Titmuss Sainer Dechert Staff Benefit Scheme Engagement Policy Implementation Statement

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations (“the Regulations”). The Regulations amongst other things require that the Trustee outlines how it has ensured that the stewardship policies and objectives set out in their Statement of Investment Principles ("SIP") have been adhered to over the course of the year.

Introduction

This document has been commissioned by the Trustee of the Titmuss Sainer Dechert Staff Benefit Scheme (the "Scheme") and sets out the actions undertaken by the Trustee, its service providers, including the investment adviser and the investment managers; to implement the policies as set out in the SIP. This document includes voting and engagement information that has been gathered from the investment managers on behalf of the Trustee.

The report covers activities over the period 1 January 2020 to 31 December 2020.

Changes to the SIP over the year to 31 December 2020

The statement of investment principles have been reviewed and revised over the course of 2020 to take account of further changes which are required by the Regulations noted above. A revised SIP was adopted in September 2020; changes adopted included:

- Inclusion of the Trustee's policy on its arrangements with its investment managers, including the monitoring of the investment managers’ strategies and decisions, ensuring alignment to the Trustee’s policy.
- Inclusion of the Trustee's policy on costs and performance, covering the evaluation of the appointed investment manager’s performance and their remuneration.
- Amendments of the Trustee's Stewardship policy to account for the review of the investment managers.

The Scheme's stewardship policy

The relevant extract of the SIP (as at the Scheme's financial year-end 31 December 2020) covering the Scheme's voting and engagement policy is as follows:

"The Trustee Directors recognise the importance of their stewardship role and the need to ensure the highest standards of governance and corporate responsibility in the underlying companies in which it invests, directly and via pooled funds.

The Trustee Directors expect the Scheme’s investment managers to use their influence as major institutional investors to carry out the above responsibilities.

The Trustee Directors, in conjunction with their investment consultant, review the stewardship activities of their investment managers on an annual basis, covering both engagement and voting actions. The review will cover the alignment of the Trustee Directors' policies to those of the Scheme’s investment managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustee Directors' rights and duties as a responsible shareholder and asset owner.

From time to time, the Trustee Directors will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an investment manager or another holder of debt or equity, and other stakeholders. The Trustee Directors may engage on matters concerning an issuer of debt or equity, *including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.*

Throughout this Statement, the Trustee reviews how the actions of the Scheme's investment managers have aligned with the expectations and principles set out in the SIP.

Scheme activity over the year in relation to the stewardship policy

Updating the Stewardship Policy

Over the year, the Trustee were provided with updates on the evolving regulatory requirements, the importance of stewardship activity and appropriate consideration of ESG factors in investment decision making.

In line with regulatory requirements to expand the SIP, in June the Trustee discussed a number of policies such as costs transparency and incentivising managers. The Trustee also reviewed and expanded the Stewardship policy to be more explicit on expectations and recourse where necessary. The updated wording in the SIP was signed in September 2020 and illustrates how the Trustee recognises the importance of its role as a steward of capital, as well as indicating how the Trustee would review the suitability of the Scheme's investment managers and other considerations relating to voting and methods to achieve their Stewardship policy.

Ongoing monitoring

The Trustee reviews the managers' ESG practices on an annual basis and take advice from their investment adviser with regards to any significant concerns. The Trustee expects the managers to exercise their voting rights wherever possible and to promote positive change in the funds and companies in which they invest on the Scheme’s behalf.

The Trustee receives regular investment updates from its Investment Consultant, including on matters relating to responsible investment.

The Trustee receives, on a quarterly basis, monitoring reports outlining the valuation of all investments held, the performance of these investments and any significant transactions made during the quarter. Investment returns are compared against appropriate performance objectives to monitor the relative performance of these investments.

At the November Trustee meeting the Trustee received a presentation from LGIM regarding its Environmental, Social and Governance (ESG) framework which also summarised the different approaches they take to implementing responsible investing. The Trustee noted the ways LGIM uses its scale to influence behaviours and escalates any concerns through voting, direct engagement with companies, regulators; and public pressure through name and shame. A number of examples were discussed.

Voting and Engagement – Equity and Multi-Asset Funds

The Trustee considers a significant vote broadly as a vote which the respective manager deems most significant to the Scheme, or a vote where more than 15% of votes were cast against management.

The Scheme invests in the following funds:

Manager	Fund Name
Legal & General Investment Management (LGIM)	UK Equity Index (Fund was sold on 1 October 2020)
Legal & General Investment Management (LGIM)	World Developed Equity Index
Legal & General Investment Management (LGIM)	World Developed Equity Index (GBP Hedged)
Legal & General Investment Management (LGIM)	World Emerging Markets Equity Index
Newton	BNY Mellon Real Return Fund
Schroders	Diversified Growth Fund

All managers use the services of respective proxy voting organisations for various services that may include research, vote recommendations, administration, vote execution.

Legal & General Investment Management (LGIM)

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 they do not outsource any part of the strategic decisions. To ensure the proxy provider votes in accordance with LGIM's position on ESG, they have put in place a custom voting policy with specific voting instructions. 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 LGIM's clients. LGIM's voting policies are reviewed annually and take into account feedback from their 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 LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM state that they also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Summary Voting Statistics

The following table outlines the voting data provided by LGIM for the year to 31 December 2020. Please note that the Scheme sold its holdings in the UK Equity Index Fund on 1 October 2020. Due to LGIM's stewardship reporting, data until 31 December 2020 for this fund has been included.

LGIM World Emerging Markets Equity Index Fund (HN) over year to 31 December 2020	
Number of resolutions eligible to vote on over the year to 31/12/2020	37,948
% of resolutions voted on for which the fund was eligible	99.84%
Of the resolutions on which the fund voted, % that were voted against management	12.93%
Of the resolutions on which the fund voted, % that were abstained from	1.50%

LGIM UK Equity Index Fund (N) over year to 31 December 2020	
Number of resolutions eligible to vote on over the year to 31/12/2020	13,941
% of resolutions voted on for which the fund was eligible	99.94%
Of the resolutions on which the fund voted, % that were voted against management	6.95%
Of the resolutions on which the fund voted, % that were abstained from	0.01%

LGIM World Developed Equity Index Fund (GPBG) over year to 31 December 2020	
Number of resolutions eligible to vote on over the year to 31/12/2020	33,957
% of resolutions voted on for which the fund was eligible	99.42%
Of the resolutions on which the fund voted, % that were voted against management	18.70%
Of the resolutions on which the fund voted, % that were abstained from	0.12%

Voting & Engagement Example

An example of a significant vote was LGIM voting against the resolution to amend a remuneration policy proposed by Pearson at the company's special shareholder meeting on 18 September 2020. This resolution 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. 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.

LGIM spoke with the chair of the board on the board's succession plans and progress for the new CEO. LGIM also discussed the shortcomings of the company's current remuneration policy.

LGIM also spoke with the chair directly before the EGM and relayed their concerns that the performance conditions were weak and should be re-visited, to strengthen the financial underpinning of the new CEO's award. LGIM also asked that the post-exit shareholding requirements were reviewed to be brought into line with LGIM's expectations for UK companies. In the absence of any changes, LGIM took the decision to vote against the amendment to the remuneration policy.

The outcome of the vote was that at the EGM, 33% of shareholders voted against the co-investment plan and therefore, by default, the appointment of the new CEO. Such significant dissent clearly demonstrates the scale of investor concern with the company's approach. It is important that the company has a new CEO, a crucial step in the journey to recover value; but key governance questions remain which will now need to be addressed through continuous engagement.

This vote was deemed significant on the basis that Pearson has had strategy difficulties in recent years and is a large and well-known UK company, had adopted an unusual approach and LGIM's outstanding concerns.

LGIM's latest annual active ownership report showed that in 2019 they engaged with 493 companies as well as participating in about 30 engagements with regulators, and policy-makers, to improve market standards around the world. LGIM have also begun producing quarterly stewardship reports, more detail on recent activity can be found here: https://www.lgim.com/landg-assets/lgim/_document-library/esg/esg-impact-report-q4-2020.pdf

Newton Investment Management (BNY Mellon fund)

Newton utilise ISS for the purpose of administering proxy voting (notification and lodgement of votes), as well as its research reports on individual company meetings. Only in the event where Newton recognise a potential material conflict of interest do they follow the voting recommendations of ISS.

Newton's Head of Responsible Investment (RI) is responsible for the decision-making process of the RI team when reviewing meeting resolutions for contentious issues. Newton do not maintain a strict proxy voting policy. Instead, Newton prefer to take into account a company's individual circumstances, Newton's own investment rationale and any engagement activities together with relevant governing laws, guidelines and best practices. For the avoidance of doubt, all voting decisions are made by Newton.

Summary Voting Statistics

BNY Mellon Real Return Fund over year to 31 December 2020	
Number of resolutions eligible to vote on over the year to 31/12/2020	1179
% of resolutions voted on for which the fund was eligible	99.20%
Of the resolutions on which the fund voted, % that were voted against management	14.50%
Of the resolutions on which the fund voted, % that were abstained from	0%

In terms of pro-active engagement and as an active manager, Newton consider engaging for information as well as engaging for change to be equally legitimate activities. During Newton's ESG research conducted prior to investing, they identify specific subject matters for engagement. These may include a lack of information being available publicly or a particular policy, provision or practice that is considered suboptimal. These findings can lead to Newton engaging with the company prior to determining their ESG scores and determining the suitability for inclusion in their sustainable investment strategies. Often, the areas identified for engagement are more appropriate to be raised for engagement following the initial investment being made. These are a key feature in engagement carried out with companies that have been identified for engagement through Newton's engagement priority matrix. This tool helps Newton to identify companies most suitable for engagement. The securities are identified based on a combination of factors that include Newton's own ESG quality review score and expected ESG score, aggregated size of clients' position held, industry sector and issuer country. The securities identified are reviewed and prioritised by the relevant RI analyst who will determine the materiality of the issues to be raised and the likelihood of success. Additionally, Newton prioritise engagements based on themes that are a focus for them. Examples of themes extend to climate change, cobalt mining, human capital management and healthy consumers. However, engagement activities cannot always be prioritised but pursuing these can be equally important. Such reactive engagement is often at the company's request and include subjects such as executive pay, guidance on reporting and advice on specific E, S or G factors. As an investor that has taken the active decision to invest, Newton state that they want to be in a position to support the company and its management; as such, they will prioritise these engagement opportunities.

Finally, a further key area for prioritising engagement centres around the exercise of Newton's clients' voting rights at company's shareholder meetings. During the research and analysis conducted by the responsible investment team in determining voting decisions, Newton will identify areas of controversy that they consider could be improved or further explanation needed by way of targeted engagement. In relation to voting, Newton alert a company regarding an action Newton have taken at their annual general meeting (AGM) through writing them an email, to explain the thought process. Newton then often hold a call with the board/investor relations teams to gain a better understanding of the situation and communicate further. This can often be in tandem with the sponsoring global industry analyst.

When Newton are engaging more generally with a company, either as part of a regular check-up, in response to an issue or to better understand a business, Newton either hold a call, or have an in-person meeting with executives/corporate social responsibility/investor relations/board members. Newton also often see companies when they are on a road show, and where appropriate will visit operations.

Voting & Engagement Example

An example of engagement during the period took place in June 2020 with Informa, with the aim of encouraging the company to adopt pay arrangements that reflect best practice (pensions and post cessation holding periods) and better align with performance. Newton had a conference call with the chairman of the remuneration committee, investor relations and the company secretary to discuss the remuneration policy vote at the 2020 AGM. Newton reiterated views from an engagement meeting held earlier in the year that Newton were uncomfortable with the time being taken to implement the 2018 UK Corporate Governance recommendations on aligning executive pensions with the rest of the workforce and utilising post-cessation shareholder requirements. Newton requested and received confirmation that the company would consult shareholders in 2020 and implement the amended policy in the remuneration report put to shareholders at the 2021 AGM. Newton also discussed proposed changes to executives' long-term incentive arrangements, which resulted in the company committing to implement Newton's feedback, which Newton believed better aligned executive reward with the creation of shareholder value.

Schroders

All proxy voting instructions in all markets are submitted using the ISS global voting platform. ISS carry out the individual processing of vote instructions with the custodians and/or company/company agents. For certain holdings of less than 0.5% of share capital in the USA, Australia, New Zealand, Japan, and Hong Kong, Schroders has implemented a custom policy that reflects the views of its ESG policy and is administered by its proxy voting provider. Schroders do provide voting data at a manager level through their various publicly available reports.

Summary Voting Statistics

Schroders Diversified Growth Fund over year to 31 December 2020	
% of resolutions voted on for which the fund was eligible	89%
Of the resolutions on which the fund voted, % that were voted against management	3%
Of the resolutions on which the fund voted, % that were abstained from	0%

Schroders' engagement activities are prioritised based on the materiality of its exposure to the individual companies, either by the total size of assets invested on behalf of clients or by the percentage of shares held.

Schroders generally engages for one of three reasons:

1. To seek improvement in performance and processes to enhance and protect the value of its investments

2. To monitor developments in ESG practices, business strategy and financial performance within a company

3. To enhance its analysis of a company's risks and opportunities

Its mechanisms for engagement varies but typically involves actions such as phone calls, written correspondence, one to one meetings with company representatives and voting. Engagements are prioritised based on the materiality of the issues and size of Schroders' exposure.

When asked about conflicts of interest related to engagement behaviour, Schroders said that it accepts that conflicts of interest arise in the normal course of business. Schroders have a documented Group wide policy, covering such occasions, to which all employees are expected to adhere, on which they receive training, and which is reviewed annually. There are also supplementary local policies that apply the Group policy in a local context. More specifically, conflicts or perceived conflicts of interest can arise when voting on motions at company meetings which require further guidance on how they are handled. Schroders' Corporate Governance specialists are responsible for monitoring and identifying situations that could give rise to a conflict of interest when voting in company meetings.

This engagement policy was provided for the period of April 2019 to March 2020 as Schroders was unable to provide us with the requested information for this statement within the deadline provided, however we do not have reason to believe there have been any material deviations from this policy.

Engagement Activity – Fixed Income and Cash

The Scheme also invests in a number of fixed income strategies via Government Bonds and a cash fund.

While the Trustee acknowledges the ability to engage and influence companies may be less direct than in comparison to equity holdings; from the information received, it is encouraging that the managers are aware and active in their role as a steward of capital.

The following example demonstrate some of the engagement activity being carried out on behalf of the Scheme over the year.

Legal & General Investment Management (LGIM):

In May 2019, LGIM worked with the board of BP to secure its support for a motion to explain how its strategy is consistent with the Paris Agreement on climate change. At BP's annual general meeting, the proposal was passed with overwhelming approval from shareholders.

LGIM have since met BP repeatedly – including its chair and incoming CEO – to advise on implementing the resolution. At the time of this Statement, the company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells. LGIM's engagement policy aims to encourage companies to adopt sustainable business models: for energy companies such as BP, the shift to a low-carbon economy has profound implications.

Conclusion

Based on the activity over the year by the Trustee and their service providers, the Trustee is of the opinion that its stewardship policy has been implemented effectively in practice. The Trustee note that all managers were able to disclose strong evidence of voting and engagement activity, but Schroders information was not for the calendar year.

The Trustee expects improvements in disclosures over time in line with the increasing expectations on investment managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.