

## **Engagement Policy Implementation Statement ('EPIS')**

### **Introduction**

This document is the Annual Implementation Statement ('the statement') prepared by the Trustees of the THUS Group Plc Pension Scheme ('the Scheme') covering the Scheme year ('the year') from 1 January 2022 to 31 December 2022.

The purpose of this statement is to set out:

- Details of how and the extent to which, in the opinion of the Trustees, the Trustees' policies on engagement and voting (as set out in the Statement of Investment Principles (the 'SIP')) have been adhered to 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 SIP is a document which outlines the Trustees' policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online here

[https://pensions.vodafone.co.uk/documents/thus/thus\\_statement\\_of\\_investment\\_principles.pdf](https://pensions.vodafone.co.uk/documents/thus/thus_statement_of_investment_principles.pdf)

This statement reflects the Scheme year 1 January 2022 to 31 December 2022. The SIP linked above reflects the latest version which is dated September 2020.

There were no changes to the SIP over the Scheme year.

At the year end the investment assets were not in line with the benchmark range set out in the Statement of Investment Principles in place at the year end date. The Trustees are in the process of updating the documentation in a new Statement of Investment Principles to reflect their revised investment strategy

### **How the Trustees have adhered to their engagement and voting policies**

The Trustees' policies on voting and engagement, as stated in the SIP are:

- The Trustees' policy is to take into account factors that are considered to be financially material such as potential future returns and risks of any investments made. ESG-related matters, including broad corporate governance issues, effective stewardship and more specific considerations such as climate change and research and development practices are considered to be financially material by the Trustees. The Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment manager in the exercise of their delegated duties.
- The Trustees recognise that a company's long-term financial success is influenced by a range of factors including appropriate management of ESG issues. Whilst it is the Trustees' preference that all companies should be run in a socially responsible way, they take the view that their primary responsibility is to act in the best financial interests of the members of the Scheme.

## Engagement Policy Implementation Statement ('EPIS') (continued)

- The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment manager.
- The Trustees' policy is that the extent to which social, environmental or ethical considerations are taken into account in these decisions is left to the discretion of the investment manager. However, the Trustees expect that the extent to which social, environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment manager in the exercise of its delegated duties. In the case of Legal & General, the Trustees recognise that it is likely that, as a result of the passive nature of the investments, there are likely to be limited occasions when the manager would take account of such considerations in its selection of investments.
- The Trustees expect their investment manager, where appropriate, to engage with companies (and other relevant persons including, but not limited to, other investment managers, other stakeholders, and issuers/other holders of debt and equity) on matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest risks, and ESG issues concerning the Trustees' investments. The Trustees believe such engagement will protect and enhance the long-term value of their investments and incentivise the investment manager to take a long-term view of the performance of their investments. The Trustees review their investment manager's policies in these areas to satisfy themselves that they broadly meet with the Trustees' views.
- In order to incentivise the investment manager to align its investment strategies and decisions with the Trustees' policies, the Trustees (with the assistance of the investment advisor): (i) assess the manager's policies, processes and views when selecting the investment managers; (ii) set investment objectives and benchmarks to be complied with by the investment managers which reflect relevant policies of the Trustees; and (iii) monitor the investment manager's performance.
- Should the Trustees' monitoring process reveal that, in their view, any of the investment manager's mandates are not sufficiently aligned with the Trustees' policies, the Trustees will engage with the manager further to encourage alignment. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, and taking account of potential alternative options and implications for the governance requirements of the Scheme, the manager will be terminated and replaced.
- To maintain alignment, the investment manager is provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis. The Trustees also seek information regarding the manager's policies to consider whether the Scheme's assets are managed in line with the Trustees policies as outlined in the Statement of Investment Principles. As part of this monitoring process the investment manager provides the Trustees with regular monitoring reports, which include information on the investment manager's approach to allowing for ESG issues.
- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment manager and to encourage the manager to exercise those rights. The manager is expected to exercise these rights and engage with companies with care and diligence that could reasonably be expected of a prudent professional investment manager, taking into account any relevant policies adopted by the Trustees from time to time and their impact on eligible participants and beneficiaries of the Scheme over an appropriate time horizon.

## **Engagement Policy Implementation Statement ('EPIS') (continued)**

As the investment managers of pooled funds, in which the Scheme is invested, are generally responsible for exercising voting rights and as the Trustees otherwise delegate responsibility for the exercising of voting rights to the Scheme's investment manager, it is the responsibility of the Trustees to monitor, review and engage with the investment manager with respect to how they have undertaken these activities.

The same policy applies to corporate engagement with the management of companies the Scheme is invested in. Corporate engagement is the responsibility of the managers of pooled funds and is otherwise delegated to the Scheme's investment manager because the Trustees believe that that manager is best placed to manage this engagement. The Trustees monitor, review and engage with the manager on how it has undertaken these activities.

Over the year, in line with the policies outlined, the Trustees undertook the following activities:

- Received quarterly reports from LGIM including information on their Sustainable Investing policies and actions. The Trustees also received an update at a Trustee meeting in which LGIM talked through their ESG policies and processes in detail. This also covered their stewardship priorities and climate impact pledge. As part of this annual review the Trustees reflected positively on the information received.
- Engaged with LGIM to increase the frequency of data provided in the area of climate change for the Funds which the Trustees are invested in.
- Considered the engagement activity completed by LGIM in line with the manager's Climate Impact pledge
- Reviewed LGIM's approach to engaging with relevant stakeholders including investee companies and policymakers
- Considered direct engagement examples across a number of issues such as deforestation, diversity and board accountability
- Reviewed the significant votes cast by LGIM as part of the production of this statement and the current voting policy.
- The Trustees reviewed the performance of the investment manager on a quarterly basis, with a focus on the longer-term outcomes of the investments held.
- There were no material concerns identified during the year in relation to current policies in the area of stewardship and engagement

As set out in section 4, the Trustees believe that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year and will continue to monitor the investment manager's stewardship practices on an ongoing basis.

### **Voting information**

The Scheme is invested in a diverse range of asset classes. However, this document focusses on the equity investments which have voting rights attached.

The Scheme's equity holdings as at the end of the year are held in pooled investment funds and are largely managed on a passive basis relative to a defined index. Therefore, the voting entitlements in these funds lie with the investment manager.

## Engagement Policy Implementation Statement ('EPIS') (continued)

The Scheme's equity holdings are invested with Legal & General Investment Management ('LGIM'), in the following pooled investment fund(s):

- **LGIM Diversified Fund:** pooled investment fund which invests in bonds and a range of assets including equities, property, commodities, listed infrastructure, private equity and global real estate companies. The fund's performance is compared to the FTSE Developed World Index – 50% Hedged.
- **LGIM All World Equity Index Fund:** pooled investment fund investing in global equities, which aims to track the performance of the FTSE ALL-World Index to within +/- 0.5% per annum for two years out of three.
- **LGIM All World Equity Index Fund – GBP Currency Hedged:** pooled investment fund investing in global equities, which aims to track the performance of the FTSE ALL-World Index (GBP Hedged) to within +/- 0.5% per annum for two years out of three. The fund is GBP hedged with the exception of emerging markets.

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting and stewardship) and the integration of ESG considerations in day-to-day decisions to the Scheme's investment manager. This section sets out the voting activities of the Scheme's equity investment manager over the year, including details of the investment manager's use of proxy voting.

LGIM have their own voting policies that determine their approach to voting and the principles they follow when voting on investors' behalf. LGIM also use voting proxy advisors which aid in their decision-making when voting. Details are summarised in the table below:

Manager	Use or proxy advisor services:
<p><b>LGIM</b></p>	<p>LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decision. To ensure that their proxy provider votes in accordance with their position on ESG, there is a custom voting policy in place with specific voting instructions.</p> <p>LGIM use ISS recommendations to augment their own research. LGIM's internal investment stewardship team also use research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.</p> <p>LGIM have a custom voting policy in place which includes specific voting instructions which apply to all markets globally. LGIM have the ability to override any vote decisions which are based on this custom voting policy if they see fit.</p>

## Engagement Policy Implementation Statement ('EPIS') (continued)

As outlined in the SIP, the Trustees recognise the UK Stewardship Code 2020 and monitor the Scheme's investment manager's adherence to the Code. LGIM are signatories to the code. Their latest statement of compliance can be found via the link below:

LGIM: <https://www.lgim.com/landg-assets/lgim/capabilities/investment-stewardship/2021-uk-stewardship-code-summary.pdf>

The below table sets out the voting activity of the Scheme's equity investment managers, on behalf of the Trustees, over the year:

<b>Manager and strategy</b>	<b>Portfolio structure</b>	<b>Voting activity</b>
LGIM Diversified Fund	Pooled investment fund	<p><b>Number of meetings at which the manager was eligible to vote: 9,567</b></p> <p><b>Number of resolutions on which manager was eligible to vote: 98,795</b></p> <p><b>Number of votes cast: 98,597</b></p> <p><b>Percentage of eligible votes cast: 99.8%</b></p> <p><b>Percentage of votes with management: 77.4%</b></p> <p><b>Percentage of votes against management: 21.9%</b></p> <p><b>Percentage of votes abstained from: 0.7%</b></p> <p><b>Of the meetings the manager was able to attend, the percentage where the manager voted at least once against management: 72.1%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 12.5%</b></p>
LGIM All World Equity Index Fund  LGIM All World Equity Index Fund (GBP Currency Hedged)	Pooled investment fund	<p><b>Number of meetings at which the manager was eligible to vote: 6,645</b></p> <p><b>Number of resolutions on which manager was eligible to vote: 67,139</b></p> <p><b>Number of votes cast: 67,072</b></p> <p><b>Percentage of eligible votes cast: 99.9%</b></p> <p><b>Percentage of votes with management: 78.9%</b></p> <p><b>Percentage of votes against management: 19.9%</b></p> <p><b>Percentage of votes abstained from: 1.3%</b></p> <p><b>Of the meetings the manager was able to attend, the percentage where the manager voted at least once against management: 63.5%</b></p> <p><b>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.4%</b></p>

\*Voting statistics are out of total eligible votes and are sourced from the investment manager LGIM

The following table outlines a number of significant votes cast by the Scheme's investment manager on the Trustees' behalf. The commentary set out below is based on detail in the relevant manager's reports on the votes cast. LGIM reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 31 December 2022, including the rationale for the voting decision and the outcome of the vote. The Trustees distilled this on the basis of how material the holding was within the investment fund and whether the vote itself was expected to have an impact on the long-term value of the Company within which the Scheme is invested in. The Trustees also recognise climate change as being a key material factor and therefore this is given additional focus when reviewing and collating the voting information. A number of these key votes are set out below.

## Engagement Policy Implementation Statement ('EPIS') (continued)

Significant votes cast	Coverage in portfolio
<p><b>Company:</b> Royal Dutch Shell Plc</p> <p><b>Meeting date:</b> 24 May 2022</p> <p><b>Management resolution:</b> Approve the Shell Energy Transition Progress Update</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale:</b> A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned about the disclosed plans for oil and gas production and would benefit from further disclosure of targets associated with the upstream and downstream businesses.</p> <p><b>Outcome:</b> 79.9% of shareholders supported the resolution.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p><b>Company:</b> JPMorgan Chase &amp; Co.</p> <p><b>Meeting date:</b> 17 May 2022</p> <p><b>Management resolution:</b> Resolution 1c - Elect Director Todd A. Combs</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale:</b> A vote against the relevant director is applied as LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair. This was also applied in light of our persistent concerns about pay structures at the Company. As members of the Compensation Committee, this director is deemed accountable for the Company's pay practices.</p> <p><b>Outcome:</b> 95.3% of shareholders supported the resolution.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p><b>Company:</b> NextEra Energy, Inc.</p> <p><b>Meeting date:</b> 19 May 2022</p> <p><b>Management resolution:</b> Resolution 1j - Elect Director Rudy E. Schupp</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale:</b> A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.</p> <p><b>Outcome:</b> 85.9% of shareholders supported the resolution.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p>

## Engagement Policy Implementation Statement ('EPIS') (continued)

<p><b>Company:</b> Apple Inc.</p> <p><b>Meeting date:</b> 4 March 2022</p> <p><b>Management resolution:</b> Resolution 9 – Report on Civil Rights Audit</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.</p> <p><b>Outcome:</b> 53.6% of shareholders supported the resolution.</p>	<p>LGIM Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p><b>Company:</b> ExxonMobil</p> <p><b>Meeting date:</b> 25 May 2022</p> <p><b>Management resolution:</b> Resolution 6 - Set GHG Emissions Reduction targets Consistent with Paris Agreement Goal</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale:</b> A vote For is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.</p> <p><b>Outcome:</b> 27.1% of shareholders supported the resolution.</p>	<p>LGIM Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>

## Engagement Policy Implementation Statement ('EPIS') (continued)

<p><b>Company:</b> McDonald's Corporation</p> <p><b>Meeting date:</b> 26 May 2022</p> <p><b>Management resolution:</b> Resolution 6 - Report on Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders</p> <p><b>How the manager voted:</b> For</p> <p><b>Rationale</b> As last year, LGIM voted in favour of the proposal as they believe the proposed report will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. We believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, people and global GDP. This is unfortunately further substantiated through the recent study published in the Lancet at the beginning of 2022 by the Global Research on Antimicrobial resistance (GRAM) project: Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis. While we note the company's past efforts to reduce the use of antibiotics in its supply chain for chicken, beef and pork, we believe AMR is a financially material issue for the company and other stakeholders, and that concerted action is needed sooner rather than later. By supporting this proposal, we want to signal to the company's board of directors the importance of this topic and the need for action.</p> <p><b>Outcome:</b> 13.2% of shareholders supported the resolution.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p><b>Company:</b> Amazon.com, Inc.</p> <p><b>Meeting date:</b> 25 May 2022</p> <p><b>Management resolution:</b> Resolution 1f - Elect Director Daniel P. Huttenlocher</p> <p><b>How the manager voted:</b> Against</p> <p><b>Rationale:</b> Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development &amp; Compensation Committee which is accountable for human capital management failings.</p> <p><b>Outcome:</b> 93.3% of shareholders supported the resolution.</p>	<p>LGIM Diversified Fund</p> <p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>



## **Engagement Policy Implementation Statement ('EPIS') (continued)**

### **Conclusion**

The Trustees believe that the Scheme's engagement and voting policy as outlined in the SIP has been adhered to over the Scheme year.

Following monitoring of the Scheme's investment manager over the year, and reviewing the voting information outlined in this statement, the Trustees are satisfied that LGIM are acting in the Scheme members' best interests as effective stewards of the Scheme's assets.

The Trustees will continue to monitor the investment manager's stewardship practices on an ongoing basis..

### **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.