

## Appendix 1: Implementation statement

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### TT Group (1993) Pension Scheme ('Scheme')

#### Implementation Statement

September 2023

#### Introduction

The Trustee is required to make publicly available online a statement ("the Implementation Statement") covering the TT Group (1993) Pension Scheme (the "Scheme") in relation to the Scheme's Statement of Investment Principles (the "SIP").

The SIP was amended once during the year ending 5 April 2022 to reflect the to the Scheme's investment strategy. The Trustee agreed a low risk investment strategy comprising of a full Scheme buy-in contract with Legal & General Assurance Society Limited ("L&G" and "the contract"). The Scheme's remaining assets are managed on a care and maintenance basis.

This SIP came into force from March 2023.

A copy of the current SIP signed and dated March 2023 can be found here:  
<https://www.ttelectronics.com/investors/governance/>

This Implementation Statement covers the Scheme year from 6 April 2022 to 5 April 2023 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year;
- The voting by or on behalf of the Trustee during the Scheme Year, including the most significant votes cast and any use of a proxy voter during the Scheme Year.

A new set of guidance ("the Guidance") from the Department for Work and Pensions ("DWP") has been issued with both statutory & non-statutory requirements. They aim to encourage the Trustee of the Scheme to properly exercise their stewardship policy including both voting and engagement which is documented in the Scheme's SIP. This Implementation Statement has been prepared to provide the details on how the Trustee of the Scheme, with the help of the Scheme's Investment Adviser, has complied with the new statutory requirement set by DWP.

The Trustee has no control over the assets held within the full Scheme buy-in contract with L&G. The Trustee however performed comprehensive due diligence on L&G prior to the commencement of the contract. The Trustee remains responsible for the investment of the remaining Scheme assets. Where it is required to make an investment decision, the Trustee always receives advice from the relevant advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned. The Trustee also sets the investment strategy and general investment policy but has delegated the day-to-day investment of the Scheme's assets, within pre-defined constraints to professional Investment Managers. The Trustee, with advice from their advisers, appoints and monitors the Scheme's Investment Managers of the remaining assets.

A copy of this Implementation Statement is available on the following website:  
<https://www.ttelectronics.com/investors/governance/>

#### **1. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme Year**

The Scheme's SIP sets out the Trustee's policies on stewardship which includes both voting and engagement. The Scheme invests in assets with voting rights attached. However, these investments are generally made via pooled investment funds with the Investment Managers where the Scheme's investments are pooled with other investors. Direct control of the process of engaging with the companies that issue the underlying securities, whether for corporate governance purposes or other financially material considerations, is generally delegated to those underlying Investment Managers.

Following the new DWP Guidance, the Trustee of the Scheme received training on the Investment Advisor's ("Schroders") Engagement Blueprint which sets out the six engagement themes the Scheme's Investment Advisor believe to be most financially material. The Trustee decided to align their engagement priorities with these themes (listed later in this section) given they are issues which are material to the long-term value of the investments. The Trustee believes that companies that address those issues, when they are material and relevant, will drive improved financial performance for the Scheme. These issues also reflect expectations and trends across a range of stakeholders and by strengthening relationships with these stakeholders, business models become more sustainable, which ultimately will maximise the value addition to the Scheme's investment hence benefit the Scheme's members and beneficiaries. As a result, the Trustee consider the most significant votes should be defined as the votes in relation to the engagement priorities.

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The Trustee acknowledges that the Trustee board owns and is responsible for setting its voting and engagement policies. However, due to the nature of the investment, voting and engagements decisions were generally carried out by the contract provider, L&G, or the Investment Manager according to their stewardship policies. The Trustee routinely monitors their voting and engagement activity.

In particular, the Trustee reviewed the ESG policy including the voting and engagement records of its insurer, L&G as part of its detailed due diligence before agreeing a full Scheme buy-in contract with L&G in November 2022. The review provided the Trustee an opportunity to consider if the insurer approaches ESG and stewardship on behalf of the Trustee in line with the expectations; and if not, what action the Trustee might wish to take. As part of the review, the Trustee concluded that they were satisfied with its L&G's voting and engagement behaviour. The Trustee will continue to monitor the insurer and the Investment Managers voting and engagement records on an ongoing basis.

During the Scheme year the Trustee has carried out the following activity in relation to the stewardship policy:

- During the Scheme Year, the Trustee was provided with
  - the Investment Advisor's Engagement Blueprint which sets out the six engagement themes the Investment Advisor as an organisation that focuses their engagement effort on. The Trustee aligned their engagement priorities to those six themes which are set out below:
    - **Climate:** Climate risk and oversight, Climate alignment including decarbonising and minimising emissions, climate adaptation and carbon capture and removal
    - **Natural Capital and Biodiversity:** Nature-related risk and management, circular economy, pollution and waste, sustainable food and water, deforestation
    - **Human Rights:** Overarching approach to human rights, works and communities, customers and consumers
    - **Human Capital Management:** Corporate culture and oversight, investment in the workforce, engagement and representation, health, safety and wellbeing
    - **Diversity and Inclusion:** Board diversity and inclusion, executive & Workforce diversity and inclusion
    - **Corporate Governance:** Board and management, executive remuneration, relationship with shareholders
  - L&G's strategic ESG objectives are set out below:
    - **Environmental Impact:** portfolio decarbonisation and divestment to align with the Paris Climate Agreement, support UK net zero objectives and reduce its portfolio's carbon intensity to half by 2030.
    - **Social Impact:** invest in assets which create real jobs, improve infrastructure and tackle the biggest issues – including housing, climate change, fostering an inclusive society and the ageing population. A core part of this is ensuring strong governance and disclosure around ESG issues.
    - **Governance:** good investment underwriting requires L&G to identify and manage financial related risks including ESG. L&G aims to process the ESG data it has available in an efficient way to identify, measure and manage the most salient risk factors for our investments and integrate these assessments into the investment process and product design.

The Trustee believes these engagement themes and objectives are issues which are considered to be material to the long-term value of the investments and hence are in the members' best interests. The Trustee has set out in the appendix some engagement examples which are in line with the Trustee's engagement priorities over the Scheme Year.

- The Trustee will discuss these engagement themes further with its Investment Advisor and seek to identify what themes are the most important to Trustee such that it can focus its engagement activities with the Investment Managers going forward.
- On behalf of the Trustee, monitoring of the Investment Managers' ESG and stewardship policy was carried out through regular investment and operational due diligence reviews and meetings by the Trustee's Investment Adviser with any important updates communicated to the Trustee over the Scheme Year.
- The Trustee with the help of their Investment Adviser, monitored the performance of the Investment Managers against their agreed performance objectives at each of the quarterly Trustee meetings during the Scheme Year.
- The Trustee reviewed the regulatory developments with regards to ESG and climate change disclosures and received relevant trainings.

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- The Trustee has reviewed the voting and engagement activity carried out by its Investment Managers during the Scheme Year; a summary is provided in the next section.

The Trustee has determined its engagement priorities to be aligned with its insurer, L&G, and its Investment Advisor which aims to achieve an integrated approach with the Scheme's investment managers. In addition, the Trustee believe prioritising the above themes will improve the long-term value of the Scheme's investment. In addition to the other activities carried out during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the SIP, in particular the Stewardship policy, over the Scheme Year.

### 2. Voting and Engagement Summary

The majority of Scheme assets comprising of a full Scheme buy-in contract with L&G. Within L&G's annuity book, assets are held across all buy-in/buyout clients, i.e., L&G do not identify assets for each client, including the TT Scheme. We have therefore not been able to provide a client specific summary of voting activity for L&G. All other investments are considered as non-material (i.e. weight of the investment is less than 10% of the total portfolio) and therefore have not been provided.

#### Trustee's conclusions on voting and engagement

The Trustee has considered the voting behaviour (provided in the Appendix) along with engagement activities that took place on their behalf during the Scheme Year within their investment portfolio and is pleased to report that the Investment Managers have demonstrated high levels of voting activity where relevant, challenges to management and active engagement on a range of relevant topics.

Specifically, the Trustee noted that:

- The Scheme's buy-in contract provider, Legal & General Retirement, receives the majority of its asset management services through Legal & General Investment Management ('LGIM'). LGIM demonstrated very high levels of voting rights being acted on, where voting is relevant. Where the voting was irrelevant, the Investment manager showed they carried out a good level of engagement activities over the Scheme Year.
- Challenge to management was demonstrated through a high proportion of votes against management.
- The general themes of the voting and engagement activity were in relation to environmental issues, climate strategy in particular. Executive pay, board diversity and improving social outcomes were the other main themes identified.
- LGIM, who manage the Scheme's buy-in contract, have shown market leading capabilities in their ability to engage with underlying companies. They have significant in-house capacity and have in place a custom voting policy encompassing their own views rather than deferring decisions solely to their proxy adviser.
- LGIM's Investment Stewardship makes voting decisions and LGIM do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. LGIM appear to have voted against the recommendations from its proxy adviser throughout the Scheme Year.
- Most significant votes provided were in relation to consumer discretionary and financial sectors and votes on the re-election of board members were most common. An example of a significant vote undertaken by LGIM would be their vote to support a management led resolution to conduct a third-party civil rights audit. LGIM consider diversity and inclusion issues to be a material risk to companies and therefore support proposals to improve company outcomes in this area. LGIM continue to engage with their investee companies and publicly advocate their position on these issues.

The Trustee is satisfied that the voting and engagement activities undertaken by L&G and the Investment Managers are in line with the engagement priorities Trustee's has determined and communicated to the investment manager during the Scheme Year.

### Appendix 1 – Examples of most significant votes and engagement carried out by the underlying managers

Engagement Theme	Manager	Examples
Climate change	Legal & General	Royal Dutch Shell Plc
Diversity & Inclusion	Legal & General	Apple Inc.
Corporate governance	Legal & General	Fujitec Company Ltd

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### Legal & General Investment Management

L&G's buy-in/buy-out business, Legal & General Retirement, receives the majority of its asset management services through Legal & General Investment Management ('LGIM'). LGIM's Investment Stewardship team uses Institutional Shareholder Services' "ProxyExchange" electronic voting platform to electronically vote client's shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, they have put in place a custom voting policy with specific voting instructions.

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

#### **Royal Dutch Shell Plc:**

LGIM voted in line with management against resolution 20 - the approval of the Shell Energy Transition Progress Update.

- The rationale of the voting decision was:
  - Climate change: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.
- About 80% of shareholders supported resolution 20.
- LGIM considers this vote significant as it is 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.

#### **Apple Inc.:**

LGIM voted in favour for a resolution 9 for the company to conduct a third-party civil rights audit.

- The rationale for the voting decision was:
  - Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.
  - LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
- About 54% of shareholders voted in favour of the resolution.
- This vote was considered to be significant as LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.

#### **Fujitec Company Ltd.:**

LGIM voted in favour of shareholder proposal to replace six incumbent directors, following governance failures and concerns about undue levels of family influence.

The rationale for the voting decision was:

- Concerns about the firm's flawed governance processes and its conduct at the last AGM, which resulted in an irreparable loss of faith in the leadership and in the incumbent outside directors' ability to overcome the family's strong influence on the board.
- Investors voted to replace three incumbent directors with four new independent directors.

This vote was considered to be significant as LGIM believes that director independence and board composition is an important area for governance effectiveness.

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### Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both L&G and the Investment Manager can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions	<a href="https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf">https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf</a>
Legal & General Investment Management	<a href="https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/active-ownership-report-2021-uk-eu-middleeast.pdf">https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/active-ownership-report-2021-uk-eu-middleeast.pdf</a>