

The TIE (UK) Limited Retirement Fund

**Annual Implementation
Statement – scheme year
ending 30 June 2020**

Adopted by the Trustees, January 2021

Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of The TIE (UK) Limited Retirement Fund (“the Fund”) covering the scheme year (“the year”) to 30 June 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 Fund’s policy on engagement and voting (as set out in the Statement of Investment Principles (the “SIP”)) has been followed 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 Fund makes use of a wide range of investments; therefore, the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

In order to ensure that investment policies set out in the SIP are undertaken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustees delegate some responsibilities. In particular, during the course of the year, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Fund’s assets on a discretionary basis. The Fiduciary Manager’s discretion is subject to guidelines and restrictions set by the Trustees. So far as is practicable, the Fiduciary Manager considers and seeks to give effect to the policies and principles set out in the Trustees’ SIP.

Review of and changes to the SIP

The SIP was reviewed and updated once in the year. The version in place as at the end of the year was dated as at 24 September 2019 and was comprehensively updated to reflect the appointment of the Fiduciary Manager. This update also reflected new Department for Work and Pensions (DWP) regulations coming into force from 1 October 2019 – regarding:

- How financially material considerations are taken into account over the appropriate time horizon of the investments, including in the selection, retention and realisation of investments;
- The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments;
- Policies in relation to undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters).

For the purpose of assessing how the Fund’s SIP has been followed, this statement specifically focusses on the SIP agreed in September 2019. We consider that all SIP policies and principles relevant to this statement were adhered to.

Since the end of the scheme year, a new version of the SIP was adopted as at 15 September 2020 to reflect new regulatory requirements coming into force from 1 October 2020. The new SIP (including the latest regulatory changes) will be reported on in next year’s Implementation Statement covering the 2020/21 scheme year.

Adherence to the SIP – voting and engagement

As a result of the appointment of the Fiduciary Manager, the assets of the Fund were significantly restructured during the year (predominantly in April 2020). The Trustees' focus in this implementation statement is on the assets held following this revision in asset strategy. The revised strategy has been assessed against the relevant SIP (as noted above), which updated the policies in relation to engagement and voting.

Industry wide / public policy engagement:

Regarding engagement, the Trustees' SIP states that:

“The Fiduciary Manager considers a range of sustainable investment factors, such as, but not limited to, those arising from ESG considerations, including climate change, in the context of a broader risk management framework. The degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and particular exposures which the Fiduciary Manager takes into account in the assessment.

The Fiduciary Manager encourages and expects the Fund's investment managers to sign up to local or other applicable Stewardship Codes, in-keeping with good practice, subject to the extent of materiality for certain asset classes. The Fiduciary Manager itself is a signatory to the Principles for Responsible Investment (PRI) and the UK Stewardship Code and is actively involved in external collaborations and initiatives.

The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers.”

The Fiduciary Manager has partnered with EOS at Federated Hermes (EOS) to undertake public policy engagement on behalf of its clients (including the Trustees). The Fiduciary Manager communicates client policies/sentiment to EOS on a regular basis, including via the Client Advisory Board (currently chaired by Willis Towers Watson) and EOS subsequently engages with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change. Engagement activities by EOS on public policy over the year included:

- Participation in a series of meetings with the UK Government's Department for Business, Energy and Industrial Strategy in order to help set out the UK's decarbonization roadmap and steps to achieve agreed climate targets;
- Feedback/assistance on the production of a new anti-microbial resistance benchmark with the aim of reducing the use of anti-biotics in agriculture;
- Co-signing of an investor letter to the Brazilian government in support of the Amazon Soy Moratorium, an agreement which aims to limit damage and deforestation caused by soy production, supporting expansion only on existing agricultural land;
- Climate Action 100+, an investor initiative aiming to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. EOS is among over 370 investors with over \$35tn under management who have signed up to the initiative. Further, they are leading or co-leading the engagement on 27 companies and collaborating with other investors on another 14 companies as part of this initiative.

The Fiduciary Manager is also engaged in a number of industry wide initiatives and collaborative engagements including:

- Tier 1 signatory of the UK Stewardship Code;
- A signatory of the Principles for Responsible Investment (PRI) and active member of their working group for ESG / Sustainable Development Goals in Strategic Asset Allocations;
- A member of the Institutional Investors Group on Climate Change (IIGCC);
- A founder of the Coalition for Climate Resilient Investment (with the World Economic Forum).

The Fiduciary Manager engages with the Fund's investment managers on behalf of the Trustees. The Trustees have considered and reviewed their stewardship and engagement policies as part of the recent reviews of their Statement of Investment Principles.

The Fiduciary Manager's process for selecting, monitoring and de-selecting investment managers explicitly and formally includes an assessment of a manager's approach to sustainable investment (recognising that the degree to which these factors are relevant to any given strategy is a function of time horizon, investment style, philosophy and exposures). The Fund is invested across a diverse range of asset classes which carry different ownership rights. This document focusses on the equity holdings, which have voting rights attached.

The majority (around 95%) of the Fund's equity holdings as at the end of the year are held with Legal and General Investment Management ("LGIM") in pooled investment vehicles and are managed on a passive basis relative to a defined index. As such, the voting entitlements in these funds lie with LGIM. The Fiduciary Manager's view is that LGIM leads its peers in terms of proactivity and taking visible stances on topics they believe to be important. However, the Fiduciary Manager continues to engage with LGIM on areas for development, namely around resourcing, and improving the breadth and depth of corporate engagements. During the year, the Fiduciary Manager rated LGIM positively for ESG integration, voting and engagement. LGIM's voting policy can be seen in appendix 1.

The equity holdings with LGIM are split across four funds:

Fund	Approach to Environment, Social and Governance (ESG) factors
Robeco Global Sustainable Multi-Factor Equities	The fund is managed to an ESG constraint that targets ESG scoring at least 20% better than a traditional global market capitalisation index on issues including carbon footprint, water usage, energy consumption and waste generation, with exclusions applied to certain industries (e.g. controversial weapons).
World Adaptive Capped ESG Universal	The fund applies tilts both up and down to companies that are leaders or laggards respectively on a range of ESG criteria, with exclusions applied to certain industries (e.g. controversial weapons).
Magellan Listed Infrastructure	This fund improves on passive equivalents as ESG considerations are a core part of the investment process. Many of the firms they invest in have clear plans to reduce carbon emissions.
Heitman Global Prime Property	This fund has recently introduced an explicit ESG/Climate aware stock screen to its process and excludes the lowest ranking stocks from its investment universe

The remainder of the Fund's equity holdings (around 5% of the equity holdings) are invested with an active manager in a China Equity Fund. The Fiduciary Manager rates this manager positively with respect to their ESG integration and engagement. Corporate engagement and asset stewardship is a key part of the investment process for the active manager. The manager's long-term investment horizon, approach of investing in companies with strong governance structures and history and experience of investing in Asian markets, including China, supports that they are well-equipped to engage with company management with a view to improving outcomes. In terms of voting, the firm's policy is publicly disclosed annually and it is positive that all votes are exercised where feasible.

Please refer to appendix 1 for details of the manager's voting policy with regard to proxy voting.

Company level engagement and rights attached to investments (including voting):

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the day to day ESG integration to the Fund's investment managers.

Of the Fund's legacy managers (Cazenove and Sanlam who were invested in prior to April 2020) Cazenove confirmed that they voted on one of the holdings, Rit Capital Partners to approve a directors remuneration report. Sanlam confirmed that they exercised no voting rights on behalf of the Trustees during the period covered by this statement. The Trustees consider this information to be historic, owing to the nature of the change in investment strategy during the year.

The table below sets out the voting activities of the Fund's equity investment managers held in the current portfolio over the year, including details of the investment managers' use of proxy voting:

Manager and strategy	Portfolio structure	Voting activity
LGIM Robeco Global Sustainable Multi-factor Equities Index (10.7% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 1,722 Number of resolutions on which manager was eligible to vote: 21,301 Number of votes cast: 20,960 Percentage of eligible votes cast: 98.4% Percentage of votes with management: 81.9% Percentage of votes against management: 17.6% Percentage of votes abstained from: 0.5% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 69.7% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12.5%
LGIM AC World Adaptive Capped ESG Universal (4.8% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 2,660 Number of resolutions on which manager was eligible to vote: 31,674 Number of votes cast: 31,319 Percentage of eligible votes cast: 98.9% Percentage of votes with management: 81.7% Percentage of votes against management: 17.8% Percentage of votes abstained from: 0.5% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 70.1% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.9%
LGIM Infrastructure Equity MFG Fund (5.2% of assets at year end)	Pooled listed infrastructure fund	Number of meetings at which the manager was eligible to vote: 82 Number of resolutions on which manager was eligible to vote: 1050 Number of votes cast: 1016 Percentage of eligible votes cast: 96.8% Percentage of votes with management: 85.0% Percentage of votes against management: 14.9% Percentage of votes abstained from: 0.1% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 79.0% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.6%
LGIM Heitman Global Prime Property Securities	Pooled listed real estate fund	Number of meetings at which the manager was eligible to vote: 82 Number of resolutions on which manager was eligible to vote: 867 Number of votes cast: 867 Percentage of eligible votes cast: 100.0%

(5.1% of assets at year end)		<p>Percentage of votes with management: 84.2%</p> <p>Percentage of votes against management: 15.7%</p> <p>Percentage of votes abstained from: 0.1%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 62.2%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.0%</p>
<p>Active manager – China Equity</p> <p>(1.5% of assets at year end)</p>	Pooled equity fund	<p>Number of meetings at which the manager was eligible to vote: 71</p> <p>Number of resolutions on which manager was eligible to vote: 654</p> <p>Number of votes cast: 654</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 98.5%</p> <p>Percentage of votes against management: 1.5%</p> <p>Percentage of votes abstained from: 0.0%</p> <p>Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 8.5%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.6%</p>

In addition, LGIM and the active manager reported on the most significant votes cast within the funds managed on behalf of the Fund, including reasons why the votes identified were considered significant, the rationale for the voting decision and the outcome of the vote:

Most significant votes cast	Coverage in portfolio
<p>Company: Amazon</p> <p>Resolution: Shareholder resolutions 5 to 16</p> <p>Summary: 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. 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:</p> <ul style="list-style-type: none"> • 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>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</p>	<p>LGIM Robeco Global Sustainable Multi-factor Equities Index</p> <p>LGIM AC World Adaptive Capped ESG Universal</p>

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.

How the manager voted: For 10 of 12 resolutions

Rationale for being considered a significant vote:

The market attention was significant leading up to the AGM, with:

- 12 shareholder proposals on the table – the largest number of any major US company this proxy season
- Diverse investor coalitions submitting and rallying behind the proposals, including global, different types of investors and first time co-filers/engagers
- Substantial press coverage – with largely negative sentiment related to the company’s governance profile and its initial management of COVID-19
- Multiple state treasurers speaking out and even holding an online targeted pre-annual meeting investor forum entitled ‘Workplace & Investor Risks in Amazon.com, Inc.’s COVID-19 Response’

Anecdotally, the Stewardship team received more inquires related to Amazon than any other company this season.

Outcome of the vote:

- 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.
- Resolution 11 received 6.1% support.
- Resolution 12 received 1.5 % support.
- Resolution 13 received 12.2% support.

Company: Exxon Mobil

Resolution: Resolution 1.10 - Elect Director Darren W. Woods

Summary: 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.

How the manager voted: Against

Rationale for being considered a significant vote: We voted against the chair of the board as part of LGIM’s 'Climate Impact Pledge' escalation sanction.

Outcome of the vote: 93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods. Approximately 30% of shareholders supported the proposals for independence and lobbying.

Allocations in:
 LGIM Robeco
 Global
 Sustainable
 Multi-factor
 Equities Index
 LGIM AC World
 Adaptive
 Capped ESG
 Universal

<p><u>Company: Barclays</u></p> <p>Resolution: Resolution 29 - Approve Barclays' Commitment in Tackling Climate Change; Resolution 30 - Approve ShareAction Requisitioned Resolution</p> <p>Summary: 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.</p> <p>How the manager voted: For</p> <p>Rationale for being considered a significant vote: Since the beginning of the year there has been significant client interest in our voting intentions and engagement activities in relation to the 2020 Barclays AGM. We thank our clients for their patience and understanding while we undertook sensitive discussions and negotiations in private. We consider the outcome to be extremely positive for all parties: Barclays, ShareAction and long-term asset owners such as our clients.</p> <p>Outcome of the vote: Resolution 29 - supported by 99.9% of shareholders; Resolution30 - supported by 23.9% of shareholders</p>	<p>Allocations in: LGIM AC World Adaptive Capped ESG Universal</p>
<p><u>Company: Haier Smart Home</u></p> <p>Resolution: Amendments to The Company's Articles Of Association; Amendments To The Rules of Procedure Governing Shareholders General Meetings</p> <p>How the manager voted: Against</p> <p>Summary : The proposal suggested shortening the notice period required before an Annual General Meeting (AGM) from 45 days to 20 days. The manager did not feel this was appropriate and therefore voted against management.</p> <p>Rationale for being considered a significant vote:: A vote against management</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: Lenovo Group Ltd.</u></p> <p>Resolution: Authority to Issue Shares w/o Preemptive Rights; Authority to Issue Repurchased Shares</p> <p>How the manager voted: Against</p> <p>Summary : This is a potentially large dilution. If large fund-raising is required, the manager would prefer a rights issue for all shareholders, and therefore voted against management.</p> <p>Rationale for being considered a significant vote: A vote against management</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: China Telecom</u></p> <p>Resolution: Elect LIU Guinqing</p> <p>How the manager voted: For</p> <p>Summary: It is a bit unfair to count a former representative of BlackRock (which owns 1.4%) as a non-independent board member.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: Huayu Automotive</u></p> <p>Resolution: Elect Zhuang Jingxiong</p> <p>How the manager voted: For</p> <p>Summary: It is more important to ensure sufficient independence for the board of directors compared to supervisors.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>

<p><u>Company: Great Wall Motor</u></p> <p>Resolution: Appraisal Measures for Implementation of 2019 Restricted Share and Share Option Incentive Scheme</p> <p>How the manager voted: For</p> <p>Summary: Equity-linked incentives help improve alignment with minority interests. KPIs such as sales volume and profit have also been announced.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: China Telecom</u></p> <p>Resolution: Authority to Issue Shares w/o Preemptive Rights</p> <p>How the manager voted: Against</p> <p>Summary: Concerns about potentially excessive dilution. Company also does not need to issue new shares given a healthy balance sheet.</p> <p>Rationale for being considered a significant vote: Vote against management</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: Sun Art Retail Group Limited</u></p> <p>Resolution: Election of Directors</p> <p>How the manager voted: For</p> <p>Summary: Having two Auchan representatives out of 6 people on the Audit Committee is probably acceptable in this case, as Auchan no longer runs the operation. In fact, their presence on the Audit Committee could be useful in preventing influence of Alibaba from becoming excessive with regards to financial arrangements.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: China Mengniu Dairy</u></p> <p>Resolution: Elect JIAO Shuge</p> <p>How the manager voted: For</p> <p>Summary: Jiao has been on the board for several years. His experiences in financial industry are solid. And I don't think major shareholders want to be unreasonably diluted.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><u>Company: China Merchants Port</u></p> <p>Resolution: Appointment of Auditor and Authority to Set Fees</p> <p>How the manager voted: For</p> <p>Summary: Large non-audit fees during the year were likely due to the acquisition of 10 port assets from Terminal Link and partial stake sell-down in a Brazilian port.</p> <p>Rationale for being considered a significant vote: Vote against provider recommendations</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>

<p><u>Company: Great Wall Motor</u></p> <p>Resolution: Amendments to Articles of Association</p> <p>How the manager voted: Against</p> <p>Summary: Shortened notice period as shareholders should be given enough time to consider items before general meetings</p> <p>Rationale for being considered a significant vote: Vote against management</p> <p>Outcome of the vote: For</p>	<p>Allocations in: Active manager – China Equity</p>
--	--

Appendix 1: Manager voting policies

LGIM's voting policy is provided below

“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.”

The active manager – China equity's voting policy is provided below

“[We use] Glass Lewis as proxy voting service vendor to process votes on resolutions of investment companies in their shareholders' meetings. The service platform allows us to source voting ballots from multiple custodians, provide voting research papers with detailed analysis and recommendations it also allows us to submit voting decisions in an efficient centralised manner. It also possesses a reporting function on voting data in various formats which is helpful in reporting to our clients. “