

Implementation Statement as at 31 December 2022

Daniel Thwaites 1959 Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustees of the **Daniel Thwaites 1959 Pension Scheme ("the Scheme")** to set out the following information over the year to **31 December 2022**:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 31 December 2022 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in June 2022 and has been made available online here: [1959-Scheme-SIP.pdf \(thwaites.co.uk\)](#)

At this time, the Trustees have not set stewardship priorities for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- Environmental, Social and Governance ("ESG") updates have been added as a standing agenda item for each quarterly Trustee meeting.
- During the June 2022 Trustee meeting the Trustees asked their Investment Consultants, Barnett Waddingham, to review which of the Scheme's investment managers were signatories to the UK Stewardship Code. Carnegie were the only manager that had not signed up to the UK Stewardship Code. However, Barnett Waddingham subsequently wrote to the Trustees evidencing that Carnegie were active stewards, despite not being signatories. Carnegie have 8 UK clients with a total £1.3bn invested which corresponds to 7.9% of their total AUM (July 2022).
- Annually, the Trustees receive and review voting information and engagement policies from both the asset managers and our investment advisors in the form of ESG reports and this annual statement. The Trustees believe that the voting and engagement activities undertaken by the asset managers on their behalf have been in the members' best interests.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund managers are aligned with the Scheme's policies on voting and engagement.

**Prepared by the Trustees of the Daniel Thwaites 1959 Pension Scheme
June 2023**

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's equity portfolio on behalf of the Trustees over the year to **31 December 2022**. The LDI portfolio with Columbia Threadneedle (CT) has no voting rights and limited ability to engage with key stakeholders given the nature of the mandate and therefore is not shown in the table below. As the voting section is only covered for the Scheme's equity portfolio, we have not shown the voting data for the MAC and Target Return Funds held with Janus Henderson, Troy, Ruffer and CQS. The Scheme fully disinvested from CT LDI portfolio in September 2022 and disinvested from the MAC funds with Janus Henderson and CQS in December 2022.

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.		
No. of eligible meetings	703	2,292	28
No. of eligible votes	10,203	29,592	28
% of resolutions voted	100.0%	99.6%	100.0%
% of resolutions abstained	0.2%	0.4%	0.0%
% of resolutions voted with management¹	93.1%	90.1%	92.0%
% of resolutions voted against management¹	6.9%	10.0%	3.0%
Proxy voting advisor employed¹	Institutional Shareholder Services (ISS)		Glass Lewis
% of resolutions voted against proxy voter recommendation	6.5%	7.9%	4.0%

¹ As a percentage of the total number of resolutions voted on. Totals may not sum due to rounding.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities. At this time, the Trustees have not set stewardship priorities for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. Therefore, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a “significant vote”. The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities.

The Trustees have selected the top three significant votes for each of the two SSGA funds from a longer list provided by the manager of votes that they deem significant. The ten votes chosen by the Trustees from the longer list of significant votes are based on the largest holdings as a percentage of the portfolio.

Carnegie has provided a selection of ten votes which they believe to be significant. In the absence of agreed stewardship priorities, the Trustees have selected 3 votes, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme. To represent the most significant votes, the votes of the largest holdings relating to each topic are shown below.

State Street All World Developed ESG Screened Index Equity Sub-Fund

	Vote 1	Vote 2	Vote 3
Company name	Apple Inc.	Microsoft Corporation	Amazon.com, Inc.
Approximate size of fund's holding as at the date of the vote (as % of fund)	4.66%	3.67%	1.96%
Summary of the resolution	Advisory vote to ratify named executive officers' compensation	Report on Climate Change	Recycling
How the manager voted	Against	Against	For
Rationale for the voting decision	SSGA had concerns with the proposed remuneration structure for senior executives at the company.	SSGA believe the proposal does not merit support as the company's disclosure and/or practices related to climate change are reasonable.	SSGA believe this proposal merits support as the company's disclosure and/or practices related to recycling can be improved.
Outcome of the vote	Proposal approved (65% voted For)	Proposal rejected (89% voted Against)	Proposal rejected (51% voted Against)
Implications of the outcome	Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered “significant”	All votes on compensation proposals where SSGA voted against the management's recommendation are considered significant.	All votes on environmental-related shareholder proposals are considered significant.	

State Street UK ESG Screened Index Equity Sub Fund

	Vote 1	Vote 2	Vote 3
Company name	Royal Dutch Shell Plc	BP Plc	Standard Chartered Plc
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.61%	3.52%	0.72%
Summary of the resolution	GHG Emissions	GHG Emissions	Approve Remuneration Policy
How the manager voted	Against	Against	Abstain
Rationale for the voting decision	This proposal does not merit support as the company's disclosure and/or practices pertaining to GHG emissions are reasonable.	This proposal does not merit support as the company's disclosure and/or practices related to GHG emissions are reasonable.	This proposal merits qualified support as SSGA has some concerns with the remuneration structure for senior executives at the company.
Outcome of the vote	Proposal rejected (80% voted Against)	Proposal rejected (80% voted Against)	Proposal approved (69% voted For)
Implications of the outcome	Where appropriate State Street will contact the company to explain their voting rationale and conduct further engagement.		
Criteria on which the vote is considered "significant"	All votes on environmental-related shareholder proposals are considered significant.		All votes on compensation proposals where SSGA voted against the management's recommendation are considered significant.

Carnegie Worldwide Asset Management

	Vote 1	Vote 2	Vote 3
Company name	NextEra Energy	Home Depot	Amazon
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	3.6%	3.3%	2.9%
Summary of the resolution	Disclosure on board diversity and qualifications	Report on efforts to eliminate deforestation in the supply chain	Transparency and disclosure
How the manager voted	With Management	Against Management	Against Management

	Vote 1	Vote 2	Vote 3
Rationale for the voting decision	The board is already disclosing this information. In particular, after discussing the suggestion with the proponent, it increased further information in its proxy.	Home Depot is lagging behind its biggest competitor in this area and is not reporting to CDP Forestry.	Many of the shareholder proposals focus on greater transparency and disclosures. Specifically, the proposals to report on assessing the company's human rights due diligence process which Carnegie supports.
Outcome of the vote	Majority voted with management.	Majority voted against management	Majority voted with management.
Implications of the outcome	n/a	n/a	Even though there were not enough votes, the board has acknowledged that there is high support and a need for further action on some of the proposals.
Criteria on which the vote is considered "significant"	Carnegie believe that with their open dialogue with NextEra Energy, they are able to further transparency.	Transparency is a topic Carnegie usually always vote in accordance with.	

Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Fund	Number of engagements undertaken on behalf of the holdings in this fund in the year	Number of entities engaged on behalf of the holdings in this fund in the year	Number of engagements undertaken at a firm level in the year
State Street Global Advisors	UK ESG Screened Index Equity Sub-Fund	This information was not available on a fund level.		532
	All World Developed ESEG Screened Index Sub-Equity Fund			
Carnegie Worldwide Asset Management	C Worldwide Global Equity Fund	50	26	208
Ruffer	Ruffer Absolute Return Fund	17	15	44
Troy Asset Management	Troy Trojan Fund	9	4	43

Manager	Fund	Number of engagements undertaken on behalf of the holdings in this fund in the year	Number of entities engaged on behalf of the holdings in this fund in the year	Number of engagements undertaken at a firm level in the year
CQS	CQS Credit Multi-Asset Fund	83	66	92
Janus Henderson*	Janus Henderson Multi-Asset Credit Fund	67	47	680
M&G	M&G All Stocks Corporate Bond Fund	17	15	190
Columbia Threadneedle	Global Low Duration Fund	129	38	1,995

*Janus Henderson only provided figure for January – October 2022 inclusive.

Examples of engagement activity undertaken over the year to 31 December 2022

State Street Global Advisors (firm level)

Governance – Board Effectiveness, Diversity

State Street believe effective board oversight is essential to the execution of a firm’s long-term business strategy. They believe that diverse boards are connected to better business outcomes. Therefore, State Street direct their engagements as needed to ensure their elected representatives are diverse, specifically in terms of gender and racial/ethnic identities.

In 2017, within their ‘Fearless Girl’ campaign, they began voting against Nominating and Governance Committee Chairs at companies in major indices for not having at least one woman on the board. Since then, they have expanded their voting policy into additional indices and markets. The expectation is now that every company around the globe should have at least one woman director, and in major companies the board should comprise of at least 30% women directors. The outcome of this, is that there has been a clear increase in the diversity of boards. Every board in the S&P 500 has at least one woman. Finally, since the campaign began more than 60% of the companies primarily identified as all-male boards have now added a female director.

C Worldwide Global Equity Fund

Environment – Biodiversity

Carnegie engaged with Procter and Gamble during their annual ESG update with the company. They discussed the continued development of palm oil sourcing’s impact on biodiversity. There was discussion on how Procter and Gamble plan to source only certified palm oil using satellites to monitor the risk of deforestation. Another point of discussion was the EU’s recent regulation banning the import of products from deforestation areas and Procter and Gamble assured compliance with this new regulation when effectively in force.

CQS Credit Multi-Asset Fund

Climate

CQS are signatories to the Net Zero Asset Managers' initiative, committing to achieve net zero by 2050 or sooner. CQS audited all of their climate data to ensure it was up to date and then were able to decide which portfolio companies do not have appropriate decarbonisation targets in place. They have since begun the CQS Climate Targeted Engagement Programme which aims to engage with all portfolio companies within the Article 8 pooled funds that do not currently disclose carbon emissions and/or do not have decarbonisation targets in place.

Janus Henderson Multi-Asset Credit Fund

Social – Human and labour rights in the supply chain

Janus Henderson engaged with Volkswagen following MSCI flagging them as a "FAIL" in respect of Global Compact Compliance Principle four "Businesses should uphold the elimination of all forms of forced and compulsory labour". The objective for this engagement was to gain further background to the issue and investigate what steps are being taken by senior management to investigate the claims and ensure policies are in place. Volkswagen were not aware of any cases where employees were in internment camps but accepted, they have limited oversight of the plant. A board management visit is planned to the plant.

Ruffer Absolute Return Fund

Governance – Board effectiveness

Ruffer highlighted their concerns with clothing retailer H&M about the independence of the Audit Committee by sending a letter to the Board of Directors and requesting a meeting. They met with members to discuss the independence of two Board Directors and their position on the Audit Committee. Ruffer did not feel their concerns were adequately addressed and escalated the engagement by writing to the Board of directors. They believed that the Chair of the Audit Committee was compromised by his position as CEO of the investment firm which the founding family of H&M is a majority shareholder. Ruffer was clear that they would consider alternative measures including disinvestment if a conclusion could not be made.

Troy Trojan Fund

Social – Public Health

In 2022, Troy conducted research on the topic of health and nutrition to understand the financial risk of rising global obesity levels and which holdings were most vulnerable to tightening regulation. This research identified Domino's Pizza Group ("Domino's") as an area where further analysis was needed to gain insight as to whether these risks were being adequately managed. Troy believe that their role as investors is to ensure that they are driving Domino's to enable its customers to make informed and responsible choices and therefore engaged with Domino's on the topic of public health. Over the year, Troy had several meetings with Domino's management and had a dedicated call with Domino's head of ESG discussing their plans to further reduce sugar, salt and fat content and they have made 'health' a key pillar within their ESG strategy.

M&G All Stocks Corporate Bond Fund

Environment – Climate Change

M&G engaged with AT&T to encourage the setting of a net zero target and also short and medium term GHG reduction targets. They sent a letter to the company outlining the CA100+ benchmark, asking the company to

align. The result of this was AT&T committed to becoming carbon neutral for scope one and two emissions by 2035 in addition to setting a science-based target to reduce Scope one and two GHG emissions 26% by 2030, from a 2015 base year. Further, the company set a goal to ensure that 50% of their suppliers set their own science-based Scope one and Scope two greenhouse gas (GHG) emissions reduction targets by 2024.

CT Global Low Duration Credit Fund and CT LDI

Labour Standards

CT engaged with Uber Technologies. Uber have been involved with a lot of ongoing social controversies, such as neglecting the safety of riders, drivers, and passengers. CT had a call with Uber's new head of ESG to discuss the various issues and sent a follow up email to reiterate expectations. Regarding safety issues, Uber were requested to expand its disclosures from its US ride-hailing operations to cover the other geographies and business units where they operate and Uber were asked to provide enhanced data on its management of safety incidents. The result of this engagement was that Uber acknowledged the concerns and reflected on their awareness of the safety and lobbying issues and how these are a concern for investors. There has been positive communication since, but no clear indication of intention to act on any recommendations made. CT hope to have another call with Uber before potentially looking at escalation if the company remains slow to improve.