

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

### **Implementation Statement**

#### **1. 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 a de-risk to the Scheme's investment strategy. This SIP came into force from December 2021. A copy of the current SIP signed and dated December 2021 can be found here:

<https://www.ttelectronics.com/investors/governance/>

This Implementation Statement covers the Scheme year from 6 April 2021 to 5 April 2022 (the "Scheme Year"). It sets out:

- How the Trustee's policies on exercising voting rights and engagement have been followed over the Scheme Year; and
- 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.

The Trustee is responsible for the investment of the 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. A copy of this Implementation Statement is available on the following website:

<https://www.ttelectronics.com/investors/governance/>

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

The Scheme invests in assets with voting rights attached, and other assets with no voting rights. 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 delegated to those underlying Investment Managers.

The Scheme's SIP sets out the Trustee's policies in relation to stewardship, corporate governance and Environmental, Social and Governance (ESG) factors. The Trustee made no changes to the voting and engagement policies contained in the SIP during the year but keep this under review in future years.

The Trustee continues to believe it is appropriate to delegate voting and engagements decisions to their Investment Managers in order to achieve an integrated and joined up approach to ESG factors, voting and engagement together. In this way as the Investment Managers consider ESG factors as part of the investment decisions being taken on behalf of the Trustee, the Trustee is satisfied that the Investment Managers can also take account of direct engagement or other factors relating to any voting or engagement and respond to these (as appropriate). However, the Trustee acknowledges that it remains responsible for the voting and engagement policies of its underlying managers (as set out in the Appendix) and routinely monitors their voting and engagement activity.

During the Scheme year the Trustee has carried out the following activity in relation to these policies:

- 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.
- 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.
- On behalf of the Trustee, the Trustee's investment adviser reviewed the Internal Controls Reports of each of the managers during the period.

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- As a result of the Russia-Ukraine war, the Trustee reviewed exposure to these regions within the Scheme's investments on the March 2022 Trustee meeting and confirmed exposure was minimal and no cause for concern. This has reduce even further following the redemption of one of the Scheme's investment funds.

The Scheme's Investment Advisor was acquired by Schroders Group to form Schroders Solutions from 1 February 2022. Both Investment Advisor and Schroders Group have their specific engagement themes/priorities over the Scheme Year. However, going forward, the Investment Advisor's engagement priorities will be aligned with the broader Schroders Group's priorities. Schroders Group has a long history of engagement and active ownership, dated back to 1998 where the global asset manager appointed its first governance resource and since then have recorded & monitored ESG engagement spanning more than 20 years.

Over the Scheme Year, the Trustee noted that their Investment Advisor's engagement priorities for 2021 included themes in each of the following categories:

- For R&M Solutions engagement priorities up to January 2022 (which will be aligned with Schroder Solutions' going forward given the acquisition of the business):
  - E Climate change: carbon emissions and footprint of our funds
  - S Human capital: employee engagement and satisfaction
  - G Corporate governance: board composition, executive pay / compensation
- For Schroder Solutions' engagement themes (from February 2022 onwards):
  - 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

The Trustee has aligned its stewardship priorities with its Investment Adviser's engagement themes over the Scheme Year set out above, as the Trustee believes these engagement themes/priorities are issues which are considered to be material to the long-term value of the investments and hence are in the members' best interests.

**Following activity during the Scheme Year and by preparing this Implementation Statement, the Trustee believes that it has acted in accordance with the Statement of Investment Principles over the Scheme Year.**

### 3. Voting and Engagement Summary

This statement includes information on the underlying investment managers investing in securities. Where proxy voting agents have been used, this has been included in the voting information.

#### Summary of voting activity – relevant mandates (31 March 2022)

	River and Mercantile Dynamic Asset Allocation Fund	Lumyna – Marshall Wace Systematic Alpha UCITS Fund
Asset allocation	10%	4%
<b>Voting Stats</b>		
Total meetings eligible to vote	153	998
Total resolutions eligible to vote	2067	9688
% of resolutions did you vote on for which you were eligible?	91%	100%
% did vote with management?	68%	85%
% vote against management?	22%	11%
% abstained	1%	1%
% of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	15%	?

Source: All data in this section has been provided by the investment managers. Voting statistics provided on the Scheme's equity holdings

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### Note

- The voting statistics provided may slightly differ depending on the exact composition the Scheme holds.
- Figures may not total 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of “Abstain” is also considered a vote against management.

### Trustee’s conclusions on voting & engagement

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

Specifically, the Trustee noted that:

- Each relevant manager 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 votes by the Investment Managers against management.
- The ESG data quality provided by the investment managers has improved over the Scheme Year.
- For the Scheme, 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.
- For the broad bond mandate, an example of the Scheme’s manager AllianceBernstein’s engagement with a Brazilian materials company was cited as significant. The manager met with the head of sustainability to understand why the company had not submitted its decarbonisation plan to the Science Based Targets initiative (SBTi) and to probe deeper on its carbon accounting. The company disclosed that it had not submitted its plans to SBTi yet because of methodology changes which it hopes to resolve later this year. The company’s accounting for carbon offsets is very rigorous—using satellite imaging and the approach is conservative. It counts incremental carbon capture only by upgrading forests, and not by counting carbon stores in the soil. AllianceBernstein continues to hold conviction that the company is a clear leader in this space.
- For the alternatives mandate, Marshall Wace noted an engagement with a pharmaceutical company on ESG topics. The company is doing well on ESG initiatives and has taken great steps over the past year, e.g. hiring additional resources to deal with ESG disclosures, making improvements to the compensation structure, considering to link pay to performance on key ESG targets. The company has set clear targets on reducing greenhouse gas emissions by 2030 and plans on moving on to targeting tracking and reducing waste water. The company currently adheres to several reporting standards and are considering Task Force on Climate-Related Financial Disclosures (‘TCFD’) reporting as well. Marshall Wace will continue to engage on introducing ESG metrics in the compensation structure as well as understanding developments to their decarbonisation strategy.
- For the Cashflow Matching Credit mandate, an example of the Scheme’s manager Insight’s engagement with a water supply company was noted. Insight has been in close contact with the company over a number of years and carried out the engagement as a part of their annual review. A one-to-one meeting was held between a utility analyst and the company’s Treasurer. Insight wanted to better understand carbon and water management plans given the high climate risk rating of the company. The discussion was very positive and the company was able to provide a commitment to five pledges they were endorsing above the regulatory required minimum intervention to protect and enhance the health of rivers in the region. Insight were satisfied with the company’s developments in reduced carbon and emissions and will continue to monitor the company against their pledges.
- In relation to the active structure equity and liability hedging mandates, the Trustee noted that the choice of counterparty (both in terms of the counterparties chosen to be part of the available roster and the choice of which counterparty of these to use when entering into derivative transactions) is driven by a number of factors including credit ratings which take into account ESG factors, and ESG scores for counterparties are regularly monitored.

**The Trustee is satisfied that the voting and engagement activity undertaken by the Investment Managers are in line with the Trustee’s policies contained in the SIP and that no changes are required to these policies at this time. The Trustee will keep the position under review.**

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

#### River and Mercantile Asset Management (RAMAM)

##### Facebook

RAMAM voted in favour of a shareholder proposal requesting that Facebook produce a report assessing the risk of increased sexual exploitation of children as it develops additional privacy tools such as end-to-end encryption. The rationale for this decision was:

- Despite Facebook claiming it has technologies across all of its platforms to proactively identify and report child exploitation, Tech Transparency Project released a study which shows Facebook failed to catch hundreds of cases of child exploitation between Jan-13 and Dec-19 on its platform
- Concerns that the plan to apply end-to-end encryption across all messaging will severely hinder investigations of child predators - currently WhatsApp accounts for 10% of online sexual abuse on Facebook apps yet only makes up 1.3% of child abuse tip-offs from Facebook because of the existing end-to-end encryption
- Shareholders would therefore benefit from further information on how Facebook are going to manage the increased risk of child sexual exploitation from their planned changes

##### Microsoft

RAMAM voted in favour of a shareholder proposal requesting that Microsoft reports on its median pay gap across race and gender, including several associated policy, reputational, competitive and operational risks, and risks related to recruiting and retaining diverse talent. The rationale for this decision was:

- Microsoft does publish its gender pay gap statistics in the UK so they should also publish the median pay gap data for the US or global workforce and this will give a better gauge how well the company is advancing opportunities for women and mitigating risks related to increased public scrutiny on gender pay issues
- Microsoft does publish a racial equal pay statistic for the US but it is a subjective determination by Microsoft and the methodology and data to determine this statistic are not transparent or comparable across companies
- Microsoft has goals for increasing racial and ethnic diversity overall and in leadership roles but it does not appear to have a similar goal for increasing gender diversity

#### Marshall Wace (MW)

##### Charles River

- Marshall Wace engaged with Investor Relations and Senior Vice President & General Counsel of Charles River on ESG topics.
- The company is doing well on ESG initiatives and has taken great steps over the past year. They have hired additional resources to deal with ESG disclosures and moved forward on E initiatives. They have made improvements to the compensation structure and are looking at whether to include ESG metrics to link pay to performance on key ESG targets.
- Environmental plans currently focus on reducing greenhouse gas emissions and the company has set clear targets (50% scope 1 and 2 emissions reduction by 2030, -15% scope 3). They plan on mainly achieving this via Virtual Power Purchase Agreements and their investments via a global sustainability fund.
- The company will then move on to targeting tracking and reductions in waste water.
- The company currently uses Global Reporting Initiative ('GRI') and Sustainability Accounting Standards Board ('SASB') mapping and are considering Task Force on Climate-Related Financial Disclosures ('TCFD') reporting as well.
- MW will continue to engage on introducing ESG metrics in the compensation structure as well as understanding developments to their decarbonisation strategy.

#### AllianceBernstein (AB)

##### Suzano

- AB recently spoke with the head of sustainability at Suzano to understand why the company has not submitted its decarbonisation plan to the Science Based Targets initiative (SBTi) and to probe deeper on its carbon accounting.
- Suzano is a Brazilian pulp and paper company with presence in more than 80 countries. The largest pulp and paper company in Latin America, Suzano has best-in-sector carbon figures, according to the Transition Pathway

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- The company disclosed that it has not submitted its plans to SBTi yet because of methodology challenges, which Suzano is discussing with SBTi and hopes to resolve later this year.
- The company noted that the new Cerrado pulp mill project would have excellent environmental efficiency and a small radius from plantation to mill, reducing trucking and hydrocarbon usage. AB sees this plan as being in line with the company's best-in-industry carbon emissions per ton of product. Suzano's accounting for carbon offsets is very rigorous—using satellite imaging—and conservative. It counts incremental carbon capture only by upgrading forests, and not by counting carbon stores in the soil. This strengthens AB's conviction that the company is a clear leader in the space.
- Suzano is among the first materials company to issue an ESG Key Performance Indicator (KPI)-linked bond (in September 2020). AB advised the company to continue issuing KPI-linked bonds and that the targets should be relevant to the operations and ambitious in scale. The company noted that illegal deforestation has generated negative attention, but the forestry industry is not involved with these practices. Suzano is working with NGOs to help stop illegal activities and is advocating the Brazilian government to enforce laws that protect the environment.
- Suzano has the lowest greenhouse gas emissions of the entire industry by a large margin and is entirely self-sufficient in electricity. It generates more biomass energy than it consumes and cuts down only the trees that it has planted.

### Insight Investments

#### **Altice**

##### **Background:**

- MSCI recently downgraded Altice France following the company being taken private, and as a result the company's Insight ESG score declined from a 4 to a 5.
- This was a reactive engagement as a result of their internal ESG deteriorating to a worst in class 5. This engagement is aligned to SDG 16 Peace, Justice and Strong Institutions.

##### **Engagement:**

- This was a private meeting with company management led by an Insight in-house analyst.
- Altice France are currently in discussions with MSCI on a variety of points that Altice believes are incorrect in the MSCI report. These include:
  - o Pay committee: this is independent and has well developed policies contrary to the report
  - o Executives on board: are present on the board contrary to report
  - o Emission targets which are in place but not in the report
- Much of this relates to MSCI not including the company's most recent Non Financial Performance Statement in its report. Despite these inaccuracies they acknowledge in conversations had with Insight that there is still room for improvement on their end regarding disclosure, targets and in particular the audit committee which is not independent.
- Insight expect to see further details on executives on the board, disclosure of labour management policies and disclosure of emissions targets that management have said they have in place to be recorded by H1 2022 by the company and reflected in MSCIs new rating. The next MSCI report on Altice is due to come out in Q1 '22, and Insight are in dialogue with the company on their discussions with MSCI to get the identified errors corrected; they hope this will be reflected in the next report, which should see the Insight score go back to a '4' as well. Additionally, the audit committee is not independent, and management have expressed this is not an immediate focus therefore Insight will have to continue to monitor this area.

##### **Outcome and next steps:**

- Insight continue to hold Altice in their portfolios as they think once MSCI corrects their errors, the rating will be upgraded back to a '4'. However, this will be monitored in the near future to and Insight will re-asses following MSCI's revised report.

#### **Severn Trent**

##### **Background:**

- This was an engagement as part of Insight's annual review for Severn Trent. They discussed a range of topics, predominantly around financials and environmental issues.
- Insight wanted to understand the company's carbon and water management plans given their high climate risk rating of 4.9. This engagement is aligned to the following SDGs: 13 Climate Action, 16 Peace Justice and Strong Institutions and 6 Clean water and sanitation.

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### Engagement:

- Insight have been engaging with Severn Trent for a number of years, typically in a one-to-one setting, either face to face, or virtually more recently. The meeting was hosted by the utility's analyst with the Treasurer of Severn Trent.
- Insight discussed the work they are doing for water stress in details. Severn Trent are investing in river quality through WINEP scheme, with over £500 million being invested this AMP. Outside of regulation, they have also announced 'Get River Positive' as a commitment to protect and enhance the health of rivers in the region. They have committed to five pledges:
  1. Ensure storm overflows and sewage treatment works do not harm rivers
  2. Create more opportunities for everyone to enjoy our region's rivers
  3. Support others to improve and care for rivers
  4. Enhance our rivers and create new habitats so wildlife can thrive
  5. Be open and transparent about our performance and plans
- Looking at climate, they're one of only two water companies in the UK to have verified and approved Science Based Targets ('SBTs') in line with the 1.5°C pathway to reduce absolute Scope 1 and 2 Greenhouse Gas emissions by 46.2% by FY2031 from a FY2020 base.

### Outcome and next steps:

- Insight are satisfied with Severn Trent's developments in reduced carbon emissions and results but will continue to monitor their evolution on water management and the progress of the company with their 'five pledges'.

## Appendix 2 – ESG, Voting and Engagement Policies

Links to the voting and engagement policies for both Investment Manager and Underlying Investment Managers can be found here:

Investment Manager & Underlying Investment Manager	Voting & Engagement Policy
Schroders Solutions (formerly known as River and Mercantile Investments Limited)	<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>
Marshall Wace	<a href="https://cdn.mwam.com/download/MW_Engagement_Policy_Jan_2022.pdf">https://cdn.mwam.com/download/MW_Engagement_Policy_Jan_2022.pdf</a>
River and Mercantile Asset Management	<a href="https://riverandmercantile.com/wp-content/uploads/2021/11/Tier-3-RAMAM-Voting-and-Engagement-Policy.pdf">https://riverandmercantile.com/wp-content/uploads/2021/11/Tier-3-RAMAM-Voting-and-Engagement-Policy.pdf</a>
Alliance Bernstein	<a href="https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/AB-Proxy-Voting-and-Governance-Policy.pdf">https://www.alliancebernstein.com/content/dam/corporate/corporate-pdfs/AB-Proxy-Voting-and-Governance-Policy.pdf</a>
Insight Investment	<a href="https://www.insightinvestment.com/investing-responsibly/">https://www.insightinvestment.com/investing-responsibly/</a>