



T Clarke Group Retirement and Death Benefits Scheme (‘Scheme’)

31 December 2021 Implementation
Statement

July 2022

1. Introduction

The Trustees are required to make publicly available online a statement (“the Implementation Statement”) covering the T Clarke Group Retirement and Death Benefit Scheme (the ‘Scheme’) in relation to the Scheme’s Statement of Investment Principles (the “SIP”).

The SIP was amended once during the year ending 31 December 2021, predominantly to reflect the appointment of Schroders IS Limited, formerly River and Mercantile Investments Limited, as the Scheme’s Investment Manager and Adviser using its Fiduciary Management service (and is referred to as the “Fiduciary Manager” in the Implementation Statement). This SIP came into force from October 2021.

A copy of the current SIP signed and dated 29/09/2020 can be found on the TClarke website.

This Implementation Statement covers the Scheme year from 1 January 2021 to 31 December 2021 (the “Scheme Year”). It sets out:

- How the Trustee’s policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

The Trustees are responsible for the investment of the Scheme assets. Where they are required to make an investment decision, the Trustees always receive advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustees also set the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme’s assets, within pre-defined constraints to professional Investment Managers. The Trustees, with advice from their advisers, appoints and monitors the Scheme’s Investment Managers.

A copy of this Implementation Statement is available on the TClarke website.

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year

The Trustees made no changes to the voting and engagement policies contained in the SIP during the year but will keep this under review in future years.

The Scheme's SIP sets out the Trustees' policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors.

The Scheme invests in assets with voting rights attached. However, during this Scheme Year these investments have been generally made via pooled investment funds with the Investment Managers where the Scheme's investments are pooled with other investors and then the Fiduciary Manager. Direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, was delegated to those underlying Investment Managers and is now delegated to the Fiduciary Manager.

The Trustees continue to believe it is appropriate to delegate voting and engagements decisions to their Investment Managers, and now Fiduciary Manager, in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers, and now Fiduciary Manager, consider ESG factors as part of the investment decisions being taken on behalf of the Trustees, the Trustees are satisfied that the Investment Managers, and now Fiduciary Manager, can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate).

A copy of the SIP has been provided to the Fiduciary Manager and the Fiduciary Manager is expected to adopt that approach to corporate governance and to other financially material considerations when providing Fiduciary Management services and in selecting Underlying Investment Managers.

During the Scheme year the Trustees have carried out the following activity in relation to these policies:

- For the start of the Scheme Year, on behalf of the Trustees, monitoring of the Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustees' investment adviser with any important updates communicated to the Trustees over the Scheme Year.
- After the appointment of the Fiduciary Manager, monitoring of voting and engagement policy by Underlying Investment Managers was carried out by the Fiduciary Manager through regular investment and operational due diligence meetings with the Underlying Investment Managers.
- For the start of the Scheme Year, the Trustees with the help of their investment adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the Trustee meetings during the Scheme Year.
- After the appointment of the Fiduciary Manager, the Trustees, with the help of the Fiduciary Manager, monitored the performance of the Underlying Investment Managers against the agreed performance objectives at Trustee meetings.
- The Trustees reviewed the regulatory developments with regards to ESG and climate change disclosures.
- The Trustees have reviewed the voting and engagement activity carried out by their Investment Managers during the Scheme Year; a summary is provided in the next section.

The Trustees also identified their engagement priorities to be in line with the Fiduciary Manager's over the Scheme Year. Details of the engagement priorities are included in the next section of the Implementation Statement.

Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustees believe that they have acted in accordance with the Statement of Investment Principles over the Scheme Year.

3. Voting and Engagement Summary

The first part of this statement includes information on the Scheme's underlying investment managers for the first part of the Scheme Year investing in securities. Where proxy voting agents have been used, this has been included in the voting information.

Summary of voting activity – relevant mandates (31 December 2021)

	M&G Episode Allocation Fund	Invesco Global Targeted Returns
Asset allocation	24%	15%
Voting statistics		
Total meetings eligible to vote	15	348
Total resolutions eligible to vote	210	5,343
% of resolutions did you vote on for which you were eligible?	76%	98%
% did vote with management?	83%	92%
% vote against management?	17%	8%
% abstained	0%	<1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	15%	5%

Source: All data in this section has been provided by the investment managers. Voting statistics provided on the Scheme's equity held within the Dynamic Asset Allocation managers, excluding Barings DAA Fund which closed part way through the year.

Note:

- M&G use Institutional Shareholder Services, "ISS" for proxy voting services.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of "Abstain" is also considered a vote against management.

Trustees' conclusions on voting and engagement

The Trustees have considered the voting behaviour along with engagement activity that took place on their behalf during the first part of the Scheme Year within the growth asset portfolio and is pleased to report that the Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustees noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Investment manager showed they carried out a good level of engagement activities over the Scheme Year.

- Challenge to management was demonstrated through votes by the Investment Managers against management.
- The ESG data quality provided by the investment managers has improved over the Scheme Year.
- For the Scheme, the general themes of the voting and engagement activity were in relation to corporate governance, board diversity and improving social outcomes.
- Some of M&G significant votes included voted in favour of financial companies publishing annually a report assessing diversity, equity and inclusion efforts, and also requests on racial equity audits. In the manager's view, the audit will enable the companies and shareholders to better identify key areas to focus on going forward.

This second part of the statement covers the process for exercising voting rights and engaging with the managers of assets held on behalf of the Scheme as part of the fiduciary arrangement with Schroders IS Limited in the second part of the year.

1) Engagement and the exercise of voting rights delegated to the Fiduciary Manager

The Fiduciary Manager exercises voting rights and engages with the Underlying Investment Managers on behalf of the Trustees in line with voting and engagement policies that sets out how the Fiduciary Manager will aim to vote at a general meeting of a pooled fund or how the Fiduciary Manager approaches engagement with Underlying Investment Managers and intended outcomes.

- 2) The Underlying Investment Managers exercise voting rights in the underlying securities and engages with the company issuing the security in line with the policies voted on by the Fiduciary Manager. One of the Underlying Investment Managers, Bank of New York Mellon ("BNYM"), uses a proxy voting company called Institutional Shareholder Services ("ISS") to exercise these rights on its behalf and monitors ISS's activities accordingly. Similarly, Vanguard Investment Stewardship also uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.

The Trustees have considered the voting behaviour (provided in the Appendix) along with engagement activity that took place on their behalf during the Scheme Year within the growth asset portfolio and the liability hedging portfolio and is pleased to report that the Fiduciary Manager and the Underlying Investment Managers have demonstrated high levels of voting activity, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustees noted that:

- Each relevant manager demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Underlying Investment Managers showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through votes by the Underlying Investment Managers against management.
- Schroders Solutions' engagement priorities for 2021 included themes in each of the following categories (examples included in the Appendix):
 - E Climate change: carbon emissions and footprint of our funds
 - S Human capital: employee engagement and satisfaction
 - G Corporate governance: board composition, executive pay / compensation

- For the Scheme, the general themes of the voting and engagement activity carried out by the Underlying Investment Managers were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified. These themes are in line with the Fiduciary Manager’s engagement priorities set out above. We have included a table which sets out the engagement priorities and relevant voting and engagement examples in the appendix.
- On behalf of the Trustees, the Scheme’s Fiduciary Manager have also identified five Underlying Investment Managers who will be the engagement targets over the next scheme year. The main engagement themes include working with those Underlying Investment Managers to create formalised ESG related investment policies and improving the board independence and diversity.
- Within the **BNYM Global Equity Fund**, which makes up the majority of the Scheme’s investments in return-seeking assets, the Trustee noted that BNYM prioritised engagement with each of their underlying holdings on the following areas: governance practices, executive compensation, sustainability including climate change, human capital management, and diversity and inclusion. An example would be their engagement with a financial services company. BNYM voted for a shareholder proposal requesting the company report on the impact of the use of mandatory arbitration on employees and workplace culture. As this company requires employees to agree to arbitrate employment-related claims, BNYM believe additional information is useful for shareholders to determine if this process had any impact on human capital management issues such as employee retention and recruitment. The proposal did not pass; however, the company chose to act and produce a response in light of the high level of support which is a good outcome.
- For the largest mandate within the return-seeking credit assets, engagement on improving social outcomes was noted as a significant example. The manager engaged with a leading manufacturer and distributor of blood testing equipment. They worked with senior management to encourage the company to develop social targets in addition to its existing environmental focus and to increase product distribution to at risk/at-need populations globally through donations of refurbished equipment. The manager also worked with the company to understand the impact the COVID-19 crisis would have on its long-term business strategy. They viewed the company’s ability to deliver these solutions and products globally as a positive for society that would also boost the company’s credit profile.
- In relation to the liability hedging and structured equity mandate, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.
- River and Mercantile Investment Limited (“RAMIL”) which was the legal entity of the Fiduciary Manager applicable over the Scheme Year, was a signatory to the UK Stewardship code 2020. RAMIL has since been acquired by Schroders from 1 February 2022. Schroders is also a signatory to the UK Stewardship code.

The Trustees are satisfied that the voting and engagement activity undertaken by the Fiduciary Manager and Underlying Investment Managers was in line with the Trustees’ policies contained in the SIP and that no changes are required to these policies at this time. The Trustees will keep the position under review.

Appendix 1 – Examples of most significant votes and engagement carried out by the underlying managers within the fiduciary management service

1. Voting and engagement by the Fiduciary Manager (Schroders IS Limited (“SISL”), formerly known as R&M) in relation to underlying pooled funds held on behalf of the Trustee

Most of the rights and voting relating to the Scheme’s investments relate to underlying securities investment in through pooled funds managed by underlying investment managers – this is covered in part 2 below. However, the pooled funds themselves often confer certain rights around voting or policies. These rights are exercised by the Fiduciary Manager on behalf of the Trustees and we cover these here.

Over the year to 31 December 2021, The Fiduciary Manager voted on 125 resolutions across 32 meetings. The Fiduciary Manager voted against management on 7 resolutions which was 5.6% of total resolutions and abstained on 7 resolutions (5.6% of the total resolutions).

The SISL Investment Research team engaged with underlying investment managers regarding their clients’ pooled fund investment on approximately 800 occasions during the 12 months period. The engagement topics covered a range of areas including executive board composition, investment management processes, fund documentation, auditor tenure and fund costs.

The following provides an ongoing engagement example where the Fiduciary Manager voted against the reappointing of the fund board due to independence concerns and details how the Fiduciary Manager progressed the engagement over time to reach a point where they are able to support the Company’s board.

The engagement related to an umbrella company domiciled in Luxembourg, run by a large global investment manager. SISL first raised concern about the lack of independent fund board members in the Operational Due Diligence onsite visit in October 2018. In April 2019 and 2020, SISL voted against a resolution reappointing 100% non-independent directors. In 2020 a non-executive director was nominated for appointment, however SISL again felt unable to support the resolution as the Fiduciary Manager had been engaging on the basis of a minimum of 2 independent directors and the new non-executive was also not fully independent as a partner at the legal advisor to the fund. The 2021 Annual General Meeting notice included a resolution to appoint an independent director with significant regulatory experience, SISL felt it appropriate to conclude that the fund had reached SISL’s minimum threshold of two independent directors and to support the board resolutions.

Over the Scheme Year, the Fiduciary Manager also

- engaged all Underlying Investment Managers on their plans relating to net zero and will engage on a regular basis with those who do not have any net zero target or plan to decarbonise;
- engaged with significant Underlying Investment Managers (in particular, BNYM) on the quality of its voting and engagement as the Fiduciary Manager is not satisfied with the quality of data currently provided.
- reviewed all Underlying Investment Managers against its updated proprietary ESG manager rating framework and will prioritise its engagement with five managers where ESG-related issues have been identified. The Fiduciary Manager plan to report back to the Trustee in the next Implementation Statement on progress. The top engagement themes are set out in the table below:

Top engagement themes

Manager A – Equity	<ul style="list-style-type: none"> ▪ Board independence and diversity ▪ Incorporating ESG into employee training and appraisals/remuneration ▪ Voting policy and engagement processes
Manager B – Alternatives	<ul style="list-style-type: none"> ▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Board independence and diversity ▪ Formalise voting and engagement policy
Manager C – Alternatives	<ul style="list-style-type: none"> ▪ Integrating ESG into corporate by signing up to voluntary standards and formalising policies ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager D – Alternatives	<ul style="list-style-type: none"> ▪ Formalise diversity policy ▪ Formalise voting and engagement policy ▪ Formalise ESG investment policy
Manager E – Alternatives	<ul style="list-style-type: none"> ▪ Creation of ESG working group to look into voluntary standards and formalising ESG policies within the business. ▪ Formalise diversity policy ▪ Formalise ESG investment policy

2. Voting by the Underlying Investment Managers on securities held on behalf of the Trustee

There are c. 30 Underlying Managers used by the Investment Manager. Set out below is the voting statistics for the most material equity holdings during the period that held voting rights, namely BNY Mellon Global Equity and Vanguard FTSE All World ETF Fund. Within other asset classes there are no voting rights. However, engagement activity is very important and so examples of engagement activity for the managers that represent 2.5% or more of the portfolio have also been discussed with the Trustee as described in section 3 above.

Summary of voting activity – Equity mandates

	BNYM Global Equity Fund	Vanguard FTSE All World ETF Fund
Total meetings eligible to vote	953	5,148
Total resolutions eligible to vote	13,404	53,896
% of resolutions did you vote on for which you were eligible?	97%	99%
% did vote with management?	89%	94%
% vote against management?	7%	5%
% abstained	1%	1%

% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	2%	0%
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Note:

- BNYM uses Institutional Shareholder Services, “ISS”, for proxy voting services.
- Vanguard Investment Stewardship uses the Institutional Shareholder Services (ISS) Proxy Exchange platform for the execution of their votes.
- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- BNYM does not use PLSA template. We included votes withhold in votes abstained for BNYM to be in line with the PLSA template, although there are differences between votes withhold and votes abstained. BNYM also did not vote on 3% of the overall proposals.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.

Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
River and Mercantile Investments Limited	The Voting and Engagement policies were provided to the Trustee directly
Bank of New York Mellon	BNYM's voting and engagement policies are included in their annual Mellon proxy voting report which can be found in the link below: https://www.mellon.com/insights/insights-articles/2021-proxy-voting-report.html
Vanguard	Disclosure of rationale of voting can be found: https://global.vanguard.com/portal/site/portal/investment-stewardship/perspectives-commentary
Leadenhall	https://www.leadenhallcp.com/esg
Neuberger	https://www.nb.com/en/global/esg/engagement
CBRE	CBRE Global ESG policy: https://www.cbreim.com/-/media/project/cbre/bussectors/cbreim/cbreim-global-esg-policy.pdf