

Thamesdown Transport Limited Pension Scheme

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 26 October 2022 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2023 to 31 March 2024.

Investment objectives of the Scheme

The Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 2 of the SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To gradually increase the target level of hedging against changes in the Scheme's liabilities measured under a self-sufficiency basis caused by changes in long-term interest rates and inflation expectations in line with improvements in the funding position, whilst, gradually reducing the exposure to growth holdings. The intention of this is to bring the Scheme into a position in which it is fully funded on a self-sufficiency basis, with a low-risk investment strategy.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

Review of the SIP

The Trustees did not review the SIP during the year. The SIP was last reviewed in October 2022, following which the SIP was updated to take account of the change in investment strategy implemented in July 2022.

The Trustees have a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustees' SIP.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

Investment manager and funds in use

During the year, the Trustees' investment strategy was as shown in the table below, which reflects the Trustees' SIP.

Asset Class	Fund	Target Asset Allocation
Risk-controlled multi-asset	LGIM Dynamic Diversified Fund	15%
Multi-asset income	LGIM Retirement Income Multi-Asset Fund	20%
Self-sufficiency solution	LGIM Self-sufficiency Credit Funds LGIM Matching Core Funds	65%
Total		100%

Investment governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP, as the Trustees' primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective. In addition, the Trustees note that the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustees on 10 December 2022. The Trustees are due to formally review these objectives again by December 2025, or earlier.

There were also no changes to the investment management agreements with LGIM during the year for the periods in which they were in force.

Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.</p> <p>The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.</p> <p>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</p>	No deviation from this policy over the year to 31 March 2024.
Balance of Investments	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.</p>	No deviation from this policy over the year to 31 March 2024.
Delegation to Investment Managers	<p>The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.</p>	No deviation from this policy over the year to 31 March 2024.
Realising Investments	<p>While it is expected that the Scheme's investment strategy will generate sufficient income to meet the main part of its outgo requirements, the Trustees will make any additional disinvestments required from the Investment Manager with the assistance of its administrators and advisers, Broadstone, as necessary.</p>	No deviation from this policy over the year to 31 March 2024.

Maintaining the Target Asset Allocation and Hedging Ratios	<p>The Trustees have delegated responsibility for monitoring the Scheme's funding position to Broadstone. Broadstone will monitor the funding position on a weekly basis and will inform the Trustees when a funding trigger has been met. Following the agreement of the Trustees, Broadstone will then arrange for the asset allocation to be brought in line with the relevant Target Asset Allocation and Hedging Levels.</p> <p>The Trustees will monitor the overall asset allocation and hedging levels on a regular basis with the assistance of their adviser, Broadstone.</p>	At 31 March 2024, the asset allocation was broadly in line with target whilst the hedging levels had deviated slightly from target levels. It was recommended that the hedging levels be rebalanced back towards target following the Scheme year-end.
Performance Benchmarks and Objectives	<p>The risk-controlled multi-asset fund and multi-asset income fund are actively managed and the investment manager has been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.</p> <p>The self-sufficiency and matching core funds have an objective to provide a prescribed level of hedging against changes in the value of the liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The LGIM Self-sufficiency Credit Funds also have an objective to generate quarterly cashflows to pay the benefits of a notional pension scheme with liabilities of similar nature and duration to the Scheme as they fall due. The practical method of implementing this level of hedging is delegated to the Investment Manager, with the expectation that the Investment Manager will choose the most cost-effective method.</p>	The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2024.
Investment Management Charges	The investment management charges of the funds used are set out on page 6 of the SIP.	No deviation from this policy over the year to 31 March 2024.
Financially and Non-Financially Material Considerations	The Trustees' policy on financially and non-financially material considerations is set out on page 9 of the SIP and in full below.	No deviation from this policy over the year to 31 March 2024 (see below).
Engagement and Voting Rights	<p>Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.</p>	No deviation from this policy over the year to 31 March 2024.
Additional Voluntary Contributions (AVCs)	The Trustees have put in place arrangements for members to invest Additional Voluntary Contributions (AVCs) with Standard Life Assurance Limited.	No deviation from this policy over the year to 31 March 2024.

Financially and non-financially material considerations

The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees' views on how ESG issues are taken account of in each asset class used is set out below.

Asset Class	Active/Passive	Trustees' views
Risk-controlled multi-asset funds / multi-asset income	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Self-sufficiency solution	Active	<p>These funds consist of a mix of corporate bonds and Liability Driven Investment (LDI) assets. With respect to the corporate bonds, the Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the underlying funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect the investment manager to engage with investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.</p> <p>With respect to the LDI assets, the underlying assets consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.</p>

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Voting Rights

The Trustees currently invest in pooled investment funds with the investment manager, and they acknowledge that this limits their ability to directly influence the investment manager. In particular, all voting activities have been delegated to the investment manager, as the Trustees are unable to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustees periodically meet with their investment manager, to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their investment manager on these matters where they think this is in the best interests of members.

Out of the funds held by the Trustees over the year, the risk-controlled multi-asset and multi-asset income funds contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to LGIM and LGIM reports quarterly to the Trustees on how they have voted on behalf of the Trustees for the underlying holdings.

A summary of the votes made by LGIM from 1 April 2023 to 31 March 2024 on behalf of the Trustees for each fund used by the Trustees during the year was requested from LGIM, with a request made to provide voting data broken down into Environmental, Social and Governance categories. However, LGIM has confirmed that the voting data is not yet available in this format. The Trustees will continue to request the breakdown of this data in future periods. The data in the table below is therefore provided at total fund level.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM	LGIM Dynamic Diversified Fund	98,702	76%	23%	1%
LGIM	LGIM Retirement Income Multi-Asset Fund	102,766	77%	22%	1%

All of the Scheme's assets are invested in pooled funds. Regarding proxy voting, LGIM do not use a proxy voting service to determine their voting policy, which is formed in-house. LGIM do, however, use Institutional Shareholders' Service's 'ProxyExchange' voting platform to vote on resolutions electronically.

Significant votes

The Trustees have also requested details of the significant votes made on behalf of the Trustees by LGIM for each fund in which the Scheme invests in and which has voting rights. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;

- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

SIGNIFICANT VOTE 1	
Company	Shell Plc
Date of vote	23 May 2023
% of portfolio invested in firm	c.0.2% of multi-asset fund mandate
Resolution	Approve the Shell Energy Transition Progress
Why significant	LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
Voting decision	Against
Manager comments	LGIM continues to undertake extensive engagement with Shell on its climate transition plans
Vote outcome	Passed

SIGNIFICANT VOTE 2	
Company	Eversource Energy
Date of vote	3 May 2023
% of portfolio invested in firm	c.0.1% of multi-asset fund mandate
Resolution	Elect Director Joseph R. Nolan, Jr.
Why significant	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.
Voting decision	Against
Manager comments	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
Vote outcome	Passed

Engagement activities

The Trustees have also delegated engagement activities to LGIM. A notable engagement activity of LGIM is provided below:

- **LGIM** met with the management team of Heidelberg Cement, a large international cement producer, during the year to discuss the progress and economic viability of the company's planned carbon capture and storage (CCS) projects. LGIM note that cement production is responsible for around 8% of global carbon emissions each year, and therefore believe the cement industry needs to decarbonise significantly for the world to reach net zero carbon emissions. As a result, the sector is designated as 'climate critical' by LGIM.

Heidelberg believes it has an industry leading decarbonisation policy as well as the first-mover advantage in CCS. LGIM raised questions regarding the relative costs and economics of CCS, external factors affecting viability of CSS projects (such as possible regulation or government subsidisation), and expectations of demand for 'carbon-free' cement.

LGIM will continue to engage with Heidelberg Cement as well as other competitors in the cement industry on their decarbonisation targets and trajectory. For Heidelberg Cement, LGIM believe CCS will only become economical when met with either an increase in the price of permits for generating carbon emissions, or if customers are willing to pay a premium for carbon-free cement. LGIM will continue to monitor these dynamics and discuss with management going forwards.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of investment arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with the investment manager (as detailed above), the Trustees receive performance reports on a quarterly basis from LGIM, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Signed: **Paul Smith**

Date: **30 September 2024**

On behalf of the Trustees of the Thamesdown Transport Limited Pension Scheme