

## LV= Employee Pension Scheme Statement of Investment Principles (“SIP”) Implementation Statement

### 1. Introduction

This SIP Implementation Statement (“the Statement”) has been prepared by The LV= Pension Trustee Limited (“the Trustee”) in relation to the LV= Employee Pension Scheme (“the Scheme”).

This is the second Statement produced by the Trustee as required by changes in legislation and is expected to evolve over time. This Statement:

- describes any review of the SIP undertaken during the year;
- explains any changes made to the SIP during the year and the reasons for the changes;
- sets out how, and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and
- describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and states any use of the services of a proxy voter during that year.

Section
2
2
3, 4, 5 & 6
7, 8 & 9

This Implementation Statement covers the period 1 April 2021 to 31 March 2022, the Scheme’s reporting year, in line with the regulations that came into force in October 2019.

### 2. SIP Updates

The SIP (covering both the DB and DC sections) that is most relevant for this reporting period is the document last updated on 31 March 2022.

The Trustee has, in its opinion, followed the measures set out in the Scheme’s SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it did this.

The SIP was reviewed and updated on 31 March 2022 in response to changes in the Scheme’s Strategic Asset Allocation (“SAA”) which began in April 2021 (see further details below), funding objectives and to incorporate new responsible investment beliefs. The update outlined how the overall benchmark allocation of the DB Section’s assets between the major asset classes was updated by the Trustee and when this strategic change occurred (completed in August 2021). It also updated the Scheme’s primary funding objective to a solvency target, reflecting expected changes to the sponsor.

The Responsible Investment updates within the SIP included how the Trustee is working towards integrating climate-related risks and opportunities within the Scheme’s risk management process to adhere to the requirements of the Taskforce on Climate Related Financial Disclosures (TCFD). Also, a “Monitoring climate-related risks and opportunities” section was added which outlines the Trustee’s climate beliefs and includes how these risks and opportunities will be monitored. Finally, an “Engagement” section was also added to cover the Trustee’s attitudes towards Investment Manager engagement and divestment from inadequate management of climate-related risks.

### **3. Overview of Trustee’s Actions – Defined Benefit (“DB Section”)**

#### ***Investment Objectives and Strategy***

During the reporting period there was no change to the DB Section’s primary funding objective to reach full funding on the Technical Provisions basis, with a long term target of achieving full funding on a Gilts +0.25% liability valuation basis by 2028. The Trustee keeps these objectives in mind when deciding whether to change the investment strategy.

There were a number of significant changes to the SAA over the reporting period following a full review by the Trustee in October 2020. These changes began in April 2021 and were completed in August 2021. They were undertaken primarily to improve the expected return and collateral position of the Scheme.

The changes to the SAA included full disinvestments from Columbia Threadneedle Investment’s (“CTI”) UK & US Credit funds (c. £325m), partial disinvestments from CTI Dynamic Real Return Fund (c. £38m), additional investment in Aberdeen Standard Investment Diversified Growth Fund (c. £20m) and new segregated investments into Federated Hermes Absolute Return Bond Fund (c. £175m) and Insight Global IG Credit Fund (c. £276m). The Scheme’s segregated BlackRock LDI Fund was used to facilitate and partially fund a number of the transitions that took place.

In February 2022 £40m was transferred from the Federated Hermes Absolute Return Bond Fund to the Blackrock LDI mandate to replenish the collateral position. This switch did not, however, represent a change to the overall strategy.

Overall, the DB Section’s agreed SAA reflects the Trustee’s view of the most appropriate investments and balance different funds’ risk/reward characteristics to support the funding objective.

#### ***Trustee’s policies for investment managers***

The Trustee relies on Investment Managers for the day-to-day management of the Scheme’s assets but retains control over the Scheme’s investment strategy.

The Investment Managers are responsible for the day-to-day management of the Scheme’s assets in accordance with guidelines agreed with the Trustee, as set out in the Investment Management Agreements (“IMAs”) or pooled fund prospectuses. The Investment Managers have discretion to buy, sell or retain individual securities in accordance with these guidelines. Each of the Investment Managers’ fees are related to the amount of assets managed within their portfolios. Minimum fees may also apply in some cases.

#### ***Trustee’s policies on Responsible Investment***

The Trustee believes that it should act as a responsible steward of the assets in which the Scheme invests as this can improve the longer-term returns of its investments. The Trustee notes that sustainable financial outcomes are better leveraged when supported by good governing practices, such as board accountability. For a review of the Responsible Investment policies, please see section 6.

## **4. Review of DB SIP Policies**

### **4.1. DB Section Objectives**

The Trustee considers and monitors multiple metrics to ensure progress towards objectives (outlined below), including its primary responsibility which is to manage the DB Section so that members receive their benefits as and when they fall due. This objective was met during the reporting period. The Trustee engaged with the employer regarding its financial strength and the likelihood of further contributions. The Trustee also obtained guidance and written advice from its Investment Consultant, Redington, as appropriate. The majority of the advice was provided at Funding and Investment Sub-Committee ("FISC") meetings, where papers were submitted in advance and then discussed at the meeting.

### **4.2. Investment Strategy**

The Trustee uses the Pensions Risk Management Framework ("PRMF") as provided by the Scheme's investment advisor to monitor progress towards its objectives. The PRMF sets out the return target, risk tolerance, climate-related metrics, hedging levels and collateral requirements for the investment strategy. It was reviewed monthly in between meetings until August 2021 when it was agreed these would be reviewed quarterly by the Trustee at FISC meetings, with clear written advice provided by the Investment Consultant when any of the metrics used to measure the objectives fell outside the pre-agreed constraints.

### **4.3. Strategic Asset Allocation (SAA)**

The Trustee reviews the SAA regularly when appropriate to ensure that the portfolio maintains its suitability in relation to the Scheme's objectives. If issues arise outside of the Trustee's annual review, these would be flagged at the quarterly FISC meetings and discussed. The Investment Consultant communicates this to the FISC, with any advice that may be required. No such issues arose during the reporting period.

The most recent review of the SAA was undertaken in October 2020 following the Scheme entering into a buy-in contract on the 2<sup>nd</sup> of June 2020. The resultant asset allocation changes are detailed above in section "3. Investment Objectives and Strategy". The next SAA review is scheduled for May 2022.

### **4.4. Balance between different kinds of investments**

The DB Section holds a wide variety of different investments, including a buy-in contract. The assets that do not relate to the buy-in are diversified across major markets to ensure that the overall portfolio is well diversified. The buy-in provides the vast majority of the Scheme's cashflow needs, and other expenses are typically met from the most liquid asset class (cash within the LDI portfolio).

### **4.5. Kinds of investments to be held**

The Trustee maintains a list of investments currently permitted and seeks guidance and written advice from its Investment Consultant as appropriate. Over the year the Scheme was only invested in permitted assets.

### **4.6. Choosing investments**

The Trustee delegates all day-to-day DB Section investment duties to the DB Section's Investment Managers. The Scheme holds investments in both segregated and pooled arrangements. For the segregated arrangements, the long-term relationships between the Trustee and its managers are set out in separate IMAs that document the investment guidelines within which they must operate.

For pooled arrangements, the Scheme's investments are managed according to standardised fund terms.

These terms are reviewed by the Scheme’s legal advisors and Investment Consultant at the point of investment to ensure that they are aligned with the Scheme’s long-term investment strategy and market best practice.

#### **4.7. Risks**

The SIP lists a number of risk factors that the Trustee believes may result in a failure to meet the agreed objectives. The Trustee monitored and managed these risks through measures specific to each risk on a quarterly basis. It sought guidance and written advice from its Investment Consultant as appropriate. One example of this was replenishing the Scheme’s collateral position, following a quarterly review, in February 2022.

#### **4.8. Custody**

HSBC is the Scheme’s appointed custodian. Their primary role is the administration of the Scheme’s funds held in the segregated arrangements. The Scheme’s pooled fund assets have their own dedicated custodian.

#### **4.9. Monitoring**

Investment Manager performance was reviewed quarterly through the use of the Manager Monitoring Report over both a short and long-term investment horizon.

Long-term investment manager suitability is typically reviewed every three years. The Trustee seeks guidance and written advice from its Investment Consultant as appropriate.

The Trustee, with help from Redington, reviews the fees, transaction costs and turnover requirements annually to confirm they remain reasonable. These reviews are done annually and the latest review, completed in May 2021, showed that all manager fees were in line or better than that available in the market. If any of these had become unreasonable, this would have been communicated to the Trustee and action would have been taken.

#### **4.10. Rights attaching to investments**

Evidence of voting rights during the reporting period are outlined on in Section 7 of this statement.

#### **4.11. Additional Assets**

As additional voluntary contributions (AVCs) are invested with the main DB Section’s assets the comments in sections 4.1-4.10 apply. The Trustee has not made any changes to the manager arrangements during the period covered by this document. It seeks guidance and written advice from its Investment Consultant as appropriate.

### **5. Review of DC SIP Policies**

#### **5.1. Investment Objectives, Investment Policy and Default investment strategy**

The Trustee, with the help of its advisers and in consultation with the sponsoring employer, conducted a formal review of the strategy and performance of the default arrangements, alternative lifetime strategies and self-select range in March 2021. The Trustee considered the DC Section’s membership demographics and the variety of ways that members may draw their benefits in retirement from the DC Section as part of this review.

Based on the outcome of this analysis, the Trustee concluded that the main default arrangement, the Universal Lifetime Strategy, has been designed to be in the best interests of the majority of the DC Section members and

reflects the demographics of those members. As part of the formal strategy review, the Trustee agreed to introduce an allocation to a climate-tilted equity fund in the lifetime strategies. The Trustee is currently considering the implementation of these changes.

In addition to the above, there was a small cohort of members who, at the time of the previous strategy review that concluded in March 2018:

- had both DC and DB pension entitlements within the Scheme;
- were invested in the Cash Focused Lifetime Strategy; and,
- were less than 10 years from their target retirement dates.

At the time of the implementation of investment changes in July 2019, these members – together with the rest of the DC Section membership – were given the option to change their investment options. If they did not make an investment choice, they remained invested in Cash Focused Lifetime Strategy. The Trustee reviewed the demographics of this cohort of members as part of the March 2021 formal strategy review and concluded that the Cash Focused Lifetime Strategy continued to be appropriate for these members.

In addition to the main default arrangement, the suspension of the My Property Fund in March 2020 due to the Covid-19 pandemic resulted in the My Cash Fund being classified as a default arrangement for governance purposes. The Trustee reviewed the My Cash Fund, along with the rest of the investment arrangements as part of the strategy review and concluded that it remained appropriate.

The Trustee also provides members with access to a range of investment options which it believes are suitable for members to self-select and enable appropriate diversification based on members' attitudes to investment risk. The Trustee has made available to members alternative lifetime strategies which target different retirement outcomes as well as a self-select fund range covering all major assets classes as set out in Appendix A of the SIP.

The Trustee regularly monitors the take up of the alternative lifetime strategies and self-select fund range and recognises that the take up is limited.

During the Scheme year, the benchmark of four funds available to members changed as a result of the London Inter Bank Offer Rate ("LIBOR"), and related London Interbank Bid Rate ("LIBID"), being phased out towards the end of 2021. As a replacement, the Sterling Overnight Index Average ("SONIA") was adopted. The funds that saw at least a portion of their benchmarks change from LIBOR/LIBID to SONIA were the My Diversified Growth Fund, My Cash Fund, My Approaching Retirement Fund and the My Lump Sum Targeting Fund. The Trustee received advice on the switch to SONIA and were comfortable that the switch will not have a material impact on the funds' performance targets.

## **5.2. Risks**

Risks are monitored on an ongoing basis with the help of the investment adviser. In the SIP, the Trustee has stated its policy in relation to specific risks together with how these risks are managed by the Trustee.

The Trustee addresses the risk of inadequate returns by making use of equity and equity-based funds that are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default and alternative lifetime strategies, and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. The Trustee also addresses valuation risk by appointing investment managers that are expected to manage this risk appropriately.

The Trustee manages credit risk by continuing to invest in bonds via pooled funds. In addition, the bond funds invest in predominantly investment grade credit and government debt to mitigate the risk of default. Currency

risk is addressed by the Trustee through the hedging approaches of funds used in the default lifetimes. Two of the lifetime funds, namely the My Balanced Growth Fund and My Approaching Retirement Fund, hedge a portion of the developed market, overseas currency risk.

Section 5.1 above covers risks in relation to lack of diversification. Manager risk is covered in Section 5.7. The risk of excessive charges is covered under Section 5.5. Illiquidity risk is covered under Section 5.4. ESG risks are covered in Section 6.1.

As part of the formal strategy review in March 2021, the Trustee considered the investment risks set out in the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee concluded that the performance has been broadly as expected and was in line with the stated aims and objectives and that the design of the Default Lifetime remains appropriate given the Scheme's risk profiles and membership.

The Trustee maintains a risk register which is discussed at quarterly meetings, over the Scheme year. The Trustee is happy that Scheme risks have been monitored and managed appropriately and changes to these risks have been appropriately captured.

### **5.3. Suitability**

The Trustee's policy in the SIP covering Suitability and how this was addressed during the Scheme year is covered in Section 5.1 and 5.2.

### **5.4. Liquidity**

It is the Trustee's policy to invest in funds that offer regular dealing to enable members to readily realise and change their investments. All the DC Section funds which the Trustee offers are open-ended and daily priced.

### **5.5. Charges, transaction costs and value for money**

The Trustee undertook a value for members' assessment on 26 July 2022. This covered the Scheme year, including the fees payable to managers in respect of the DC Section. These were found to be competitive when compared against schemes of similar sizes. As part of the value for members assessment, the Trustee evaluated the long-term transaction costs incurred by members to ensure that they are appropriate and enable it to query any transaction costs considered to be higher than expected with the relevant investment managers.

Value for members is also included on the Scheme's risk register, which was discussed at triennial DCSC meetings. Overall, the Trustee concluded that the investment managers provide good value for members.

### **5.6. Default investment strategy and other investment options**

Details relating to the review of the default arrangements, alternative lifetime strategies and self-select range are covered in Section 5.1.

### **5.7. Monitoring**

The Trustee has entered into a contract with a platform provider, Aviva, who makes available the range of investment options to members. As all the funds are accessed via an agreement with the Scheme's platform provider, there is no direct legal relationship between the Trustee and the underlying investment managers of

the DC Section investment funds. Nevertheless, the Trustee is responsible for appointing and providing governance oversight of the managers which the Scheme accesses via the Aviva arrangement. The Trustee delegates the monitoring of Aviva's performance to the Defined Contribution Sub-Committee ("DCSC"). The DCSC reviews Aviva's performance on an annual basis and the service Aviva provides members on an annual basis as part of the Value for Members' assessment.

The DC section's investment adviser, LCP, monitors the managers on an ongoing basis, through regular research meetings. LCP also monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the DC Section's managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the DC Section invests in, or any material change in the level of diversification in the fund. As part of quarterly performance reporting, LCP includes updates to any research views of the DC Section's manager arrangements.

As part of its advice on the selection and ongoing review of the investment managers LCP incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. In March 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the existing managers and funds, details of which are covered in Section 6.1.

The Trustee was comfortable with all its investment manager arrangements based on LCP's monitoring of the arrangements in the quarterly performance reports and the findings of the RI survey. Therefore, no changes were made to the manager arrangements over the Scheme Year.

The Trustee monitors the performance of the DC Section's investment managers at triannual Trustee meetings, using the quarterly performance monitoring reports. The reports show the performance of each manager over the quarter, one, three and five years, where performance data is available. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly performance monitoring report shows that all managers have performed broadly in line with expectations over the long-term except the My Diversified Growth (Active) Fund. The underlying allocation of the My Diversified Growth (Active) Fund was changed on 9 July 2019 and historic (under)performance over five years relates to the Fund's former underlying manager. However, the My Diversified Growth (Active) Fund has also underperformed its benchmark over all other periods under the current manager. The Trustee will continue to monitor this fund and will act if appropriate.

The Trustee's monitoring of manager fees is covered under Section 5.5.

## **6. Review of Responsible Investment Policies (applies to both DB and DC Sections)**

### **6.1. Environmental, Social and Governance Factors and Stewardship**

Environmental, Social and Governance ("ESG") factors were considered in all selection and monitoring processes over the reporting period, including the choice of new managers, namely Federated Hermes and Insight Investment. All of the Scheme's DB Investment Managers are signatories of the UN PRI ("The United Nations Principles for Responsible Investment").

For the DB Section, the Trustee has delegated Investment Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations. The investment advisor considers ESG risks when making recommendations to the Trustee and the Trustee considers ESG risks when making investment decisions. Managers' approaches to ESG are one of several key

factors that are assessed by the Trustee’s investment advisor when making manager recommendations to the Trustee, and these are monitored by the investment advisors on an ongoing basis after appointment. In addition, the UN PRI ESG ratings are included in the quarterly manager monitoring reports received by the Trustee and discussed at FISC meetings.

For the DC Section, as part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement. In March 2022, the Trustee reviewed LCP’s responsible investment (RI) scores for the existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager’s approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2022. The highest score available is 4 (strong) and the lowest is 1 (weak). The DC Section managers and funds received above average scores (either 3 or 4) for all but one of the funds, the My Property Fund which received a score of 2. This was because other property funds were improving their approaches to RI whereas the survey responses indicated that the fund has not kept pace with the market. Overall, the Trustee was satisfied with the results of the review and will continue to monitor the managers on an ongoing basis.

As part of the formal strategy review of the DC Section conducted in March 2021, the Trustee agreed to introduce an allocation to a climate-tilted equity fund in the lifetime strategies and a replacement fund underlying the My Ethical Fund. As noted under Section 5.6, the Trustee is currently considering the implementation of these changes.

The Trustee requires its managers to practise good stewardship on its behalf to promote the long-term success of the Trustee’s investments. The Trustee discloses manager voting records to members annually in this Statement. The manager voting records are included in Section 8.

## 7. Voting behaviour

All the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its Investment Managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. A description of the Scheme’s managers’ use of proxy voting services has been included in sections 8 and 9.

In this Implementation Statement we have included voting data on the Scheme’s funds that hold equities as follows:

### DB Section

- Threadneedle Dynamic Real Return Fund
- Aberdeen Standard Investments Life Diversified Growth Fund

### DC Section

- BlackRock Aquila World Equity Index Fund (*underlying fund of the My Global Shares Fund and My Balanced Growth Fund*)
- LGIM Diversified Equity Factor Fund (*underlying fund of the My Global Shares Fund and My Balanced Growth Fund*)
- LGIM Diversified Fund (*underlying fund of the My Balanced Growth Fund and the My Approaching Retirement Fund*)
- Baillie Gifford Multi Asset Growth Fund (*underlying fund of the My Balanced Growth Fund and the My Approaching Retirement Fund*)



- LGIM Ethical Global Equity Index Fund (*underlying fund of the My Ethical Global Equity Fund*)
- HSBC Islamic Global Equity Index Fund (*underlying fund of the My Islamic Global Equity Fund*)

For the DC Section, the Trustee has included funds which have equity holdings – four of which are used in the default and alternative lifetime strategies, plus two self-select funds. The voting data for the ethical and religious self-select funds has been included recognising that members choosing to invest in these funds may be interested in this information.

## 8. Voting behaviour in DB Section

### 8.1. Columbia Threadneedle Investments (“CTI”)

#### Voting

Below is the voting activity over the period for the Scheme’s asset managers which held listed equities over the period from 1 April 2021 to 31 March 2022. The Trustee confirms that these are within expectations and no further follow up is required.

	Threadneedle Dynamic Real Return Fund
How many meetings were you eligible to vote at over the year to 31/03/2022?	367
How many resolutions were you eligible to vote on over the year to 31/03/2022?	4628
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	91.0%
Of the resolutions on which you voted, what % did you vote against management?	6.6%
Of the resolutions on which you voted, what % did you abstain from?	2.4%
In what % of meetings, for which you did vote, did you vote at least once against management?	52.0%

<p><b>Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?</b></p>	<p>Proxy voting decisions are made in accordance with the principles established in the Columbia Threadneedle Investments Corporate Governance and Proxy Voting Principles (Principles) document, and our proxy voting practices are implemented through our Proxy Voting Policy.</p> <p>CTI utilises the proxy voting platform of Institutional Shareholder Services, Inc. (ISS) to cast votes for client securities and to provide recordkeeping and vote disclosure services. CTI have retained both Glass, Lewis &amp; Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.</p>
<p><b>What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)</b></p>	<p>N/A</p>

### ***Most significant votes***

CTI cast 10 significant votes over the year to 31 March 2022. Below are the details of the most significant vote:

#### **Threadneedle Dynamic Real Return Fund**

- **Caterpillar Inc., June 2021. Vote:** For.

**Summary of resolution:** Report on Climate Policy

**Rationale:** Supporting better ESG risk management disclosures

**Criteria for which vote has been assessed as “most significant”:** Vote against management on certain environmental or social proposals & >20% dissent

**Outcome of the vote:** Fail

**Next steps:** Columbia Threadneedle have noted that active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

- **Royal Dutch Shell Plc, May 2021. Vote:** Abstain.

**Summary of resolution:** Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions

**Rationale:** Not in shareholders' best interest

**Criteria for which vote has been assessed as “most significant”:** Vote against management on certain environmental or social proposals & >20% dissent

**Outcome of the vote:** Fail

**Next steps:** Columbia Threadneedle have noted that active stewardship (engagement and voting) continues to form an integral part of our research and investment process.

## 8.2. Aberdeen Standard Investments (“ASI”)

	ASI Life Diversified Growth Fund
How many meetings were you eligible to vote at over the year to 31/03/2022?	618
How many resolutions were you eligible to vote on over the year to 31/03/2022?	8414
What % of resolutions did you vote on for which you were eligible?	98.0%
Of the resolutions on which you voted, what % did you vote with management?	86.8%
Of the resolutions on which you voted, what % did you vote against management?	12.5%
Of the resolutions on which you voted, what % did you abstain from?	0.7%
In what % of meetings, for which you did vote, did you vote at least once against management?	61.5%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	<p>Aberdeen Standard Investment utilise the services of ISS for all our voting requirements.</p> <p>Proxy voting decisions are made in accordance with the principles established in the Aberdeen Standard Investment Proxy Voting Principles (Principles) document provided on the website <a href="https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf">https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf</a>.</p>
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	9.6%

### Most significant votes

Abdrn cast 10 significant votes over the year to 31 March 2022. Below are the details of the most significant vote:

## **ASI Life Diversified Growth Fund**

- **Exxon Mobil Corporation, May 2021. Vote:** For.

**Summary of resolution:** Report on Climate Change

**Rationale:** We are members of the Net Zero Asset Manager initiative. In addition to our engagement with companies we will also apply our voting powers to encourage the long term goals of achieving Net Zero. We encourage companies to adopt Paris aligned strategies and targets in order to reduce their impact on the climate and manage the energy transition. Exxon lags behind global peers in this regard and is exposed to significant risks as a result. It is of critical importance that the company's accounts and underlying assumptions reflect the anticipated impacts of the energy transition. The requested report would support such alignment, improving the company's climate disclosures and providing clarity on the rationale for its limited ambitions and ongoing fossil fuel capital expenditure plans.

**Criteria for which vote has been assessed as "most significant":** Significant Vote Category 1 ('SV1'): High Profile Votes

## **9. Voting behaviour in DC Section**

### **9.1. Description of the voting processes**

#### **BlackRock**

Voting decisions are made by members of the BlackRock Investment Stewardship team with input from the wider investment team.

BlackRock takes a case-by-case approach to the items put to a shareholder vote. Analysis is informed by internally developed proxy voting guidelines, its pre-vote engagement with the company, its research, and any situational factors for a particular company.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock will vote in favour of proposals where it supports the approach taken by a company's management or where it has engaged on matters of concern and anticipates management will address them. BlackRock will vote against management proposals where it believes the board or management may not have adequately acted to advance the interests of long-term investors.

Whilst BlackRock does subscribe to research from the proxy advisory firms, Institutional Shareholder Services ("ISS") and Glass Lewis, this is just one among many inputs into its voting analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that BlackRock's investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (its engagement and voting history with the company, the views of its active investors, public information and ESG research.

#### **LGIM**

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually via stakeholder round table events and take into account feedback from its clients.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are

reviewed annually.

LGIM's Investment Stewardship team uses ISS' 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

### **Baillie Gifford**

All voting decisions are made by Baillie Gifford's Governance & Sustainability team in conjunction with investment managers. It does not regularly engage with clients prior to submitting votes.

Baillie Gifford's Governance and Sustainability team oversees voting analysis and execution in conjunction with its investment managers. Baillie Gifford does not outsource any part of the responsibility for voting to third-party suppliers, but it does utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with its Governance & Sustainability Principles and Guidelines and endeavours to vote every one of its clients' holdings in all markets.

Whilst Baillie Gifford is cognisant of its proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares. All client voting decisions are made in-house. As such Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies.

### **HSBC**

HSBC exercises its voting rights as an expression of stewardship for client assets. It has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

HSBC uses ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene its guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on internal guidelines.

## **9.2. Summary of voting behaviour over the Scheme year**

A summary of voting behaviour over the period is provided in the table below:

Manager Name	BlackRock	LGIM	LGIM	Baillie Gifford	LGIM	HSBC
Fund Name	<b>Aquila World Equity Index Fund</b>	<b>Diversified Equity Factor Fund</b>	<b>Diversified Fund</b>	<b>Multi Asset Growth Fund</b>	<b>Ethical Global Equity Index Fund</b>	<b>Islamic Global Equity Index Fund</b>
How many meetings were you eligible to vote at over the year to 31/03/2022?	3,115	1,476	9,010	111	1,123	109

How many resolutions were you eligible to vote on over the year to 31/03/2022?	37,914	18,490	90,252	1,373	15,785	1,642
What % of resolutions did you vote on for which you were eligible?	99.9%	99.9%	98.8%	86.6%	99.9%	94.5%
Of the resolutions on which you voted, what % did you vote with management?	92.6%	80.4%	78.7%	96.5%	83.2%	88.5%
Of the resolutions on which you voted, what % did you vote against management?	7.3%	18.2%	20.5%	3.4%	16.5%	11.5%
Of the resolutions on which you voted, what % did you abstain from?	1.1	1.5%	0.8%	0.2%	0.3%	0.2%
In what % of meetings, for which you did vote, did you vote at least once against management?	34.3%	69.8%	69.8%	18.9%	74.1%	60.6%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.2%	12.7%	12.5%	N/A <sup>1</sup>	11.4%	7.2%

Some of the percentages in the table may not sum due to rounding. <sup>1</sup> Whilst Baillie Gifford is cognisant of its proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote on its clients' shares.

The Trustee has interpreted "most significant votes" to mean those that:

- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial; and
- the Scheme or the sponsoring company has a particular interest in.

Due to the number of votes provided by the DC Section's managers the Trustee has chosen a subset of "most significant votes" to report on in this Statement. The votes selected are those which relate to ESG factors. If members wish to obtain more manager voting information, this is available upon request.

### ***Most significant votes***

#### **BlackRock Aquila World Equity Index Fund**

- **Vinci SA, April 2021. Vote:** For.

**Summary of resolution:** Advisory opinion on the Company's environmental transition plan

**Rationale:** BlackRock voted for the proposal because it provides a clear roadmap towards the company's stated climate ambitions and targets. VINCI's environmental transition plans meets BlackRock's expectations that companies have clear policies and action plans to manage climate risks and to realise opportunities presented by the global energy transition. The company provides scope 1, 2 and 3 greenhouse gas (GHG) emissions reduction targets to 2030, in addition to targets to enable a circular economy and preserve natural habitats.

**Criteria for which vote has been assessed as "most significant":** This was considered significant as BlackRock considers climate change to be a key financial risk for the company.

**Outcome of the vote:** Passed.

**Next steps:** BlackRock has confirmed that it will continue to monitor the company's progress on the environmental transition plan and hold its directors responsible by voting against the re-election of board members should they have concerns with planning, implementation, or disclosures.

### **LGIM Diversified Equity Factor Fund**

- **Mitsubishi UFJ Financial Group, Inc., June 2021. Vote:** For.

**Summary of resolution:** Resolution to Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

**Rationale:** A vote in favour of this shareholder proposal was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively views the company's recent announcements around net-zero targets and exclusion policies, LGIM thinks that these commitments could be further strengthened and believes the shareholder proposal provides a good directional push.

**Criteria for which vote has been assessed as "most significant":** LGIM views climate change as a financially material issue for clients, with implications for their assets. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

**Outcome of the vote:** Not passed.

**Next steps:** LGIM has confirmed it will continue to engage on this important ESG issue.

### **Baillie Gifford Multi Asset Growth Fund**

- **Rio Tinto PLC, April 2021. Vote:** Against.

**Summary of resolution:** Remuneration Report.

**Rationale:** Baillie Gifford opposed the remuneration report as Baillie Gifford did not agree with the decisions taken by the Remuneration Committee in the last year regarding executive severance payments and the vesting of long-term incentive awards. The intention to vote against this resolution was not communicated to the Company ahead of the vote.

**Criteria for which vote has been assessed as "most significant":** This resolution was deemed significant because Baillie Gifford voted against management by opposing remuneration.

**Outcome of the vote:** Passed.

**Next steps:** Following the submission of their votes Baillie Gifford engaged with the company to communicate their concerns.

**Signed:** Huw Evans

**Chair of the Trustee Board of the LV= Employee Pension Scheme**

**Dated:** 29/10/2022