

# Daniel Thwaites 1959 Pension Scheme Implementation Statement

## Purpose

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This statement provides information on how, and the extent to which, the Trustees of the Daniel Thwaites 1959 Pension Scheme (“the Scheme”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme’s investments. It also describes the engagement activities that have been followed during the year ended 31 December 2024 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

## Background

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The Trustees’ policy on ESG is documented in the most recent Statement of Investment Principles dated November 2024. The Trustees will consider these issues when making decisions on their investment strategy.

## The Trustees’ policy

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The Trustees have delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The managers’ duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme’s assets.

## Manager selection, monitoring and retention

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The Trustees have received training on ESG factors, and have discussed the extent to which ESG factors, including climate change, should be taken into account in the Scheme’s investment strategy. The Trustees’ policy towards ESG factors is that they believe that these factors could be financially material for the Scheme over the long term. These factors will be taken into account in the selection, retention, and realisation of assets as follows:

**Selection:** The Trustees will consider how ESG factors are taken into account in the selection of investments with the Scheme’s investment managers. When appointing a new mandate, the Trustees will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustees will also require any new investment manager to be a signatory to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Scheme’s investment managers are all PRI signatories.

**Retention:** The Trustees will request information regarding the ESG practices of the Scheme’s investment.

**Realisation:** The Trustees will consider how ESG factors are taken into account in the realisation of investments with the Scheme’s investment managers.

## Ongoing governance

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The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

## Adherence to the Statement of Investment Principles

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During the reporting year the Trustees were satisfied that they followed their policy on the exercise of rights and engagement activities to an acceptable degree.

## Voting activity

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The main asset class where the investment managers will have voting rights is equities. The merged Scheme did not have investments in equities over the year.

Over the reporting period, the Scheme holdings were in fixed income funds, managed by M&G Investments, State Street Global Advisors ("SSGA") and Columbia Threadneedle Investments ("CT"). These funds invest in various bond holdings which do not carry voting rights.

- The CT Gilt funds invest in purely UK government bonds and as such there are very limited ESG consideration in the investment process, and very limited engagement given the bonds are issued by the UK government.
- M&G take ESG factors into consideration when selecting corporate bonds to hold in the portfolio. As at 31 December 2024, the M&G All Stocks Corporate Bond fund is Amber rated by the XPS internal ESG research team for their ESG capabilities. As at 31 December 2024, the SSGA and CT corporate bond funds are currently not rated by the XPS internal ESG research team for their ESG capabilities.

## Engagement activity

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Engagement is an effective method of driving long-term positive change in company policies and practices and is applicable across many asset classes. Engagement takes place between investment managers for a variety of asset classes.

The statement includes a summary of the engagement activities undertaken by the investment managers: SSGA, CT and M&G Investments.

### Notes:

1. M&G Investments have provided fund level data, giving examples of engagements they have undertaken with the underlying issuers of the All-Stocks Corporate Bond Fund. Fund level engagement statistics over the reporting year have been included below.
2. CT have provided fund level data for the engagements which have taken place over the year for the Net Zero Transition Low Duration Credit Fund, this includes specific examples of engagements with underlying companies and the outcomes of these engagements.
3. CT have provided statistics about the engagements they undertake with the counterparties associated with their LDI Funds which include sterling and euro denominated pooled funds, private sub-funds and segregated mandates.
4. SSGA have provided statistics relating to engagements that took place over the year across the Fixed Income Funds which they manage, which includes the Non-Gilts Bond All Stocks Fund which the Scheme invests in.

## Engagement data provided by M&G Investments

### Engagement examples - M&G All Stocks Corporate Bond Fund

| Name of entity                  | HSBC Holdings Plc   |
|---------------------------------|---|
| Topic of Engagement             | <b>Governance - Executive Remuneration</b>  |
| Engagement Objective            | To ask HSBC to consider some changes to financial metrics in executive remuneration and to provide feedback on the overall structure.   |
| Engagement activity carried out | M&G held a call with the chair of the remuneration committee.   |
| Outcomes and next steps         | <p>HSBC is considering changes to its executive remuneration policy in light of the removal of the 2:1 variable to fixed pay cap, to rebase the overall structure and ensure the overall remuneration package is competitive. The cap was first introduced in 2014 by the EU in response to the financial crisis in 2008 and removed in the UK in October 2023. The proposal around re-introducing the pre-2014 structure of the annual bonus and long-term incentive scheme for both the CEO and CFO seem sensible. In terms of the performance measures, M&amp;G Investments suggested cutting back on the number of metrics used, and when considering the changes being proposed to metrics, they should reflect what the strategy of the business is. M&amp;G Investments agreed that bringing in financed emission targets as soon as possible is the right thing to do, although the bank is not yet ready to do so.</p> <p>The bank will report back on its consultation in the New Year.</p> |

| Name of entity                  | Comcast Corporation   |
|---------------------------------|---|
| Topic of Engagement             | <b>Social - Diversity and Inclusion</b>   |
| Engagement Objective            | To encourage the American industrial company to aim to have at least 33% women on the Board.  |
| Engagement activity carried out | A letter was sent to the company representative at the investor relations department.   |
| Outcomes and next steps         | M&G sent a letter to the company outlining their expectations on diversity. They encouraged the company to aim to have at least 33% women on the Board. In the email accompanying the letter M&G stated that they would be happy to set up a meeting to discuss their expectations and have a wider discussion around Comcast's diversity and inclusion practices. M&G also specifically asked questions on whether the company has plans to produce a gender pay gap report, and to update on the progress of workforce diversity targets. |

| Name of entity                  | Hiscox Ltd   |
|---------------------------------|--|
| Topic of Engagement             | <b>Environment - Net Zero/Decarbonisation</b>  |
| Engagement Objective            | As part of a wider discussion around UK-listed insurer Hiscox's climate strategy, to encourage the company to have its near-term GHG reduction targets approved by SBTi. M&G also initiated discussion on consideration of wider biodiversity issues in its underwriting activities (the current plan is to phase out coal, oil sands and arctic exploration by 2030). |
| Engagement activity carried out | Hiscox currently has targets to reduce its scope 1 and 2 emissions by 50% by 2030, against a 2020 adjusted baseline, and to reduce its operational Scope 3 emissions by 25% per FTE  |

|                                |   |
|--------------------------------|---|
|                                | by 2030, against the same baseline. The company has been undertaking a data exercise to fully understand its emissions profile and said having its targets SBTi validated was being considered, but no timelines were provided. M&G will continue to engage on this issue. In terms of wider bio-diversity considerations, Hiscox has engaged with its top 20 shareholders as part of its materiality assessment, and biodiversity was not currently at the top of the agenda. M&G will further pursue this, given the nature of project underwriting and potential biodiversity impacts. |
| <b>Outcomes and next steps</b> | M&G met with the company's sustainability manager, its group communications manager and members of the investor relations team.   |

## Engagement Examples Provided by Columbia Threadneedle Investments

### Engagement examples - CT Net Zero Transition Low Duration Credit Fund

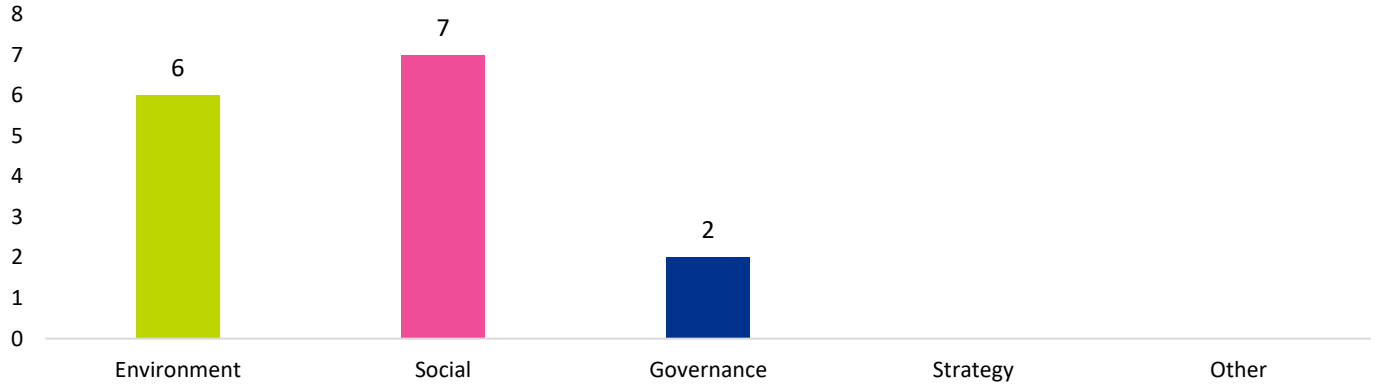
| Name of entity                         | Charles River Laboratories International Inc   |
|--|--|
| <b>Topic of Engagement</b>             | <b>Environment - Animal Welfare</b>  |
| <b>Engagement Objective</b>            | To request more transparency around the import and use of non-human primates (NHPs).   |
| <b>Engagement activity carried out</b> | CT Supported a 2023 shareholder proposal to provide more transparency around the import and use of NHPs.   |
| <b>Outcomes and next steps</b>         | The company released a report evidencing significant improvement of oversight, risk management and transparency around the responsible use of Non-Human Primates, including a newly established Board committee, the 'Responsible Animal Use Committee' to review, evaluate and advise the board and management on responsible animal utilisation. |

| Name of entity                         | Volkswagen AG   |
|--|---|
| <b>Topic of Engagement</b>             | <b>Social - Human Rights</b>  |
| <b>Engagement Objective</b>            | To request that Volkswagen close down their sites in Xinjiang, China which have been linked to using Uyghur forced labour in NGO reports.   |
| <b>Engagement activity carried out</b> | CT engaged with the company six times on this topic over the past two years and made exiting the facility one of their main options for mitigating the forced labour risk that CT had encouraged. |
| <b>Outcomes and next steps</b>         | VW announced that it will sell its sites in Xinjiang which marks a major milestone as part of CT's engagement activities.   |

| Name of entity                         | Netflix Inc   |
|--|---|
| <b>Topic of Engagement</b>             | <b>Social - Gender Diversity</b>  |
| <b>Engagement Objective</b>            | Increase gender diversity on the Netflix board.   |
| <b>Engagement activity carried out</b> | CT engaged with the company ahead of the 2023 AGM on increasing board gender diversity.   |
| <b>Outcomes and next steps</b>         | Ahead of the 2024 AGM, the company appointed an additional woman to the board (Susan Rice), bringing gender diversity in line with CT's expectations. |

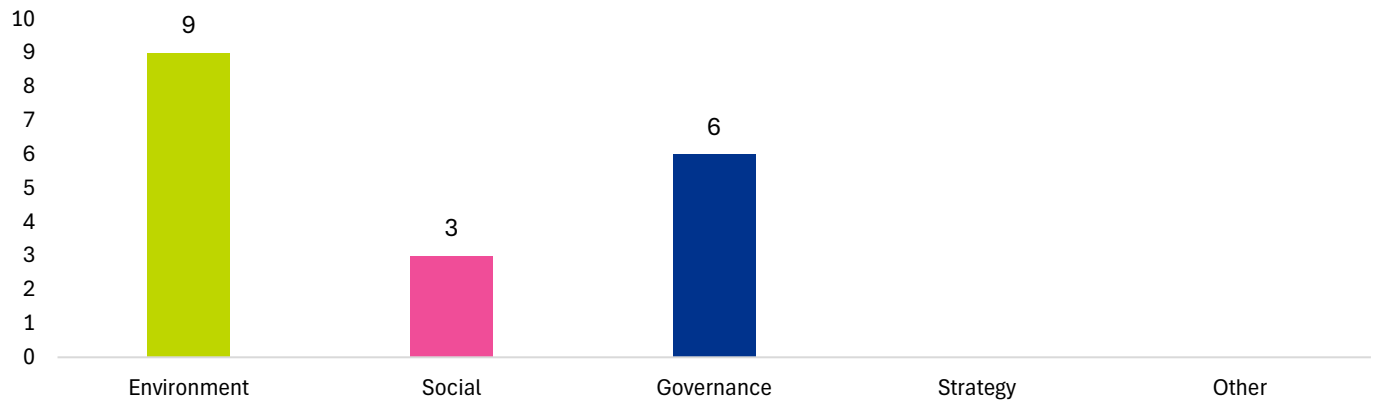
**Engagement Data - M&G All Stocks Corporate Bond Fund**

Number of engagements in each topic over the last 12 months to 31 December 2024



**Counterparty Engagement Data - Columbia Threadneedle LDI Fund Range**

Number of engagements in each topic over the last 12 months to 31 December 2024



**Engagement Data - SSGA Fixed Income Data**

Number of engagements in each topic over the last 12 months to 31 December 2024





Signed: \_\_\_\_\_, on behalf of the Trustees

Date: \_\_\_\_\_