

Implementation Statement

Thomas Dudley Group Limited Pension and Life Assurance Scheme

Purpose of the Implementation Statement

This Implementation Statement has been prepared by the Trustees of the Thomas Dudley Group Limited Pension and Life Assurance Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights), and engagement policies have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 March 2024 as this is the closest quarter-end date to the Scheme's year-end date.

How voting and engagement policies have been followed

The Trustees consider their voting and engagement policies have been met in the following ways:

- The Trustees regularly consider the performance of the funds held with each investment manager and any significant developments that arise. Over the Scheme year the Trustees reviewed the ESG, Stewardship and ethical considerations in relation to their investment managers. At the Scheme year-end, the Scheme's investment managers were as follows:
 - Legal & General Investment Management ("LGIM").
 - Partners Group ("Partners").
 - Quilter Cheviot Investment Management ("Quilter").
- The Scheme invests in a mix of pooled funds and a segregated account and delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers.
- The Trustees receive information on Environmental, Social and Governance ("ESG") considerations, engagement and voting annually from their investment managers, via their investment consultant, and review this annually to ensure alignment with their own policies. The findings of the Trustees' review are reported in this Implementation Statement which will also be included in the Scheme's Annual Report & Accounts for the year to 30 April 2024.
- Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the Scheme's investment managers are in alignment with the Scheme's ESG and Stewardship policies.

Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 31 March 2024 describes the Trustees' policies on the exercise of rights (including voting rights) and engagement activities. It is available online here: https://www.thomasdudley.co.uk/wp-content/uploads/2021/05/TD_Pension_And_Life_Assurance_Scheme.pdf

At this time, the Trustees have not set stewardship priorities for the Scheme. Following the Scheme year end, the Scheme has changed its investment strategy to be more in-line with the portfolio held by a typical insurance company, which includes selling the majority of its assets bearing voting rights. Given the Scheme's time horizon to buy-out and plans to reduce the allocation to assets with voting rights overtime, the Trustees will be considering the extent that they wish to set stewardship priorities in due course, in line with other Scheme risks. However, the Trustees takes the stewardship priorities, climate risk, and ESG factors into account at manager selection. The Trustees also review the stewardship and engagement activities of the investment managers annually.

The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities to the Scheme's investment managers.

The tables provided in the remainder of the statement provide an indication of the investment managers' overall voting and engagement activities.

Voting Data

Manager	Quilter Cheviot*	Partners Group**
Fund name	Segregated Account	Partners Group Partners Fund
Structure	Segregated	Pooled
Ability to influence voting behaviour of manager	The segregated mandate allows the Trustees to engage with the manager and influence their voting behaviour.	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
Number of company meetings the manager was eligible to vote at over the year	479	56
Number of resolutions the manager was eligible to vote on over the year	Data not provided (manager voted on 7,741 resolutions over the year)	847
Percentage of resolutions the manager voted on	Data not provided.	100%
Percentage of resolutions the manager abstained from	Data not provided.	3%
Percentage of resolutions voted with management, as a percentage of the total number of resolutions voted on	96.2%	92%

Manager	Quilter Cheviot*	Partners Group**
Percentage of resolutions voted against management, as a percentage of the total number of resolutions voted on	3.8%	5%
Percentage of resolutions voted contrary to the recommendation of the proxy advisor	Data not provided	2%

*Data has been provided at firmwide level over the year to 31 December 2023.

**The Partners Group figures are for a year up to 31 December 2023.

Quilter employ the use of Institutional Shareholder Services (ISS) as a proxy voting service. The Partners Group employ the use of Glass Lewis & Co. as a proxy voting service.

There are no voting rights attached to the other assets held by the Scheme, which includes: bonds, property, cash and other debt instruments.

Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustees over the year to be set out. The guidance does not currently define what constitutes a "significant" vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme's stewardship priorities / themes. At this time, the Trustees have not set stewardship priorities / themes for the Scheme, but will be considering the extent that they wish to do this in due course, in line with other Scheme risks. So, for this Implementation Statement, the Trustees have asked the investment managers to determine what they believe to be a "significant vote". The Trustees have not communicated voting preferences to their investment managers over the period, as the Trustees are yet to develop a specific voting policy. In future, the Trustees will consider the most significant votes in conjunction with any agreed stewardship priorities / themes.

Some managers have provided a selection of votes which they believe to be significant, and in the interest of concise reporting the tables below show 3 of these votes for each fund. In the absence of agreed stewardship priorities / themes, the Trustees have selected 3 votes from each manager, that cover a range of themes to represent what it considers the most significant votes cast on behalf of the Scheme.

Quilter Cheviot Investment Manager

	Vote 1	Vote 2	Vote 3
Company name	Apple	Microsoft	Nike
Date of vote	Q1 2024	Q4 2023	Q3 2023
Approximate size of fund's holding as at 31 March 2024 (as % of portfolio)	c.1.2%	c. 2.5%	0.50%

	Vote 1	Vote 2	Vote 3
Summary of the resolution	Reporting on the use of artificial intelligence	Reporting on human rights concerns	Gender pay-gap reporting
How the manager voted	For	For	For
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Data not provided	Data not provided	Data not provided
Rationale for the voting decision	Quilter supported this proposal as the company currently does not provide adequate level of disclosure on how it manages risks related to the use of artificial intelligence and a transparency report could alleviate shareholder concerns in this area.	Quilter supported this proposal at Microsoft as they believe shareholders would benefit from increased disclosure regarding how the company is managing human-related risks in high-risk countries.	Quilter supported this proposal as they believe shareholders would benefit from knowing the median pay-gap statistics to improve transparency on this issue.
Outcome of the vote	Data not provided	Data not provided	Data not provided
Implications of the outcome	Data not provided	Data not provided	Data not provided
Criteria on which the vote is considered "significant"	Quilter classify all votes that are enacted within their voting universe to be significant		

Source: Quilter Cheviot Investment Management

Partners Group Partners Fund

Partners Fund has a very small proportion of its holdings in publicly listed equities, with the majority of its assets in private assets.

The significant votes shown in the table below are examples of significant ESG efforts taken by the private companies held in the Partners Fund. Partners have selected these examples based on size of holdings in the Fund. Private markets investments are the largest exposure within the Fund and these are typically held directly, where Partners Group controls the board and therefore the direction/strategy of the business – in this way, voting information by the manager is not applicable for these holdings.

	Vote 1	Vote 2	Vote 3
Company name	Breitling	Wedgewood Pharmacy	Techem Metering GmbH
Date of vote	n/a	n/a	n/a
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	n/a	n/a	n/a
Summary of the resolution	ESG efforts - Environmental impact	ESG efforts - Social impact	ESG efforts - Governance impact
How the manager voted	Control of the Board		

	Vote 1	Vote 2	Vote 3
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	n/a	n/a	n/a
Rationale for the voting decision	Where Partners hold a direct private equity investment in a company they invest directly to obtain control and influence over operations. Therefore whilst voting is not directly applicable to this asset class, the rationale for the interventions below are aligned with overarching aim of adding value through direct control of or significant input to the management of the company.		
Outcome of the vote	Not applicable as Partners control the board.		
Implications of the outcome	<p>Since 2020, Breitling has actively measured its environmental impact, including greenhouse gas emissions. They have developed measures to reduce the negative impact, mainly from the supply chain.</p> <p>In March 2023, the company submitted a target validation request to the Science Based Targets initiative. Breitling aims to minimise its environmental impact through:</p> <ul style="list-style-type: none"> Reducing Scope 1 + 2 emissions by 80% by 2032 Achieving net zero by 2050. <p>The company also supported various carbon removal and avoidance activities, partnering with Swiss service providers like Southpole and Myclimate.</p> <p>Breitling aims to improve its product supply chain beyond carbon removal through the launch of new product lines.</p>	<p>Wedgewood Pharmacy is the largest provider of custom animal medications for acute and chronic conditions in the US.</p> <p>They have completed their Scope 3 footprint assessment and have worked to ensure that the company's environmental impact is measured and aligns with its Greenhouse Gas Reduction objectives. The company also identified sustainable materials and packaging alternatives, including foam pack inserts, ice bricks, coolers, vials, and autobags or plastic bags, demonstrating their commitment to eco-friendly practices.</p> <p>As part of wider initiatives, the company is currently developing its employee handbook to foster a more inclusive employment strategy. As part of this they are revising all job descriptions and partnering with VelocityEHS to review their internal process.</p>	<p>Techem has set itself multiple goals around ethical business conduct. This includes fostering a culture of ethical corporate governance and compliance by training all their staff on compliance topics every calendar year.</p> <p>Employees also complete sustainability training on a bi-annual basis. In addition, Techem have a zero tolerance policy for cases of corruption and data protection breaches. On a bi-annual basis, their data protection compliance is externally audited.</p> <p>Further, in 2023 Techem has taken measures linking top management remuneration to sustainability targets and governance considerations including the proportion of women in management positions. Remuneration is linked to the achievement of the target that at least 40% of new management positions be filled by female managers.</p>
Criteria on which the vote is considered "significant"	Size of holding in the Fund		

Source: Partners Group

Fund level engagement

Engagement activities are limited for the Scheme's LDI and cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Engagement information is not shown for the Partners Fund. Given the nature of private markets investments they were unable to provide breakdown of engagement activities at a fund level. However, the example ESG efforts information in the previous section provides examples of engagement.

LGIM conduct all engagements at a firm level, so no engagements are specific to a single fund.

Manager	Quilter Cheviot	Partners Group	LGIM
Fund name	Segregated Account	Partners Group Partners Fund	Absolute Return Bond Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes	Yes
Number of engagements undertaken at a firm level in the year	186 (37 engagements in respect of Scheme holdings)	Data not provided	2,144

Examples of engagement activity undertaken over the year to 31 March 2024

Manager	Fund name	Engagement themes and examples of engagements undertaken with holdings in the fund
Quilter Cheviot	Segregated Account	<p>Governance During the first quarter of 2024, Quilter engaged with AstraZeneca to assess the company's rationale for the proposed remuneration policy and performance share plan. Quilter's proxy adviser raised concerns regarding the proposed increase to the CEO's total remuneration specifically to the long-term incentive plan (LTIP) which with the potential changes could award 850% of base salary. The previous LTIP award was 650%. This increase will position the CEO's earnings as the highest amongst the FTSE 100 peers and raises concerns of excessive pay. The company acknowledged that the structure of the policy is high relative to UK companies, however, AstraZeneca has designed the remuneration package to ensure it's competitive within the global pharmaceutical industry. It is also worth noting that the company has achieved impressive total shareholder return under the current CEO's leadership and the proposed salary increase reflects company performance.</p>

Manager	Fund name	Engagement themes and examples of engagements undertaken with holdings in the fund
Partners Group	Partners Group Partners Fund	<p>Outcome of engagement: While the proposed increase to the CEO's package is high, Quilter agree that the company has a global peer group base and understand the desire to pay competitively to attract and maintain the best talent. Quilter therefore decided to support both the remuneration policy and performance share plan related items at the meeting.</p> <p>Gren is a direct private infrastructure investment in Partners' portfolio of companies, where they invest directly to obtain control and influence over their operations.</p> <p>Environment Gren's focus is on reducing its carbon footprint, with a plan to decarbonize operations by developing a GHG reduction strategy. They are collaborating with EY (recommended by Partners Group) to establish a GHG accounting system for Scope 1 & 2 emissions, aiming to include Scope 3 emissions by 2025. Their targets are to reduce GHG emissions by 73% by 2030 and increase renewable energy production to over 90% by 2030. In partnership with EY and KPMG, Gren have created a roadmap that includes phasing down or exiting non-sustainable activities, diversifying into wind farms, solar, and green hydrogen, and decarbonizing core activities using advanced technologies. Gren also aim to protect ecosystems and biodiversity through sustainable sourcing and encourage customers to transition from fossil fuels to renewable energy.</p> <p>Social Health & Safety is a priority, and Gren strive to maintain safe working conditions with zero cases of work-related illnesses, accidents, or fatalities. They also seek to maintain high employee engagement by developing an engaging work experience and fostering a positive organizational culture.</p> <p>Governance Gren's focus on business resilience, ESG strategy, and CSR reporting includes assigning board, executive, and operational ESG responsibilities, strengthening information security management, updating business resilience and continuity plans, and improving their overall information security maturity level through annual cybersecurity assessments.</p>
LGIM	Absolute Return Bond Fund	<p>Environmental LGIM has been engaging with APA, Australia's largest energy infrastructure business, directly since early 2022 as one of their selected 'dial mover' companies. LGIM believe APA has the scale and influence across its industry and value chain for its actions to have positive reverberations beyond its direct corporate sphere. As part of LGIM's engagements, the company was identified as lagging their expectations on climate-related lobbying activities.</p> <p>In early 2022, LGIM set out their expectations for management-proposed 'Say on Climate' votes and the criteria they consider in assessing whether to support them. LGIM expect companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of Scope 1, 2 and material Scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with the 1.5°C goal.</p> <p>As a consequence, when APA Group brought its climate transition plan to a vote, LGIM were unable to support it. Although the plan presented Scope 1 and 2 goals for the medium and long term on a path to achieving net zero emissions by 2050, no Scope 3 targets were included. The company noted that these would be finalised no later than 2025. LGIM initiated engagement with the company after this vote, and met with them for the first time in early 2023 as part of their Climate Impact Pledge engagement, and they have continued to build the relationship, setting out their expectations as per their net zero guide, and working with the company to understand the hurdles it faces and the challenges to meeting these expectations.</p>

Manager

Fund name

Engagement themes and examples of engagements undertaken with holdings in the fund

In their meeting with them in early 2024, APA confirmed that they will include a Scope 3 goal in the 2025 refresh of their Climate Transition Plan, and they outlined their proposed Scope 3 reduction pathway. The company noted that feedback from the 20% of investors, including LGIM, who voted against their proposed Climate Transition Plan in 2022, had solidified their decision to commit to a Scope 3 target. This demonstrates the effect of LGIM's engagement strategy, fully aligned with their voting policy, to encourage progress towards decarbonisation.