

The Mount Charlotte Thistle Hotels  
Retirement Benefits Scheme

**Annual Implementation  
Statement – Scheme year  
ending 30 April 2020**

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## Section 1: Introduction

This document is the Annual Implementation Statement (“the statement”) prepared by the Trustees of the Mount Charlotte Thistle Hotels Retirement Benefits Scheme (“the Scheme”) covering the scheme year (“the year”) to 30 April 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 Scheme’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 Scheme 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 have delegated some responsibilities. In particular, the Trustees have appointed a Fiduciary Manager, Towers Watson Limited, to manage the Scheme’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.

A copy of this implementation statement has been made available on the following website:

<https://www.glhhotels.com/about-glh/statement-of-investment-principles.html>

### **Review of and changes to the SIP**

The SIP in place as at the end of the year was dated as at January 2020 and incorporated comprehensive updates to reflect the appointment of the Fiduciary Manager over the year. 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 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.

## Section 2: Voting and Engagement

### Industry wide / public policy engagement:

Regarding engagement, the Trustees' SIP states that:

- “The Fiduciary Manager has appointed Hermes EOS to undertake public policy engagement on its behalf as well as company-level engagement”; and
- “The Trustees expect the Fiduciary Manager to assess the alignment of each investment manager’s approach to sustainable investment (including engagement) with its own before making an investment on the Scheme’s behalf. The Trustees expect the Fiduciary Manager to engage with the Scheme’s investment managers where the Fiduciary Manager considers this appropriate regarding their approach to stewardship. In addition, the Trustees expect the Fiduciary Manager to review the investment managers’ approach to sustainable investment (including engagement) on a periodic basis and engage with the investment managers to encourage further alignment as appropriate”.

As noted above, 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 via the Client Advisory Council (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 Hermes 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 Stewardship Advisory Committee
- 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)

As set out in Section 1, the Fiduciary Manager of the Scheme engages with the Scheme’s investment manager’s 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 Scheme 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 Scheme'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 Scheme'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 Scheme's investment managers. The table below sets out the voting activities of the Scheme's equity investment managers 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 (10.6% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 1,725 Number of resolutions on which manager was eligible to vote: 20,953 Number of votes cast: 20,385 Percentage of eligible votes cast: 97.3% Percentage of votes with management: 82.5% Percentage of votes against management: 16.8% Percentage of votes abstained from: 0.7% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 66.1% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.4%
LGIM AC World Adaptive Capped ESG Universal (4.2% of assets at year end)	Pooled equity fund	Number of meetings at which the manager was eligible to vote: 2,721 Number of resolutions on which manager was eligible to vote: 31,950 Number of votes cast: 30,985 Percentage of eligible votes cast: 97.0% Percentage of votes with management: 82.6% Percentage of votes against management: 16.8% Percentage of votes abstained from: 0.7% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 64.4% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 9.6%
LGIM Infrastructure Equity MFG Fund (4.9% of assets at year end)	Pooled listed infrastructure fund	Number of meetings at which the manager was eligible to vote: 79 Number of resolutions on which manager was eligible to vote: 974 Number of votes cast: 970 Percentage of eligible votes cast: 99.6% Percentage of votes with management: 86.4% Percentage of votes against management: 13.4% Percentage of votes abstained from: 0.2% Of the meetings the manager was eligible to attend, the percentage where the manager voted at least once against management: 69.6% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.6%

<p>LGIM Heitman Global Prime Property Securities</p> <p>(4.6% of assets at year end)</p>	<p>Pooled listed real estate fund</p>	<p>Number of meetings at which the manager was eligible to vote: 87</p> <p>Number of resolutions on which manager was eligible to vote: 858</p> <p>Number of votes cast: 844</p> <p>Percentage of eligible votes cast: 98.4%</p> <p>Percentage of votes with management: 85.3%</p> <p>Percentage of votes against management: 14.7%</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: 54.0%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 8.4%</p>
<p>Active manager – China Equity</p> <p>(1.2% of assets at year end)</p>	<p>Pooled equity fund</p>	<p>Number of meetings at which the manager was eligible to vote: 28</p> <p>Number of resolutions on which manager was eligible to vote: 186</p> <p>Number of votes cast: 186</p> <p>Percentage of eligible votes cast: 100%</p> <p>Percentage of votes with management: 97.8%</p> <p>Percentage of votes against management: 2.2%</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: 3.6%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 7.5%</p>

In addition, LGIM and the active equity manager reported on the most significant votes cast within the funds managed on behalf of the Scheme, 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><b>Company:</b> <u>BP PLC</u></p> <p><b>Resolution:</b> Approve the Climate Action 100+ Shareholder Resolution on Climate Change Disclosures</p> <p><b>Summary:</b> LGIM and other major shareholders put forward a proposal calling on BP to explain how its strategy is consistent with the Paris Agreement on climate change.</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for being considered a significant vote:</b> Has led to a dramatic shift in the direction of the company's strategy. The company has announced industry-leading targets: net zero emissions from its operations, net zero carbon emissions from the oil and gas it digs out of the ground, and a 50% reduction in the carbon intensity of all the products it sells.</p> <p><b>Outcome of the vote:</b> For</p>	<p>Allocations in:</p> <p>LGIM Robeco Global Sustainable Multi-factor Equities Index</p> <p>LGIM AC World Adaptive Capped ESG Universal</p>

<p><b>Company: Bayer AG</b></p> <p><b>Resolution:</b> Approve Discharge of Management Board for Fiscal 2018</p> <p><b>Summary:</b> Following its acquisition of agribusiness Monsanto, Bayer was asked to pay millions in damages in several court cases where plaintiffs claimed that Monsanto's glyphosate-based weedkiller RoundUp was linked to causing cancer. Although the damages were reduced upon appeal, and Bayer was adamant that RoundUp was not carcinogenic, LGIM were concerned that the Bayer supervisory and management boards had not fully considered the significant risks related to glyphosate litigation in the US prior to acquiring Monsanto.</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale for being considered a significant vote:</b> A vote of no confidence in a company board is a rare escalation, and the company subsequently established a glyphosate litigation committee to monitor litigation and consult with the board. The company also announced that the chair would step down at the 2020 AGM.</p> <p><b>Outcome of the vote:</b> Against</p>	<p>Allocations in:</p> <p>LGIM Robeco Global Sustainable Multi-factor Equities Index</p>
<p><b>Company: Hyundai MOBIS and Hyundai MOTOR</b></p> <p><b>Resolution:</b></p> <p>Mobis: Elect Karl-Thomas Neumann as a Member of Audit Committee and Elect Rudolph William C. Von Meister a Member of Audit Committee</p> <p>Motor: Elect John Y. Liu as a Member of Audit Committee and Robert Randall MacEwen as a Member of Audit Committee and Elect Margaret S. Bilson as a Member of Audit Committee</p> <p><b>Summary:</b> In March 2018, the Hyundai group announced a restructure involving Hyundai Mobis and Hyundai Motor. Activist investor Elliott Management, which owned a \$1 billion stake in the group, challenged these plans by putting forward its own proposals for the two businesses. This included increasing the dividend payout, establishing separate compensation and governance committees, and appointing directors who were not already on the group's boards. Elliott Management's proposals were defeated at both companies' AGMs. However, the two companies decided to broaden the skillset of their boards through the appointment of new directors from outside the group. The management also supported the introduction of separate board committees, including a remuneration committee. Following the vote, the CEO confirmed that the group would listen more to dissenting shareholders</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for being considered a significant vote:</b> Shareholder activism is not common in South Korea.</p> <p><b>Outcome of the vote:</b> Against</p>	<p>Allocations in:</p> <p>LGIM Robeco Global Sustainable Multi-factor Equities Index</p> <p>LGIM AC World Adaptive Capped ESG Universal</p>
<p><b>Company: Essilor Luxottica</b></p> <p><b>Resolution:</b> Res A, B and C: Elect Wendy Evrard Lane as Director; Elect Jesper Brandgaard as Director; Elect Peter James Montagnon as Director</p> <p><b>Summary:</b> In 2018, French lenses producer Essilor merged with Italian frame manufacturer Luxottica. Upon conclusion of the merger, the executive chair of Luxottica's holding company (Delfin) owned 32.7% of the merged company's share capital. Under the terms of the merger agreement, the aforementioned executive chairman and Essilor's executive vice-chairman were both given equal powers. In March 2019 an internal disagreement between the two heads of the merged entity occurred. Two of the company's shareholders – Comgest and Valoptec – put forward three board nominees in a bid to break the impasse. LGIM contacted EssilorLuxottica to discuss the issue, but received no reply. LGIM subsequently engaged extensively with Comgest, Valoptec and the board nominees. LGIM publicly announced support for the board nominees ahead of the AGM to ensure the current board knew LGIM's intentions and to raise awareness to the other shareholders.</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale for being considered a significant vote:</b> Escalation of engagement. LGIM publicly announced their support for the board nominees ahead of the AGM to ensure the current board knew their intentions and to raise awareness to the other shareholders.</p> <p><b>Outcome of the vote:</b> The board nominees received significant support from the company's independent shareholders, equalling respectively 43.7% and 35% of the total votes.</p>	<p>Allocations in:</p> <p>LGIM Robeco Global Sustainable Multi-factor Equities Index</p> <p>LGIM AC World Adaptive Capped ESG Universal</p>

<p><b><u>Company: Haier Smart Home</u></b></p> <p><b>Resolution:</b> Amendments to The Company's Articles Of Association; Amendments To The Rules of Procedure Governing Shareholders General Meetings</p> <p><b>How the manager voted:</b> Against</p> <p><b>Summary :</b> 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><b>Rationale for being considered a significant vote::</b> A vote against management</p> <p><b>Outcome of the vote:</b> For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><b><u>Company: Lenovo Group Ltd.</u></b></p> <p><b>Resolution:</b> Authority to Issue Shares w/o Preemptive Rights; Authority to Issue Repurchased Shares</p> <p><b>How the manager voted:</b> Against</p> <p><b>Summary :</b> 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><b>Rationale for being considered a significant vote:</b> A vote against management</p> <p><b>Outcome of the vote:</b> For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><b><u>Company: Huayu Automotive</u></b></p> <p><b>Resolution:</b> Elect Zhuang Jingxiong</p> <p><b>How the manager voted:</b> For</p> <p><b>Summary:</b>The manager felt it is more important to ensure sufficient independence for the board of directors compared to supervisors.</p> <p><b>Rationale for being considered a significant vote:</b> Vote against provider recommendations</p> <p><b>Outcome of the vote:</b> For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><b><u>Company: Great Wall Motor</u></b></p> <p><b>Resolution:</b> Appraisal Measures for Implementation of 2019 Restricted Share and Share Option Incentive Scheme</p> <p><b>How the manager voted:</b> For</p> <p><b>Summary:</b> The manager felt that equity-linked incentives help improve alignment with minority interests. Key Performance Indicators such as sales volume and profit have also been announced.</p> <p><b>Rationale for being considered a significant vote:</b> Vote against provider recommendations</p> <p><b>Outcome of the vote:</b> For</p>	<p>Allocations in: Active manager – China Equity</p>
<p><b><u>Company: Shanghai International Airport (SIA)</u></b></p> <p><b>Resolution:</b> Election of Supervisor</p> <p><b>How the manager voted:</b> For</p> <p><b>Summary:</b> Supervisor committee of SIA has 5 members. 3 are nominated by the parent group and 2 are elected from employees. The manager felt that the structure is fine (at least 1/3 of supervisors should come from employees).</p> <p><b>Rationale for being considered a significant vote:</b> Vote against provider recommendations</p> <p><b>Outcome of the vote:</b> For</p>	<p>Allocations in: Active manager – China Equity</p>

## Section 3: Summary and conclusions

We consider that all SIP policies and principles were adhered to.

# 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.”