

APPENDIX 2 - Implementation Statement (“IS”)

TI Group Pension Scheme (the “Scheme”)

Scheme Year Ended – 5 April 2023

The purpose of the Implementation Statement is for us, the Trustee of the TI Group Pension Scheme, to explain what we have done during the Scheme year 6 April 2022 to 5 April 2023 (the “reporting period”) to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP during the reporting period
2. How our policies in the SIP have been followed during the reporting period; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

Our conclusion

Based on the activity we have undertaken during the reporting period, we believe that the policies set out in the SIP have been implemented effectively.

In June 2022, the Scheme transferred the majority of its remaining Defined Benefit (“DB”) assets to the insurer, Rothesay Life plc (“Rothesay”). The Scheme also has annuity policies with Aviva Life and Pensions UK Limited (“Aviva”), Legal and General Assurance Society Limited (“LGAS”) and Pension Insurance Corporation (“PIC”) – (the “Insurers”). Hence, most of the Scheme’s assets are invested in annuity policies. The remaining holdings are invested with Legal and General Investment Management (“LGIM”) in the form of government bonds (“gilts”) and cash-like assets.

This IS does not disclose stewardship information on investments in gilts or cash due to the limited materiality of stewardship of these asset classes.

The voting and engagement activity detailed in this IS is in relation to the Insurers (where possible) and the Defined Contribution (“DC”) Section of the Scheme.

Changes to the SIP during the reporting period

We reviewed the SIP during the reporting period and updated it in July 2022.

The changes made reflect the completion of a buy-in that secured the final tranche of pension liabilities with Rothesay. This left the Scheme to invest its residual assets into fixed and index-linked gilts, cash and cash-like assets.

The Scheme's latest SIP can be found here: pensions.smiths.com/ti-group-pension-scheme/statement-of-investment-principles

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental, Social and Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN Principles for Responsible Investment

How the policies in the SIP have been followed

In the table below we set out what we have done during the reporting period to meet the policies in the SIP.

Requirement	Relevant SIP section	Actions taken in the reporting period
1) Securing compliance with the legal requirements about choosing investments	Section 2: <i>"In considering appropriate investments for the Scheme, the Trustee has obtained and considered the written advice of its investment consultant, whom the Trustee believe to be suitably qualified to provide such advice, as well as seeking input from the Scheme Actuary. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended from time to time)."</i>	In June 2022, following receipt of written advice from Aon, the Trustee agreed to hold the residual assets (following the completion of the final buy-in) in gilts, index-linked gilts, and cash. In July 2022, Aon advised how much to invest into specific gilt pooled funds in order to better hedge the interest rate and inflation related residual liabilities. The Trustee followed this advice and invested the residual assets in August 2022.
2) Kinds of investments to be held and the balance between different kinds of investments	Section 5 sets out the Scheme's investment strategy, split between the proportion held in annuities and the remaining residual assets in gilts and cash.	Following the completion of the final buy-in in June 2022, >95% of the DB assets comprised of annuities. The residual assets were then invested into appropriate gilt, cash and cash-like assets.
3) Risks, including the ways in which risks are to be measured and managed	Section 4 details the Scheme's risk management and measurement principles. It notes that the key risks are: <ul style="list-style-type: none">- Insurers (i.e. the annuity providers for the Scheme) defaulting	The Trustee considered the credit strength of its Insurers as part of the due diligence processes before signing buy-in documentation. Having considered this, in addition to several other factors including the

Requirement	Relevant SIP section	Actions taken in the reporting period
	- Residual asset risk	<p>regulatory environment provided by the Financial Conduct Authority and The Prudential Regulation Authority and following advice from its Risk Settlement Consultants, the Trustee considered the buy-ins to be appropriate investments for the Scheme.</p> <p>Following advice from Aon, the Trustee invested the Scheme's residual assets in a way to better meet any future costs to the Scheme.</p>
4) Expected return on investments	<p>Section 5 sets out the investment strategy, where >95% of the assets are invested in annuities.</p> <p>The residual assets are designed to broadly hedge any movements of the residual liabilities.</p>	<p>The investment performance report is reviewed by the Trustee on a quarterly basis.</p> <p>The investment performance report includes how the investment manager of the residual assets is delivering against their specific mandates, and the investment consultant's manager research rating of each fund.</p> <p>The residual assets are a small proportion of the overall assets and are invested in a low-risk way.</p>
5) Realisation of investments	<p>Section 5 sets out the investment strategy, where >95% of the assets are invested in annuities.</p>	<p>Following the completion of the final buy-in in June 2022, the remaining population of uninsured members were insured. Therefore, the Trustee met benefits via its Insurers.</p> <p>For any other cashflow needs, the Trustee disinvested from its residual assets.</p>
6) Financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments	<p>Section 3: <i>"The Trustee's ultimate objective is to secure all members' (and other beneficiaries) benefits. They intend to achieve this through the purchase of bulk annuities ("buy-ins") which match as far as possible the Scheme's future benefit commitments, as a precursor to a buyout of all Scheme liabilities."</i></p> <p>Section 8: <i>"The Trustee believes that ESG factors may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration."</i></p>	<p>The Trustee purchased its final buy-in in June 2022 and has invested its residual assets in a way to better meet the residual liabilities until buyout.</p> <p>See Voting and Engagement activity sections below for more details.</p>

Requirement	Relevant SIP section	Actions taken in the reporting period
	<i>In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to purchase buy-ins and has delegated the management of the collateral backing these policies to the Insurers.</i>	
7) The extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments	Section 9: <i>“Non-financial matters are not taken into account in the selection, retention and realisation of investments.”</i>	Not applicable.
8) The exercise of the rights (including voting rights) attaching to the investments and Undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)	Section 8: <i>“The Trustee does not attempt to influence the ESG integration nor stewardship policies and practices of the Insurers in managing these assets, but did consider the policies of the Insurers at the point of purchasing the buy-ins, to the extent it was practical. The responsibility for voting and engagement with managers is with the Insurers.”</i>	The Scheme’s residual assets, following completion of the final buy-in in June 2022, were invested in gilts, cash and cash-like assets. This IS does not disclose stewardship information on investments in gilts or cash due to the limited materiality of stewardship of these asset classes.
9) How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the trustees’ policies and How the arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term. and How the method (and time horizon) of the evaluation of the asset manager’s performance and the remuneration for asset management services are in line with the trustees’ policies and The duration of the arrangement with the asset manager	Section 10: <i>“The Trustee makes appointments with the view to them being long term (to the extent this is consistent with the Trustee’s overall investment time horizon) and there is typically no set duration for the manager appointments. However, appointments can typically be terminated at short notice (such as one month).”</i>	All appointed managers in place over the reporting period are appointed with agreements consistent with the principle set out in Section 10 of the SIP, i.e. long-term appointments which can however be terminated at short notice. We have limited ability to incentivise the Insurers to align their investment strategies and decisions with our policies in relation to stewardship, corporate governance, and responsible investment. However, given the nature of the buy-in policies, we believe that the Insurers are appropriately incentivised to make decisions relating to the medium and long-term financial and non-financial factors which may influence performance.

Requirement	Relevant SIP section	Actions taken in the reporting period
10) How the trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range.	Section 11: Except for the cost and charges information required for the DC Chair's Statement, " <i>The Trustee has not historically monitored investment managers' ongoing transaction costs explicitly but measure these implicitly through ongoing performance assessments which are net of these costs. The Trustee now seeks explicit reporting on ongoing costs for all appointed managers for each calendar year.</i> "	The Trustee used the cost analysis service provider, ClearGlass, to analyse manager costs for the period 1 January 2021 to 31 December 2021. The Trustee reviewed the report about the costs from their investment adviser, Aon, who highlighted that the Scheme's overall costs are relatively low compared to other pension schemes. Following the completion of the final buy-in in June 2022 and given the nature of the residual assets (which are <5% of overall DB assets), the Trustee decided not to carry out cost analysis with ClearGlass for the 2022 calendar year. The Trustee understood that the fees for these residual assets are generally lower compared to many other asset classes.

Our DC managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that investment managers practise in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

The table below shows the voting statistics for the Scheme's material funds. The voting information provided is for the year to 31 March 2023 which broadly matches the reporting period.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM Multi-Asset Fund	100,094	99.83	21.73	0.72
LGIM All World Equity Index Fund	68,320	99.88	19.68	1.18
Prudential With Profits Fund	72,503	97.90	7.10	1.50

Source: Fund Managers

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues

Source: UN Principles for Responsible Investment

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

Description of use of proxy voting advisers

LGIM	<p>"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. 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."</p>
Prudential	<p>"The fund management has been delegated to a number of fund managers, including M&G Investment Management and BlackRock. The voting is carried out by those fund managers."</p> <p><u>M&G Investment Managers</u> "We use research provided by Institutional Shareholder Services' (ISS) and the Investment Association; and we use the ProxyExchange platform from ISS for managing our proxy voting activity."</p> <p><u>BlackRock</u> "We use ISS electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision. While we subscribe to research from the proxy advisory firms ISS and Glass Lewis, it is just one among many inputs into our vote analysis process, and we do not blindly follow their recommendations on how to vote. We primarily use proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that our investment stewardship analysts can readily identify and prioritise those companies where our own additional research and engagement would be beneficial. Other sources of information we use include the company's own reporting (such as the proxy statement and the website), our engagement and voting history with the company, and the views of our active investors, public information and ESG research."</p>

Source: Fund Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the annex.

Our Insurers' and DC managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm Level	
LGIM Multi-Asset Fund	960	Not Provided	Environment - Climate change Social - Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Diversity, Leadership - Chair/CEO, Remuneration, Shareholder rights

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm Level	
			Strategy, Financial and Reporting - Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting)
LGIM All World Equity Index Fund	574	Not Provided	Environment - Climate change Social - Human capital management (e.g., inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Diversity, Leadership - Chair/CEO, Remuneration, Shareholder rights Strategy, Financial and Reporting - Capital allocation, Reporting (e.g., audit, accounting, sustainability reporting)
Prudential With Profits Fund	Not provided	Not provided	Not provided

Insurer	Commentary
Rothesay - Bulk Annuity	Rothesay has been unable to provide specific engagement activity information. Rothesay noted: "At the time of writing, our approach is predominantly focused on specific, direct engagement with the most material corporate issuers within our portfolio and we have a target to engage with at least 20 companies each year representing at least 65% of the emissions attributable to our corporate bond sub-portfolio. As we do not use external asset managers, all our engagement is coordinated by members of our Credit Risk and Asset Management teams. We have chosen to undertake this approach as it ensures our engagement efforts can be appropriately resourced, focused on material factors where we can have the most influence and support our specific climate strategy and broader ESG risk management approach".
Aviva – Bulk Annuity	Aviva has been unable to provide specific engagement activity information. Aviva noted: "Aviva Life & Pensions UK LTD (AVLAP) takes its responsibility as an asset owner seriously. We believe the integration of responsible investing considerations into the investment process enables better understanding of the opportunities and challenges faced and can enhance returns on a risk-adjusted basis. We apply the mandate that our customers give us to invest in a way that meets their current and future needs and provide them with choices both financial and non-financial – our customers' welfare will be determined not only by the size of their savings, but also the future state of our world and society. This policy applies to all AVLAP investment funds, whether beneficially owned by customers or shareholders and whether managed on an active or passive basis."
LGAS – Bulk Annuity	As the bulk annuity is an insurance policy and LGAS is an asset owner rather than an investment manager, LGAS has been unable to provide specific engagement activity data. LGAS noted: "LGIM manages its annuity book and carry out engagements on its behalf. LGIM has a six-step approach to its investment stewardship engagement activities, broadly these are: <ol style="list-style-type: none"> 1. Identify the most material ESG issues, 2. Formulate the engagement strategy, 3. Enhancing the power of engagement, 4. Public Policy and collaborative engagement, 5. Voting, and 6. Reporting to stakeholders on activity."
PIC – Bulk Annuity	"PIC has implemented active engagement with investee companies across public credit and private debt investments on material sustainability issues. This is an integral part of our ESG strategy to help ensure long term ESG risks, such as climate and social risks, are accounted for within the issuer's operations which may influence its ability to meet its financial obligations. For direct investments (e.g. housing associations, equity release mortgages and other bilateral investments), PIC will engage where possible directly with organisations both at the point of capital raise and during the tenure of the investment on various ESG-related issues material to PIC. For indirect holdings, PIC aims to work closely with external managers and voices any particular concerns to be engaged on. The key external managers who help manage the public credit portfolio are also involved in thematic ESG research which helps identify important emerging or prominent topics and recognise sector leaders and laggards. These are reported directly to PIC through quarterly engagement meetings. Larger-scale industry engagements with identified laggards are done by our managers. This research, together with findings from engagements,

complements PIC's forward-looking analysis and helps us ensure our portfolio is correctly positioned for any long-term industry changes."

Source: Fund Managers.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- LGIM did provide fund-level engagement information but not in the requested format (Investment Consultant Sustainability Work Group engagement reporting template). Additionally, as shown in the table above, the manager also did not provide any firm-level engagement information.
- Prudential did not provide the necessary fund or firm specific engagement data.

This report does not include commentary on the Scheme's liability driven investments, gilts or cash because of the limited materiality of stewardship to these asset classes.

Annex – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's DC managers. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

LGIM Multi-Asset Fund	Company name	Rio Tinto Plc
	Date of vote	8 April 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.22%
	Summary of the resolution	Approve Climate Action Plan
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	"LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics."
	Rationale for the voting decision	"Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner."
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	Not provided
On which criteria have you assessed this vote to be "most significant"?	"LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote."	
LGIM All World Equity Index Fund	Company name	Meta Platforms, In.
	Date of vote	25 May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.73%
	Summary of the resolution	Require independent board Chair
	How you voted	For (in favour of the shareholder resolution)
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	"LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics."
	Rationale for the voting decision	"Joint Chair/CEO: A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair"
	Outcome of the vote	Did not pass
	Implications of the outcome e.g. were there any lessons learned and what	Not provided

	likely future steps will you take in response to the outcome?	"LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress."
	On which criteria have you assessed this vote to be "most significant"?	"LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote)."
Prudential With Profits Fund	Company name	Anglo American Plc
	Date of vote	19 April 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.23%
	Summary of the resolution	Management - Approve Climate Change Report
	How you voted	With Management
	Where you voted against management, did you communicate your intent to the company ahead of the vote? (Please add additional comments in the space below)	Not Provided
	Rationale for the voting decision	A Vote FOR the Climate Change Report is warranted. The plan features several positive aspects, including:- The Company meets expectations in terms of disclosure and governance surrounding climate change.- The Company's long-term goals have a shorter time frame than many peers (2040, as opposed to 2050). Its ambition is for carbon neutrality across operations by 2040.- Although the Scope 3 ambitions do not include a net zero target, it has provided targets to 2040, accompanied by clear descriptions of the challenges it faces and its intended actions to decrease its scope 3 targets. There has been accelerated progress towards Scope 1 and 2 emissions reduction.
	Outcome of the vote	Pass
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	As active managers, outcomes stemming from voting decisions and engagement are incorporated into our investment process, further enhancing long-term value for clients and beneficiaries. We believe the most effective shareholder engagement is undertaken by analysts who can contextualise the information that arises from the dialogues which is reflected in our voting decisions and then incorporated into our investment process. We engage with companies on a regular basis and in the case where we have voted against management we would typically follow up.	
On which criteria have you assessed this vote to be "most significant"?	In this instance, we have considered most significant votes in the following order: firstly, any "Say on Climate" management proposal or ESG focused shareholder proposals, secondly, any votes considered controversial by our investment professionals, and lastly, any management proposals where we voted against management. The resultant proposal buckets are then ranked by the company's average holding within the fund/or portfolio over the period under review to identify the top 10 votes for disclosure in the template. Our voting approach is based on our global governance principles which lays out our expectations of company management. They are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management. This includes governance issues such as remuneration policies, independence of appointed board members, human capital issues including employees, suppliers, their customers, and the community, as well as natural capital issues, including its dependency and use of natural resources and its approach to manage climate change risk. We believe that we must vote in a manner that (i) will maximize sustainable shareholder value as a long-term investor; (ii) is in the best interest of its clients; and (iii) the votes that it casts are intended in good faith to accomplish those objectives.	

Source: Fund Managers