

THUS Group plc Pension Scheme

**Annual Implementation
Statement – Scheme year
ending 31 December 2024**

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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 2024 to 31 December 2024.

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](#).

The SIP linked above reflects the latest version which is dated October 2023. There were no changes to the SIP over the year.

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:

- One of the Scheme's investment managers who manages the Scheme's Alternative Credit investment delivered a detailed training session which covered a variety of areas. This included an update on how the manager integrates sustainability into their approach and the metrics they consider and report against.
- LGIM also provided in-depth training on how they incorporate Responsible Investment into the management of the Scheme's assets, including an overview of the Climate Impact Pledge which they have been engaging companies on.
- 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. No material concerns were identified over the period, with LGIM continuing to make good progress against their targets. The Trustees also received quarterly reports from LGIM including information on their Sustainable Investing actions.
- The Trustees considered direct engagement examples across a number of issues such as climate change and human rights. The Trustees also reviewed the significant votes cast by LGIM as part of the production of this statement and the current voting policy. There were no material concerns identified during the year in relation to current policies in the area of stewardship and engagement.
- 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.
- 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.

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 this.

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 were held in pooled investment funds and 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 were 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	<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>

As outlined in the SIP, the Trustees recognise the UK Stewardship Code 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 table below 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	<p>Number of meetings at which the manager was eligible to vote: 10,851</p> <p>Number of resolutions on which manager was eligible to vote: 108,048</p> <p>Percentage of eligible votes cast: 99.8%</p> <p>Percentage of votes with management: 76.7%</p> <p>Percentage of votes against management: 22.4%</p> <p>Percentage of votes abstained from: 0.9%</p> <p>Of the meetings the manager was able to attend, the percentage where the manager voted at least once against management: 70.1%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 13.8%</p>
LGIM All World Equity Index Fund LGIM All World Equity Index Fund (GBP Currency Hedged)	Pooled investment fund	<p>Number of meetings at which the manager was eligible to vote: 6,674</p> <p>Number of resolutions on which manager was eligible to vote: 64,472</p> <p>Percentage of eligible votes cast: 99.8%</p> <p>Percentage of votes with management: 79.6%</p> <p>Percentage of votes against management: 19.2%</p> <p>Percentage of votes abstained from: 1.3%</p> <p>Of the meetings the manager was able to attend, the percentage where the manager voted at least once against management: 60.6%</p> <p>Of the resolutions where the manager voted, the percentage where the manager voted contrary to the recommendation of the proxy adviser: 10.4%</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 2024, 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 in which the Scheme is invested. 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
<p>Company: BHP Group Limited (0.2% of Fund)</p> <p>Meeting date: 30 October 2024</p> <p>Management resolution: Resolution 13: Approve Climate Transaction Action Plan</p> <p>How the manager voted: For</p> <p>Rationale: The critical minerals that mining companies provide are essential to the energy transition. It is clear that BHP has made significant strides in carrying out its core role in the transition in a sustainable manner, and has demonstrated this through the substantial alignment of its Climate Transition Action Plan (CTAP) with our framework for assessing mining company transition plans. Therefore, LGIM will be supporting BHP's CTAP. Going forward, we will assess the disclosure of progress on BHP's plans for the development of a more targeted methane measurement, management and mitigation strategy, as well as the plans it is executing to support the decarbonisation of steelmaking. We will also continue to engage with BHP to ensure resilience whilst navigating the dynamic market for metallurgical coal.</p> <p>Outcome: N/A</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>Company: Shell Plc (0.3% of Fund)</p> <p>Meeting date: 21 May 2024</p> <p>Management resolution: Resolution 22: Approve the Shell Energy Transition Strategy</p> <p>How the manager voted: Against</p> <p>Rationale: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets. Shell is looking to further develop the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, we would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonisation strategy.</p> <p>Outcome: Pass</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>Company: Canadian Pacific Kansas City Limited (CPKC) (0.2% of Fund)</p> <p>Meeting date: 24 April 2024</p> <p>Management resolution: Resolution 3: Management Advisory Vote on Climate Change</p> <p>How the manager voted: For</p> <p>Rationale: A vote FOR 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. This includes the disclosure of scope 1, 2 and material scope 3 greenhouse gas (GHG) emissions and short-, medium- and long-term GHG emission reduction targets consistent with the 1.5°C goal. As CPKC set targets validated by the Science Based Target initiative, we welcome the company's efforts to reduce its GHG emissions and expect to see a clear transition plan.</p> <p>Outcome: Pass</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>Company: SSE Plc (0.1% of Fund)</p> <p>Meeting date: 18 July 2024</p> <p>Management resolution: Resolution 18: Approve Net Zero Transition Report</p> <p>How the manager voted: For</p> <p>Rationale: Climate Change: LGIM is voting in favour of the SSE Net Zero Transition Report. We commend the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting short and medium-term targets, in particular absolute scope 3 targets over the mid-term.</p> <p>Outcome: Pass</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>Company: Amazon (0.2% of Fund)</p> <p>Meeting date: 22 May 2024</p> <p>Shareholder resolution: Report on Customer Due Diligence</p> <p>How the manager voted: For</p> <p>Rationale: A vote in favour is applied as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.</p> <p>Outcome: N/A</p>	<p>LGIM All World Equity Index Fund</p> <p>LGIM All World Equity Index Fund (GBP Currency Hedged)</p>
<p>Company: Microsoft Corporation (0.2% of Fund)</p> <p>Meeting date: 10 December 2024</p> <p>Shareholder resolution: Resolution 9: Report on AI Data Sourcing Accountability</p> <p>How the manager voted: For</p> <p>Rationale: A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models.</p> <p>Outcome: Fail</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>

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 as 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.