. | The company is one of our larger positions | The company is one of our larger positions |

Engagement activity over the year to 31 December 2020

| Manager | State Street Global Advisors | | Carnegie Worldwide Asset Management |
|---|---|--|-------------------------------------|
| Fund name | UK ESG Screened Index Equity Sub-Fund | All World Developed ESG Screened Index Sub-Equity Fund | C Worldwide Global Equity Fund |
| Does the manager perform engagement on behalf of the holdings of the fund | Yes | Yes | Yes |
| 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 | Not available at Fund level | 332 | Not available at Fund level |
| Number of engagements undertaken at a firm level in the year | 1,721 (672 were comprehensive engagements i.e. meetings/conference) | | 200 |
| Examples of engagements undertaken with holdings in the fund | See below | | |

| Manager | CQS | Janus Henderson | M&G |
|---|-----------------------------|--|------------------------------------|
| Fund name | CQS Credit Multi-Asset Fund | Janus Henderson Multi-Asset Credit Fund | M&G All Stocks Corporate Bond Fund |
| Does the manager perform engagement on behalf of the holdings of the fund | Yes | Yes | Yes |
| 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 | 171 | The manager does not track engagements in Fixed Income or per strategy | n/a |
| Number of engagements undertaken at a firm level in the year | 211 | 776 | n/a |

| Manager | CQS | Janus Henderson | M&G |
|---|-----|-----------------|-----|
| Examples of engagements undertaken with holdings in the fund | | See below | |

Examples of engagements undertaken with holdings in the fund

State Street Global Advisors (firm level)

Third Anniversary of Fearless Girl Campaign: Progress Continues

In March 2020, State Street celebrated the Fearless Girl campaign's third anniversary and International Women's Day by creating a "Living Wall," which highlighted the number of companies that have added their first female director to their boards since they began their campaign in March 2017. The campaign began with State Street placing a statue of a girl near Wall Street and calling on companies to have at least one woman on their boards, failing which, they would take voting action against directors on the board. State Street built on the strong momentum from our efforts in the US, the UK and Australia in 2017, and expanded their gender diversity voting guidelines to Europe, Canada and Japan in 2018.

After three years of productive engagements and voting, since the introduction of Fearless Girl in 2017, 681 companies, or approximately 49 percent of companies identified by State Street Global Advisors, responded to their call by adding a female director.

Mylan N.V.'s Supply-Chain Resilience

In State Street's engagement with global pharmaceutical company Mylan, they discussed the company's decentralized global supply-chain system that has various production facilities across the globe. As COVID-19 hit different areas of the world at different times, Mylan was able to navigate and leverage the different aspects of its supply chain, allowing it to experience minimal disruptions and deliver critical medicines to patients.

Commonwealth Bank of Australia

This year State Street continued their constructive dialogue with Commonwealth Bank of Australia around corporate culture, remuneration and sustainability reporting. As a result of engagement with investors, the company conducted and published an annual report that aligns with the Sustainability Accounting Standards Board (SASB) materiality map. This market-leading report also continued to build off of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations through a robust climate scenario analysis. State Street Global Advisors will continue to use both the TCFD and SASB frameworks as road maps to provide quality ESG data and disclosure critical for effective investment analysis.

C Worldwide Global Equity Fund

Hoya Corporation

Hoya is a global med-tech company based in Japan. Carnegie participated in an engagement call with Hoya where climate change and science-based targets were discussed, where they also discussed its process of engaging with its supplier base on human rights and signing Hoya's Code of Conduct (which 90% currently have done – compared to 80% 12 months ago), and considerations on auditing as the next step.

Ping An

Carnegie had a call with the Chinese insurance company, Ping An, to follow-up on key developments since they had their initial ESG call with them about a year ago. At that time, the company recently started their "ESG journey" focusing on evaluating key issues and building internal structures and capabilities to address those. Over the past year, one of the key focus areas has been on ESG integration of its own investments (including commitment to global initiatives such as TCFD and Climate Action 100+). Most interestingly Ping An has introduced their own AI powered ESG framework CN-ESG to:

- guide their investment teams in ESG integration
- help Chinese companies improve ESG integration and disclosure
- design ESG ratings better customized to Chinese companies (with a strong focus on environmental factors).

In terms of integration of ESG across Chinese companies Ping An sees the framework as a very important driver as only a small number of Chinese companies are covered by global ESG providers today e.g. MSCI covers ~500 companies. The framework was launched just before the summer, but Ping An have already seen a lot of interest from Chinese companies, regulators, stock exchanges, as well as foreign investors.

CQS Credit Multi-Asset Fund

Legoplaste – Environment

CQS's objective is to bring about a new sustainability-driven margin ratchet. CQS is a long term member of the loan syndicate for Logoplaste, and were strong and early supporters of an amendment to the pricing structure to incorporate an ESG pricing ratchet therefore CQS believed it important that they were part of the discussions. Support of a sustainability-driven margin ratchet aligns with our ESG policy, conducive to investing companies supportive of the UN SDGs.

They worked with the sponsor, Carlyle, and borrower on a sustainability linked margin ratchet. On call with sponsor and management, CQS discussed green KPIs and a methodology that would drive a new sustainability-driven margin ratchet, whereby the company will adjust its cost of debt by +/- 5 basis points based on missing / hitting green targets. The company is the first sponsor-backed term loan B issuer that has launched such an initiative in the European market.

CQS facilitated and invested in the first institutional term loan with interest payments directly linked to ESG factors. An amendment from Logoplaste has set a record by creating the first institutional term loan with interest payments directly linked to ESG factors CQS was involved ahead of the broader loan syndicate, and provided early support and feedback for the initiative. CQS expect to see more such arrangements where economic and sustainability objectives coincide.

The engagement was a success and CQS continue to monitor opportunities to engage to bring about more loan arrangements where economic and sustainability objectives coincide.

Survitec – Governance

CQS formed part of an Ad-Hoc Group to engage collaboratively with Survitec. The reason for the engagement is because they believed that the construction of the Board lacked diversity in terms of experience and expertise; a governance factor they champion in their pre-investment due diligence. Furthermore, they found that the company's values were out of date and so could potentially negatively impact the stakeholders – including our investors.

After forming part of the Ad-Hoc Group, CQS undertook a series of meetings to discuss governance and corporate structure. As part of our intensive programme of engagement with the company, it became clear to us that they had an inadequate governance structure, with lack of diversity on the board, an inability to hold management to account and an unsatisfactory corporate culture all contributing to the problems experienced by the company. Therefore improving the governance became a core objective of our engagement. CQS worked closely with the other members of the Ad Hoc Group to ensure the new directors would bring diversity of experience and expertise, including skillsets in operational turnaround/post-merger integration, corporate restructuring and the end markets Survitec was selling into, to help drive through the business transformation in keeping with the new values of the business, centred on safety, trust, integrity and excellence. CQS formed part of the selection committee for the new Executive Chairman and were instrumental in selecting a candidate who combined all these desired skills with what we judge to be a strong moral compass to set the business on the right footing.

The outcome of our engagement with Survitec has been wholesale business transformation, with a new Board of Directors and new Executive Chairman bringing greater diversity in terms of experience and expertise, and a set of values for the company which CQS believe are much more in keeping with the 21st century and better for all stakeholders – including our investors. CQS reviewed their response and believe it is appropriate. CQS continue to monitor any news flow carefully.

Janus Henderson Multi-Asset Credit Fund

Archroma (specialty chemicals) – Sustainability

Henderson engaged with Archroma through various calls to review their ESG credentials given that the management of the company have always emphasised how sustainability is a key part of their strategy.

Following the engagement, the company have committed to a more sustainable approach through “The Archroma Way to a Sustainable World: Safe, efficient, enhanced, it’s our nature”. This has included Product innovation such as dyes that reduce water and energy consumption in the textile manufacturing process, a 100% water-based coatings portfolio, the use of natural dyes in textiles and packaging, and a renewable and recyclable replacement for polyethylene in food packaging. They also operate a zero-discharge manufacturing process.

Henderson have gained a greater comfort around the issuer - as a manufacturer of chemicals Archroma had previously been rated as Orange on Henderson’s internal ESG scoring framework due to the associated environmental and safety risks. However, they have now upgraded Archroma to Green and as a result are the first EU chemical business to be rated Green.

Flamingo Horticulture (Agricultural Products) – Carbon footprint

Henderson engaged with Flamingo Horticulture through various calls to review their ESG credentials, explore how the pandemic has impacted their supply chain and discuss ways to lower the company's carbon footprint.

Currently, the company has not faced any supply chain disruption in its air freight based model, but Henderson continue to engage with Flamingo to ensure the viability of its long-term business through the identification and adoption of alternative technology to utilise more environmentally friendly distribution. Regarding a shift to heated greenhouses, there is currently no data available on how the carbon footprints of these models compare, but the company is reviewing further. The company did note the social benefits to local communities in Africa from employment, and the provision of education and health facilities through Fairtrade produce premiums, should not be ignored. The company has also adopted multiple measures at its farms to protect its workers given the covid19 pandemic – including providing more transport from local villages to allow for better social distancing and health checks on the farms themselves.

Henderson will follow up with the company once they have conducted their analysis of the impact on the company's carbon footprints from these alternative options. In the meantime, Henderson have taken comfort that the company is receptive to these ideas and remain invested in the issuer.

M&G All Stocks Corporate Bond Fund

GlaxoSmithKline – Climate change

M&G engaged with GlaxoSmithKline to discuss its climate change strategy and to enquire into supply chain transparency.

M&G held a dedicated engagement with senior individuals across the environment, anti-microbial and supply chain teams. They also shared a detailed agenda and list of questions ahead of the meeting to cover the following issues: board responsibility for meeting climate targets; technical expertise relating to climate change; progress on the Industry Roadmap For Progress on Combating Antimicrobial Resistance (IFPMA); manufacturing and supply chains; current framework for managing antibiotic discharge from manufacturing; and supply chain and supply chain mapping to identify risks and key areas exposed to extreme weather events.

The board now aims to focus more on environmental issues, will decide what environmental positioning it wants to add and build from the ground up. The company does not yet have any climate-related targets linked to incentivisation, but has flagged this to the remuneration committee. The remuneration committee is reviewing how goals are structured and will consider whether changes need to be made.

Summary

Based on the information above we believe that the policies set out in the Scheme's Statement of Investment Principles (SIP) have been followed over the year. Where possible, the Trustees have taken reasonable endeavours to obtain information from each of the Scheme's managers on their approach to integrating ESG. The Scheme's investment managers have behaved as expected over the year and the Trustees have continued to invest the Scheme's assets in the best interests of its members and beneficiaries. Taking the key voting information into account, the Trustees believe that the Equity fund managers have acted in accordance with the Scheme's stewardship policies. We note that there are no voting rights attached to government bond (gilt), corporate bond, property or cash holdings, and as such there is no voting information shown above. Additionally, the engagement activity summarised above further reinforces the alignment of the Scheme's stewardship policy with the Funds it is invested in.