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## APPENDIX 2 - Implementation Statement (“IS”)

### TI Group Pension Scheme (the “Scheme”)

#### Scheme Year Ended – 5 April 2025

The purpose of the Implementation Statement (“IS”) is for us, the Trustee of the TI Group Pension Scheme (the “Scheme”), to explain what we have done during the Scheme year 6 April 2024 to 5 April 2025 (the “reporting period”) to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of the most recent changes made to the SIP;
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 DB 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.

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## Reviewed the SIP during the reporting period

We have reviewed the SIP during the reporting period and confirm that no changes were required to the current SIP dated September 2023.

As a reminder, the Scheme's latest SIP can be found here: <https://pensions.smiths.com/media/lcnm1jst/statement-of-investment-principles-tigps-september-2023.pdf>

## 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>	Not applicable as there were no changes to the investment strategy over the reporting year.
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 are invested in appropriate gilt, cash and cash-like assets.
3) Risks, including the ways in which risks are to be measured and managed	<p>Section 4 details the Scheme's risk management and measurement principles.</p> <p>It notes that the key risks are:</p> <ul style="list-style-type: none"><li>- Insurers (i.e. the annuity providers for the Scheme) defaulting</li><li>- Residual asset risk</li></ul>	<p>The Trustee considered the credit strength of its Insurers as part of the due diligence processes before signing buy-in documentation.</p> <p>Having considered this, in addition to several other factors including the 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>The Trustee invests the Scheme's residual assets in a way to better meet any future costs to the Scheme, as advised by Aon.</p>

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Requirement	Relevant SIP section	Actions taken in the reporting period
4) Expected return on investments	<p>Section 5 sets out the investment strategy, where &gt;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. The investment consultant also informs the Trustee if it ever changes the 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 &gt;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 (including voting and engagement) and promotion of corporate responsibility 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><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></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
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 reviewed the ESG integration and stewardship policies of the Insurers at the point of purchasing the buy-ins, to the extent it was practical, to ensure that the policies were in line with the Trustee’s beliefs given that the Trustee retains ultimate responsibility for the Scheme’s assets and their management.”</i>	<p>The Scheme’s residual assets, following completion of the final buy-in in June 2022, are invested in gilts, cash and cash-like assets.</p> <p>This IS does not disclose stewardship information on investments in gilts or cash due to the limited materiality of stewardship of these asset classes.</p>
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	<p>Section 10: <i>“Where the Trustee appoints investment managers via pooled funds or segregated accounts, outside of the buy-ins with the Insurers, the Trustee seeks expert advice in relation to these appointments. These appointments are made 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></p>	<p>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.</p> <p>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-</p>

Requirement	Relevant SIP section	Actions taken in the reporting period
<p>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</p> <p><i>and</i></p> <p>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</p> <p><i>and</i></p> <p>The duration of the arrangement with the asset manager</p>		<p>term financial and non-financial factors which may influence performance.</p>
<p>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</p>	<p>Section 11: <i>"The Trustee previously sought to explicitly report ongoing costs for all appointed managers for each calendar year. Given that the Scheme's remaining assets, outside of the buy-ins, are held in cash, cash equivalents, or buy and hold government bonds, the Trustee does not believe it is appropriate or necessary to explicitly monitor ongoing transaction costs."</i></p>	<p>Following the completion of the final buy-in in June 2022 and given the nature of the residual assets (which are &lt;5% of overall DB assets), the Trustee decided not to continue carrying out cost analysis. The Trustee understood that the fees for these residual assets are generally lower compared to many other asset classes and are outlined in the quarterly performance report.</p> <p>For the DC Section, cost and charges information was collated and considered as part of the work to prepare the DC</p>

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Requirement	Relevant SIP section	Actions taken in the reporting period
		Chair's Statement for the year ending 5 April 2024.

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## 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 DC funds. The voting information provided is for the year to 31 March 2025 which broadly matches the reporting period.

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
<b>LGIM Multi-Asset Fund</b>	105,710	99.8	22.3	1.1

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.

Description of use of proxy voting advisers	
<b>LGIM</b>	<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.</p> <p>To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.</p>

Source: Fund Manager

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## Significant voting examples

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

## 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 only material manager. The manager has 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	3,576	4,399	<b>Environment</b> - Climate Impact Pledge - Deforestation - Circular Economy - Climate Adaptation - Climate Change - Climate Mitigation - Energy <b>Social</b> - Human Rights - Gender Diversity - Ethnic Diversity - Supply Chain - Lobbying and Political Donations <b>Governance</b> - Capital Management – Remuneration - Board Composition - Mergers and Acquisitions - Nominations and Succession <b>Other</b> - Corporate Strategy - Company Disclosure & Transparency - Regulation

Source: Fund Manager

Insurer	Engagement Commentary
Rothesay	<p>Rothesay is committed with engaging with issuers to encourage more sustainable practices that yield long-term financial returns. Engagement is crucial for understanding risks and fostering positive change. Rothesay interacts with a wide range of stakeholders, including issuers in its investment portfolio, pension scheme trustee boards, industry groups, regulators, and policyholders.</p> <p>Engagement with issuers is integral to Rothesay's risk management, focusing on macro, credit, operational, and cyber risks, and reviewing changes to terms and conditions. Engagement targets are selected with respect to several factors including those issuers with the highest Carbon Intensity in the portfolio, lack of Paris-aligned transition plans, underperformers within their sector and active material controversies.</p> <p>As a debt-only investor, Rothesay notes its influence is limited, but engagement is central to its responsible investment strategy. Rothesay occasionally participates in collaborative engagements when relevant to its portfolio.</p>



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<b>Aviva</b>	<p>Aviva's stewardship approach is centred on being long-term responsible stewards of its clients' assets. Its approach involves establishing constructive relationships with company boards, understanding specific business contexts, and supporting a "comply or explain" approach to governance. Aviva supports the UN Sustainable Development Goals and expects companies to contribute to these goals. Its stewardship priorities include climate, people, and earth issues.</p> <p>Aviva engages with companies to understand and mitigate sustainability risks and principal adverse impacts ("PAI") on people and the planet. Aviva uses PAI indicator data to inform engagement priorities and assess impact. When sustainability risks and adverse impacts indicate market failures, Aviva engages with policymakers and regulators to support corrective actions. It expects companies to integrate sustainability and stakeholder considerations into corporate strategy, culture, operations, and outcomes, and to reflect this in public disclosures like annual reports.</p>
<b>LGAS</b>	<p>Continuous engagement with companies is a key aspect of L&amp;G's commitment to responsible investment, initiated through regular catch-ups, analysis of responsible investment themes, voting issues, general company knowledge, or media reports.</p> <p>L&amp;G has developed a comprehensive framework for responsible investing across both public and private assets, aiming to strengthen long-term returns and elevate market standards through impactful stewardship and collaborative, active research across asset classes. L&amp;G's stewardship and investment teams work closely together to integrate ESG factors into decision-making processes, from research and engagement to product development.</p>
<b>PIC</b>	<p>PIC actively engages with investee companies across public credit and private debt investments on material sustainability issues. The manager of its Emerging Market Debt portfolio engages with corporates and sovereigns in that portfolio on PIC's behalf. For real estate assets, PIC strives to engage directly with the developers and contractors. PIC is involved in two collaborative engagements; one with the UN PRI Advance initiative on Human Rights and the other organised by Royal London Asset Management, which focuses on the UK water sector.</p> <p>During 2024 PIC engaged with 130 firms through their diverse engagement channels on a range of sustainability topics. The largest proportion of discussions focused on climate change, aligning with PIC's priority to support the achievement of its net-zero commitments. Corporate governance and human rights were also key areas of focus during 2024.</p>

Source: Insurers

## Data limitations

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

## Annex A – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's DC manager. We consider a significant vote to be one which the manager considers significant. The manager uses 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	Shell Plc
	Date of vote	21 May 2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.55%
	Summary of the resolution	Resolution 22: Approve the Shell Energy Transition Strategy
	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 Annual General Meeting ("AGM") as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity ("NCI") targets, coupled with the ambition to grow its gas and Liquefied Natural Gas ("LNG") business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, we would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonization strategy.

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<b>Outcome of the vote</b>	Pass
<b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
<b>On which criteria have you assessed this vote to be "most significant"?</b>	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

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## Annex B – Further information

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### **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.

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### **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).

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### **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.

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