

THUS Group plc Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 31 December 2023**

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Section 1: Introduction and SIP changes

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 2023 to 31 December 2023.

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](#).

This statement reflects part of the Scheme year 1 January 2023 to 31 December 2023 albeit the changes made to the policies outlined in this statement were minor in nature so the Trustee views these as applicable over the whole year. The SIP linked above reflects the latest version which is dated October 2023 and the changes made to the SIP are reflected below.

Changes to the SIP over the year were as follows:

- The SIP was updated to reflect the newly agreed investment strategy and asset allocation following a detailed review in conjunction with the Actuarial Valuation which also took place.
- The SIP now includes reference to more than one investment manager following the appointment of an additional investment manager to implement a Multi-Strategy Alternative Credit mandate.
- The SIP now further clarifies how the Trustees monitor and manage liquidity risk.
- The SIP now makes reference to climate change under the ESG issues for manager monitoring.
- Clarification that the Trustees recognise they retain ultimate accountability for how voting and engagement activities are exercised and are responsible for monitoring it.
- The Schemes current strategic asset allocation was reviewed in October 2023
- A recent AVC review was carried out in March 2022 and concluded that Standard Life as the provider and the range of fund choices remain suitable given the small size of the fund.
- The ‘Currency Risk’ section was updated to reflect that currency risk is also being managed by hedging 100% of the developed markets currency exposure within the Alternative Credit mandate.
- The Myners Code section has been replaced by a general governance section showing that the Trustee reviews their governance on a regular basis.

Section 2: 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 managers 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.
- The Trustees have delegated responsibility for the selection, retention and realisation of investments to the investment managers.
- 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 managers. 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 managers in the exercise of their delegated duties. In the case of Legal & General Investment Management, 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 managers, 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 managers to take a long-term view of the performance of their investments. The Trustees review their investment managers' policies in these areas to satisfy themselves that they broadly meet with the Trustees' views.
- In order to incentivise the investment managers to align their investment strategies and decisions with the Trustees' policies, the Trustees (with the assistance of the Investment Consultant): (i) assess the managers' 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 managers' mandates are not sufficiently aligned with the Trustees' policies, the Trustees will engage with the managers 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, a manager will be terminated and replaced.

- To maintain alignment, the investment managers are 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 managers' 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 managers provide the Trustees with regular monitoring reports, which include information on the investment managers' approach to allowing for ESG issues (including climate change).
- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The managers are 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. The Trustees recognise that they retain ultimate accountability for how voting and engagement activities are exercised and therefore monitors how this is being done on an annual basis.
- The Trustees encourage the Scheme's investment managers to discharge their responsibilities in accordance with the UK Stewardship Code (the "Stewardship Code") published by the Financial Reporting Council.

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 managers, it is the responsibility of the Trustees to monitor, review and engage with the investment managers 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 managers because the Trustees believe that that managers are best placed to manage this engagement. The Trustees monitor, review and engage with the managers on how they have undertaken these activities.

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

- The Trustees consider that stewardship is an important tool for managing risk and improving financial outcomes of the Scheme. However, the Trustees also acknowledge that Responsible Investment is broad and therefore it makes sense to have a small number of stewardship priorities to focus engagements. The Trustee selected climate change and human rights as the key priorities going forward due belief that they are currently the most material financial factors. Reporting and engagement are therefore expected to continue to focus in those areas.
- As part of the Trustees review of investment strategy the Trustees have agreed to make an allocation to a Multi-Strategy Alternative Credit Fund. As part of reviewing the different investment providers, the Trustees reviewed the managers approach to Responsible Investment and one of the drivers of M&G's appointment was their strong approach to incorporating Responsible Investment factors into their analysis and having demonstrated strong stewardship capabilities.
- Conducted a training session which included a review of the Trustees' approach to Responsible Investment. This also included detail on climate change metrics and how these can be incorporated into the Trustees monitoring framework going forwards.
- The Trustees have incorporated climate change reporting into the quarterly Integrated Risk Management reporting that is completed which includes reference to LGIM's climate change exposures.

- Received quarterly reports from LGIM including information on their Sustainable Investing policies and actions. The Trustees are due to have LGIM attend the June Trustee meeting to talk through these in further detail.
- Considered direct engagement examples across a number of issues such as climate change and human rights.
- 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
- The Trustee also reviewed the Investment Adviser over the year against their objectives which included reference to the quality of advice on Responsible Investment matters. No material concerns were identified as part of this review.

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 managers' stewardship practices on an ongoing basis.

Section 3: 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.

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 except for 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 managers. The Trustees do however retain ultimate accountability for how these are exercised and therefore monitor how these are implemented. 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:
LGIM	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. 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. 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.

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/document-library/capabilities/investment-stewardship/uk-stewardship-code-summary.pdf>

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

Manager and strategy	Portfolio structure	Voting activity
LGIM Diversified Fund	Pooled investment fund	Number of meetings at which the manager was eligible to vote: 9.077 Number of resolutions on which manager was eligible to vote: 94,290 Number of votes cast: 94,120 Percentage of eligible votes cast: 99.8% Percentage of votes with management: 76.4% Percentage of votes against management: 23.4% Percentage of votes abstained from: 0.3% Of the meetings the manager was able to attend, the percentage where the manager voted at least once against management: 75.4% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 14.6%
LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)	Pooled investment fund	Number of meetings at which the manager was eligible to vote: 6,569 Number of resolutions on which manager was eligible to vote: 64,915 Number of votes cast: 64,850 Percentage of eligible votes cast: 99.9% Percentage of votes with management: 79.4% Percentage of votes against management: 20.1% Percentage of votes abstained from: 0.5% Of the meetings the manager was able to attend, the percentage where the manager voted at least once against management: 63.5% Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 11.3%

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 2023, 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 have also identified climate change and human rights as stewardship review priorities when reviewing and collating the voting information. A number of these key votes are set out below.

Significant votes cast	Coverage in portfolio
Company: Toyota Motor Corp. (0.3% of Fund) Meeting date: 14 June 2023 Management resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement How the manager voted: For (Against Management Recommendation) Rationale: LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this. Outcome: 15.1% of shareholders supported the resolution	LGIM Diversified Fund LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)
Company: Westpac Banking Corp. (0.1% of Fund) Meeting date: 14 December 2023 Management resolution: Resolution 5 - Approve Westpac Climate Change Position Statement and Action Plan How the manager voted: Against Rationale: Climate change: A vote against this proposal is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While LGIM positively note the company's net-zero commitments and welcome the opportunity to voice their opinion on the bank's climate transition plan, they highlight some concerns with the scope of targets and disclosures. In particular, - The bank has not committed to establish science-based targets; and - The sector policies notably on certain fossil fuels (such as unconventional oil and gas) and existing business relationships remains limited in scope. More specifically, the company's position on power generation is quite high level and particularly narrow in scope. Outcome: Pass.	LGIM Diversified Fund LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)
Company: Amgen, Inc. (0.2% of Fund) Meeting date: 19 May 2023 Management resolution: Resolution 1f - Elect Director Greg C. Garland How the manager voted: Against Rationale: Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Outcome: 87.7% of shareholders supported the resolution.	LGIM Diversified Fund LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)

Company: Morgan Stanley (0.2% of Fund) Meeting date: 19 May 2023 Management resolution: Resolution 6 - Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development How the manager voted: For (against management) Rationale: Last year LGIM supported several shareholder resolutions at the North American banks that sought to halt the financing of new oil and gas projects. As investors advocating for a just and orderly energy transition, which satisfies all aspects of the current energy crisis (energy security, affordability and sustainability), LGIM continue to emphasise that the boards of financial institutions need to closely consider their strategy and risk appetite towards fossil fuels into the near future. As such, LGIM believe that many of the proposals that ask the board to devise their own time-bound phase-out strategy are supportable. Moreover, in the North American market, these resolutions tend to be advisory rather than binding, further alleviating concerns of micro-management. Outcome: 4.8% of shareholders supported the resolution.	LGIM Diversified Fund LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)
Company: Nike Inc. (0.2% of Fund) Meeting date: 12 September 2023 Management resolution: Resolution 5: Report on Median Gender/Racial Pay Gap How the manager voted: For Rationale: Shareholder Resolution - Inequality - Gender Pay Gap transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. Outcome: 30.0% of shareholders supported the resolution (Fail).	LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)
Company: Wells Fargo & Company Meeting date: 25 April 2023 Management resolution: Resolution 8 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets How the manager voted: For (Against management Recommendation) Rationale: LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company. Outcome: 30.8% of shareholders supported the resolution.	LGIM Diversified Fund LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)

Section 4: 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 managers 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 and are effective stewards of the Scheme's assets.

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

Appendix 1: LGIM's voting policy

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.