

Taylor & Francis Group Pension and Life Assurance Scheme

Implementation Statement, covering 1 October 2019 to 30 September 2020

The Trustees of the Taylor & Francis Group Pension and Life Assurance Scheme (the “Scheme”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in their Statement of Investment Principles (“SIP”) during the year. This is provided in Sections 1 and 2 below.

The Statement is also required to include a description of the voting behaviour during the year by, and on behalf of, trustees. This includes the most significant votes cast by trustees or votes cast on their behalf, and states any use of the services of a proxy voter during that year. This is provided in Section 3 below.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the year. The Scheme’s voting and engagement policies in the SIP were reviewed and updated during the Scheme year in August 2019 to reflect the Trustee’s views in this area. These sections were drafted on the understanding that the Trustees:

- delegate the consideration of financially material considerations to their investment managers. This includes climate change and other Environmental, Social and Governance (ESG) considerations, and stewardship (ie voting and engagement);
- will consider these issues in the selection of investment managers;
- will review how their managers are taking these factors into account from time to time;
- will encourage their managers to improve their practices where appropriate; and
- does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries) in the selection, retention and realisation of investments.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the Scheme’s voting and engagement policies during the year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments. The Trustees took a number of steps to review the Scheme’s existing managers and funds over the period, as described in Section 2 below.

2. Voting and engagement

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement.

In February 2020, the Trustees reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2020.

The Trustees were satisfied with the results of the review and no further action was taken.

3. Description of voting behaviour during the year

All of the Trustees’ holdings in listed equities are held within pooled funds and the Trustees have taken the decision to delegate the exercising of voting rights to its investment managers. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the year.

In this section we have sought to include voting data on the Scheme’s funds that hold equities as follows:

- Legal & General Investment Management (“LGIM”)

- UK Equity Index Fund
- North America Equity Index Fund
- Japan Equity Index Fund
- Europe (ex UK) Equity Index Fund
- Asia Pacific (ex Japan) Developed Equity Index Fund
- World Emerging Market Equity Index Fund
- Baillie Gifford Multi-Asset Growth Fund
- BlackRock Dynamic Diversified Growth Fund

There can sometimes be voting opportunities for property and private credit funds. The fund managers for the Zurich Property Fund and Partners Private Credit Fund have confirmed that they have not had any voting opportunities over this period.

3.1. Description of the voting processes

3.1.1. LGIM (relevant to all invested funds)

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its 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 its 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 its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its 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, with the aim of ensuring that its 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.

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 LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its 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 LGIM receives from ISS for UK companies when making specific voting decisions

To ensure LGIM's proxy provider votes in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its 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 LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

3.1.2. Baillie Gifford Multi-Asset Growth Fund

Baillie Gifford's Governance and Sustainability Principles and Guidelines describe its approach to proxy voting and company engagement, the key levers of active ownership, often described as 'stewardship'. Whilst the guidelines are intended to provide an insight into how it approaches voting and engagement on its clients' behalf, it assesses every company individually. With respect to voting, Baillie Gifford evaluates proposals on a case-by-case basis, based on what it believes to be in the best long-term interests of its clients, rather than rigidly applying a policy. Where possible, Baillie Gifford votes on all of its clients' shares globally and votes against proposals where it feels that these are not in clients' interests. When Baillie Gifford does not vote in line with management's

recommendation, it endeavours to discuss concerns and communicate decisions with the company prior to submitting its vote.

Baillie Gifford's Governance and Sustainability team, in collaboration with the relevant investment teams, is responsible for making voting decisions whilst taking account of Baillie Gifford's guidelines.

Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house, in line with its in-house policy and not with the proxy voting providers' policies.

3.1.3. BlackRock Dynamic Diversified Growth Fund

BlackRock does not allow clients to provide feedback and direction on voting in pooled funds. If a client wants to implement their own voting policy, the client will need to be in a segregated account and BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock votes annually at c.17,000 shareholder meetings, taking a case-by-case approach to the items put to a shareholder vote. BlackRock's analysis is informed by its internally developed proxy voting guidelines, its pre-vote engagements, research, and the situational factors at a particular company. BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. In cases where there are significant obstacles to voting, such as share blocking or requirements for a power of attorney, BlackRock will review the resolutions to assess the extent of the restrictions on voting against the potential benefits. BlackRock generally prefers to engage with the company in the first instance where it has concerns and give management time to address the issue.

BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where BlackRock has engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to and advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement BlackRock's voting intention. BlackRock stresses that in all situations the economic interests of BlackRock's clients will be paramount.

BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. In summary, BlackRock:

- aims to apply its guidelines pragmatically, taking into account a company's unique circumstances where relevant;
- informs its vote decisions through research and engagement as necessary; and
- reviews voting guidelines annually and update them as necessary to reflect changes in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas ("AMRS"), Asia-Pacific ("APAC"), and Europe, Middle East and Africa ("EMEA") - located in seven offices around the world. The relevant analysts with each team will generally determine how to vote at the meetings of the companies it covers. BlackRock may seek input from other team members, senior BIS leaders, and/or portfolio managers. The global head of stewardship is responsible for all voting activities within the governance framework set out below.

3.2. Summary of voting behaviour over the year

A summary of voting behaviour over the period is provided in the table below.

	LGIM UK Equity Index Fund	LGIM North America Equity Index Fund	LGIM Japan Equity Index Fund	LGIM Europe (ex UK) Equity Index Fund	LGIM Asia Pacific (ex Japan) Developed Equity Index Fund	LGIM World Emerging Market Equity Index Fund	Baillie Gifford Multi- Asset Growth Fund	BlackRock Dynamic Diversified Growth Fund
Approximate value of trustees' assets	£4.4m	£1.5m	£0.8m	£1.6m	£0.8m	£2.4m	£3.6m	£3.6m
Number of holdings with voting rights attached as at year-end	634	639	515	455	398	1,867	68	560
Number of meetings eligible to vote	822	726	519	514	472	1,535	60	935
Number of resolutions eligible to vote	11,799	8,951	6,277	8,971	3,345	13,479	671	11,935
% of resolutions voted	99.9%	99.8%	99.6%	99.1%	99.5%	98.0%	96.1%	96.1%
% of resolutions voted with management	93.2%	72.4%	86.7%	83.8%	74.7%	82.9%	89.9%	91.9%
% of resolutions voted against management	6.8%	27.5%	13.3%	15.8%	25.3%	16.1%	8.2%	6.9%
% of resolutions abstained	0.0%	0.0%	0.0%	0.4%	0.0%	1.1%	1.9%	1.2%
% of resolutions where vote was contrary to the recommendation of a proxy advisor	6.1%	21.7%	10.4%	7.8%	15.1%	8.7%	n/a	n/a

3.3. Most significant votes over the year

Commentary on the most significant votes over the period is set out below. We have asked the managers to comment on votes that they believe to be significant. We have selected a subset provided by the managers for each fund based on a combination of factors, including the amount the Scheme has invested in the fund, the potential financial impact of the vote, the potential stewardship impact of the vote, and whether the vote was particularly controversial (for example, if it was high profile).

3.3.1. LGIM UK Equity Index Fund

Barclays, May 2020

LGIM voted to approve Barclays' Commitment in Tackling Climate Change, which was supported by 99.9% of shareholders.

International Consolidated Airlines Group, September 2020

LGIM voted against the resolution to approve the remuneration report. LGIM believed that the COVID-19 crisis and its consequences on international transport have negatively impacted this airline company's financial performance and business model.

At the end of March 2020, LGIM addressed a private letter to the company to state its support during the pandemic. LGIM also encouraged the board to demonstrate restraint and discretion with its executive remuneration. As a result of the crisis, the company took up support under various government schemes. The company also announced a 30% cut to its workforce. LGIM were concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company and also to reflect the stakeholder experience (employees and shareholders). 28.4% of shareholders opposed the remuneration report.

LGIM will continue to engage closely with the renewed board. LGIM considers this vote significant as it illustrates the importance for investors of monitoring its investee companies' responses to the COVID-19 crisis.

SIG plc, July 2020

LGIM voted against the resolution to approve a one-off payment to a director. The company wanted to grant its interim CEO a one-off award of £375,000 for work carried out over a two-month period.

LGIM does not generally support one-off payments. LGIM believes that the remuneration committee should ensure that executive directors have a remuneration policy in place that is appropriate for their role and level of responsibility. This should negate the need for additional one-off payments.

In this instance, there were other factors that were taken into consideration. The size of the additional payment was a concern because it was for work carried over a two-month period, yet was equivalent to 65% of his full-time annual salary. £225,000 was to be paid in cash at a time when the company's liquidity position was so poor that it risked breaching covenants of a revolving credit facility and therefore needed to raise additional funding through a highly dilutive share issue.

The resolution passed, despite 44% of shareholders not supporting it. LGIM believes that with this level of dissent the company should not go ahead with the payment. LGIM intends to engage with the company over the coming year to find out why this payment was deemed appropriate and whether they made the payment despite the significant opposition.

3.3.2. LGIM North America Equity Index Fund

Amazon, May 2020

Of 12 shareholder proposals, LGIM voted to support 10. 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 LGIM's engagements leading up to the proxy vote. LGIM's team has had multiple engagements

with Amazon over the past 12 months. The topics of LGIM's engagements touched most aspects of ESG, with an emphasis on social topics:

- 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'; and
- Social: establishment of workplace culture, employee health and safety.

LGIM believes 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 additional incentive of \$2 per hour to work during the pandemic. Also cited is an ongoing culture of retaliation, censorship, and fear. LGIM 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.

Despite shareholders not giving majority support to the raft of shareholder proposals, the sheer number and focus on these continues to dominate the landscape for the company. LGIM's engagement with the company continues and it intends to push Amazon to disclose more and to ensure it is adequately managing its broader stakeholders, and most importantly, Amazon's human capital.

The market attention was significant leading up to the AGM, with the largest number of shareholder proposals of any major US company in the voting season, backed by a diverse range of investors, alongside substantial, and largely negative, press coverage.

ExxonMobil, May 2020

LGIM voted against the election of Darren Woods as a Director. Ahead of the company's annual general meeting in May 2020, LGIM announced it would be supporting shareholder proposals for an independent chair and a report on the company's political lobbying. Due to recurring shareholder concerns, LGIM's voting policy also sanctioned the reappointment of the directors responsible for nominations and remuneration. Ultimately, 93.2% of shareholders supported the re-election of the combined chair and CEO Darren Woods.

In addition to this, LGIM supported the proposal for a report on the company's political lobbying. Approximately 30% of shareholders, including LGIM, supported votes for making the chairman role independent and for the report on lobbying.

LGIM believes this sends an important signal, and will continue to engage, both individually and in collaboration with other investors, to push for change at the company.

LGIM's voting intentions were the subject of over 40 articles in major news outlets across the world, including Reuters, Bloomberg, Les Échos and Nikkei, with a number of asset owners in Europe and North America also declaring their intentions to vote against the company. LGIM voted against the chair of the board as part of LGIM's 'Climate Impact Pledge' escalation sanction.

3.3.3. LGIM Japan Equity Index Fund

Olympus Corporation, July 2020

LGIM voted against the resolution to elect Director Yasuo Takeuchi as a Director.

Japanese companies in general have trailed behind European and US companies, as well as companies in other countries, in ensuring more women are appointed to their boards. The lack of women is also a concern below board level. LGIM has for many years promoted and supported an increase of women on boards, at the executive level and below. On a global level LGIM considers that every board should have at least one female director and deems this to be a de minimis standard. Globally, LGIM aspires to all boards comprising 30% women. Last year in February, LGIM sent letters to the largest companies in the MSCI Japan which did not have any women on their boards or at executive level, indicating that LGIM expects to see at least one woman on the board. One of the companies targeted was Olympus Corporation.

In the beginning of 2020, LGIM announced that it would commence voting against the chair of the nomination committee or the most senior board member (depending on the type of board structure in place) for those companies included in the TOPIX100.

LGIM opposed the election of this director in his capacity as a member of the nomination committee and the most senior member of the board, in order to signal that the company needed to take action on this issue. 94.9% of shareholders supported the election of the director. LGIM will continue to engage with and require increased diversity on all Japanese company boards. This vote is deemed significant as LGIM considers it imperative that the boards of Japanese companies increase their diversity.

3.3.4. LGIM Europe (ex UK) Equity Index Fund

LGIM did not deem any votes to be significant.

3.3.5. LGIM Asia Pacific (ex Japan) Developed Equity Index Fund

LGIM did not deem any votes to be significant.

3.3.6. LGIM World Emerging Market Equity Index Fund

LGIM did not deem any votes to be significant.

3.3.7. Baillie Gifford Multi-Asset Growth Fund

Covivio REIT, April 2020

Baillie Gifford opposed the remuneration report across 5 separate votes due to concerns with the in-flight and proposed long term incentive scheme. In Baillie Gifford's opinion, this scheme could have led to rewarding underperformance. Following the AGM in 2020, Baillie Gifford informed the company of its voting decision and advised that it expects more stretching performance criteria to apply to long term incentives going forward. Baillie Gifford has yet to see improvements in the targets so intends to continue dialogue with the company and to take appropriate voting action. All resolutions were ultimately passed.

EDP Renovaveis, March 2020

Baillie Gifford opposed the election of a director due to the lack of independence and diversity on the board. Baillie Gifford has taken action on the election of directors at the company since the 2018 AGM. Baillie Gifford's concerns are regarding the attendance record of some directors, a lack of board independence and diversity. Baillie Gifford has spoken to the company a number of times regarding these concerns and continue raise the issue and take action where possible. As the company has an 82% controlling shareholder, Baillie Gifford's ability to influence is limited, however it believes it is important to hold the board accountable for its concerns. The resolution ultimately passed.

3.3.8. BlackRock Dynamic Diversified Growth Fund

Qualcomm, March 2020

In recent years, Qualcomm's unique business model – particularly the licensing of intellectual property rights – and executive compensation package have garnered public attention. The company has also experienced several material events, including a settlement and related supply/licensing agreements with Apple in 2019 which significantly increased its previously suppressed stock price. In response to the settlement and related agreements, Qualcomm awarded a one-time equity grant to CEO Steve Mollenkopf and one-time grants to other executive officers.

BlackRock believes compensation committees should have discretion to make adjustments to executive compensation plans. Where discretion has been used, BlackRock expects disclosure relating to how and why it was used and further, how the adjusted outcome is aligned with the interests of shareholders. The company provided such disclosure, emphasizing the one-time equity awards were connected to the aforementioned settlement and related agreements. BlackRock recognises the importance of this event to Qualcomm's business given ongoing litigation and regulatory risks impacting the company. However, the company did not provide sufficient justification for why this outcome with Apple is outside Mr. Mollenkopf's realm of responsibilities as CEO, which are already covered in the company's long-term executive compensation plan. Ultimately, granting this one-off award suggests a pay plan that is not aligned with shareholders' long-term interests, which is difficult to reconcile with ongoing underperformance versus Qualcomm's peers, raising a perceived pay-for-performance disconnect.

BlackRock considers that this vote was significant because of the public attention surrounding Qualcomm's executive compensation package. The majority of shareholders voted against the proposal and the vote did not pass.

BHP Group, November 2019

BHP is a natural resources company that extracts and processes minerals, oil and gas. Shareholders have over the years submitted a number of resolutions in the extractive and energy sectors relating to climate risk management and their memberships of industry associations.

The aims of BlackRock's climate risk engagements remain two-fold: (1) to promote effective management of material climate risks and (2) to understand how these risks are likely to impact the company's business over time.

BlackRock was part of 73% of shareholders that voted against resolution 22. This was a shareholder resolution for BHP to suspend membership of industry associations involved in lobbying that is inconsistent with the goals of the Paris Agreement. BlackRock voted against because:

1. BHP is an industry leader on climate-related issues;
2. BHP's track record, and BlackRock's engagements with their management and board, give it confidence in their judgment on these issues;
3. The ultimate goal of this resolution appears to be more targeted at the industry associations than at driving positive outcomes at BHP.

BlackRock will continue to engage with the management and board of BHP on a range of material issues of economic relevance, not just limited to climate-related risks, and regardless of whether the company receives a shareholder resolution. BlackRock will continue to encourage BHP – and all the companies with which it engages – to make further progress on climate-related issues, holding them to their commitments through its ongoing dialogue with the management and board of directors.