

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 with 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 2022 to 31 March 2023.

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 reviewed the SIP in October 2022, which was updated to take account of the change in investment strategy implemented in July 2022, which is detailed in the section below. Prior to this, the SIP had last been updated in September 2021.

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 managers and funds in use

At the start of the year, the Trustees' investment strategy was as shown in the below table.

Asset Class	Fund	Target Asset Allocation
Risk-controlled multi-asset	LGIM Dynamic Diversified Fund	30%
Multi-asset income	LGIM Retirement Income Multi-Asset Fund	20%
Self-sufficiency solution	LGIM Self-sufficiency Credit Funds LGIM Matching Core Funds	50%
Total		100%

In July 2022, the Trustees implemented a revised investment strategy, shown in the table below. The strategy aimed to reduce the level of risk inherent to the investment strategy by decreasing the allocation to growth assets and increasing the holdings in the self-sufficiency solution. The Scheme's target hedging levels against interest rate risk and inflation risk were also increased. This investment strategy is reflected in the SIP in force at the year-end dated October 2022.

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 2023.
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 2023.
Delegation to Investment Managers	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.	No deviation from this policy over the year to 31 March 2023.
Realising Investments	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.	No deviation from this policy over the year to 31 March 2023.

Requirement	Policy	Implementation of Policy
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>	<p>The Scheme's target asset allocation and hedging levels were updated during the year following the de-risking of the investment strategy. The Scheme's investment strategy was consistent with the SIP in force as at 31 March 2023.</p>
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>	<p>The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 March 2023.</p>
Investment Management Charges	<p>The investment management charges of the funds used are set out on page 6 of the SIP.</p>	<p>No deviation from the management charges over the year to 31 March 2023.</p>
Financially and Non-Financially Material Considerations	<p>The Trustees' policy on financially and non-financially material considerations is set out on page 9 of the SIP and in full below.</p>	<p>No deviation from this policy over the year to 31 March 2023 (see below).</p>
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>	<p>No deviation from this policy over the year to 31 March 2023 (see below).</p>
Additional Voluntary Contributions (AVCs)	<p>The Trustees have put in place arrangements for members to invest Additional Voluntary Contributions (AVCs) with Standard Life Assurance Limited.</p>	<p>No deviation from this policy over the year to 31 March 2023.</p>

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 and engagement activities

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 do not have any legal right 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 2022 to 31 March 2023 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	99,478	77%	22%	1%
LGIM	LGIM Retirement Income Multi-Asset Fund	104,586	78%	21%	1%

All of the Scheme's assets are invested in pooled funds. LGIM do not use a proxy-voting service and voting is performed in-house.

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	Prologis Inc.
Date of vote	4 May 2022
% of portfolio invested in firm	c.0.3% of multi-asset fund mandate invested in Prologis
Resolution	Elect Director Hamid R. Moghadam
Why significant	LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.
Voting decision	Against
Manager comments	Ahead of the vote, LGIM did not inform the company of their intention to vote against the resolution.
Vote outcome	The proposal was carried by the majority of shareholders

SIGNIFICANT VOTE 2	
Company	Royal Dutch Shell Plc
Date of vote	24 May 2022
% of portfolio invested in firm	c.0.3% of multi-asset fund mandate invested in Royal Dutch Shell.
Resolution	Approve the Shell Energy Transition Progress Update
Why significant	<p>LGIM considers this vote an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.</p> <p>LGIM acknowledge the substantial progress made by the company, however remain concerned of the disclosed plans for oil and gas production, and believe there would be benefits in further disclosure of targets associated with the upstream and downstream businesses.</p>
Voting decision	Against
Manager comments	Ahead of the vote, LGIM did not inform the company of their intention to vote against the resolution.
Vote outcome	The proposal was carried by the majority of shareholders.

Engagement activities

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

- **LGIM's** Investment Stewardship and Climate Solutions teams spoke directly with the management of Capricorn, a smaller-scale oil and gas company who announced their intention to merge with other energy companies in 2022, which had raised some concerns about the company's governance and decision-making process. LGIM voiced their concerns about the first proposed transaction to African-based Tullow Oil, as it did not seem to advance the energy transition strategy for Capricorn's shareholders, in light of the increased exposure to oil prices and geographical risks. Additionally, LGIM believed that such a merger would have resulted in increased financial leverage and dramatically elevate climate transition risks. In further conversations with Capricorn, LGIM asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason. A second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first. LGIM met again with Capricorn to voice their concerns. As a result of these unpopular proposals, Palliser Capital, a key shareholder of Capricorn, called an Extraordinary General Meeting in January 2023 for shareholders to vote on a complete overhaul of the Capricorn Board of Directors.

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 investment managers (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: Mick Bowden

Date: 1 September 2023

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