

Advice on the annual Implementation Statement

Ultra Electronics Pension Scheme

Reissued on 15 September 2025

This note has been prepared for the Trustee of the Ultra Electronics Pension Scheme (the “Scheme”) in response to your request that we provide a draft Implementation Statement (“Statement”) for the Scheme.

Background and introduction

There is a requirement for most trust-based defined benefit (“DB”) and defined contribution (“DC”) pension Schemes to produce an Implementations Statement (“Statement”) which covers the report and accounts year (which is the 12 months to 5 April for the Scheme).

The Department for Work and Pensions (“DWP”) issued [Statutory Guidance](#) in June 2022 which applies to any Statement that trustees are required to prepare in respect of pension scheme year ends on or after 1 October 2022. The guidance gives an overview of the items which Trustees “must”, “should”, are “encouraged”, “could” or “may” include in their Statement.

“Must” items are requirements imposed by legislation. “Should” items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For “Could”, “May” and “Encouraged” items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all “must” and “should” items.

The guidance states that the Pensions Regulator is the primary audience for the Statement, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures. Trustees are encouraged to consider producing member-facing summary versions of the Statement (with signposting to the full Statement). Please let us know if you would like us to prepare a “member friendly” summary version of the Statement.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance (“ESG”) factors and stewardship approaches in their investment decisions.

The Statement should set out how, and the extent to which, the Trustee has followed the Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. The Trustee should seek to demonstrate it has had regard to the Statutory Guidance.

The Statement is also required to include a description of 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 Scheme Year and state any use of the services of a proxy voter during that year.

The DWP’s guidance states: “*where Trustees use the voting policy of the asset manager, they should briefly summarise in the Statement whether the asset manager’s voting behaviour was aligned with the Scheme’s stewardship priorities*”.

As agreed, our draft Statement covers both the DB and DC arrangements of the Scheme.

Key points

We have produced the draft Statement in this note based on our understanding of the regulatory requirements and the DWP’s stewardship guidance. Ultimately it is the Trustee’s responsibility to produce a compliant Statement and the Pensions Regulator can impose fines for non-compliance. Therefore, you may wish to obtain legal advice to ensure that all requirements have been met.

There is interest in the Statement from the Pensions Regulator, policymakers, and the media; as such please ensure you are comfortable with the content being in the public domain.

In the section of the Statement on voting behaviour, we have included data on the Scheme’s funds that held equities during the Scheme Year, as follows:

- BlackRock Aquila Life Overseas Fixed Benchmark Equity Fund (fully redeemed on 6 December 2024); and
- Ruffer Absolute Return Fund (fully redeemed on 24 April 2024);

For the DC Section we have included data on the funds available to members that hold listed equities as follows:

- ReAssure (L&G) Multi-Asset (formerly Consensus) Index Fund;
- ReAssure (L&G) FTSE4Good (formerly Ethical) UK Equity Index Fund;
- ReAssure (L&G) Global Equity 50:50 Index Fund;
- ReAssure (L&G) UK Equity Index Fund; and
- ReAssure (L&G) World (Ex-UK) Equity Index Fund.

We have not included Clerical Medical funds as we understand that these relate to AVCs only and therefore are not required to be covered in the Statement.

We have asked the managers to comment on votes that they believe to be significant. We have selected a subset provided by the managers and prioritised votes based on a combination of factors, including whether the vote is related to the Trustee's stewardship priorities, the size of the fund holding in the underlying company, and whether the vote was particularly controversial (for example, if it was high profile).

Next steps

We propose that you review the Statement and include it within your Report & Accounts ending 5 April 2025 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the Scheme Year, ie by 5 November 2025.

You are required to publish your Statement on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off. We expect you will use the same location for the Statement as last year. It remains very important that the website is readily and publicly available. A web address for the location of the published materials must be included in members' Annual Benefit Statements.

Please let us know if you have any questions.

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Implementation Statement, covering the Scheme Year from 6 April 2024 to 5 April 2025 (the “Scheme Year”)

The Trustee of the Ultra Electronics Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-8 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

This statement covers the DB and DC arrangements of the Scheme only (ie AVCs are excluded).

This Statement is based on the Scheme’s SIP dated 20 March 2025, this being the SIP that was in place at Scheme Year end. It should be read in conjunction with the latest SIP, which can be found online here:

<https://www.ultra.group/about-us/responsibility/pension-scheme/>

1. Introduction

The Trustee reviewed and updated the Scheme’s SIP three times during the Scheme Year: in June 2024, October 2024 and March 2025. The updates to the SIP predominantly reflected changes in the Scheme’s investment objectives and strategy for the DB arrangements of the Scheme (details of which are contained in sections 2 and 3, below).

As part of these updates, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed all of the policies in the Scheme’s SIP during the Scheme Year, including those on voting and engagement. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

In relation to the Scheme’s DB arrangements, the Trustee’s primary objective, as set out in the SIP, is to ensure that benefit payments are met as they fall due. In addition to this primary objective, the Trustee has set a number of additional objectives. These objectives were updated during the Scheme Year to reflect the improvement in the funding position of the Scheme and therefore a shift in focus from achieving full funding on a low dependency basis to maintaining full funding on that basis. The updated additional objectives are as follows:

- to invest the Scheme’s assets to maintain full funding on a low dependency basis, with a secondary target of achieving full funding on a buy-out basis within an appropriate timeframe;
- to limit the risk of the assets failing to meet the liabilities over the long-term, by considering the liability profile of the Scheme;
- to ensure that there will be sufficient liquid assets available to meet benefit payments as they fall due; and
- to reduce the overall volatility of the funding level.

The Scheme’s funding position on both a low dependency and indicative buy-out basis was reviewed as part of regular reporting by the investment adviser and Scheme Actuary at Trustee and Investment Sub-Committee (“ISC”) meetings during the Scheme Year. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise (a tool provided by the Scheme’s investment adviser which show key metrics and information on the Scheme including funding position, expected return and risks of the investment strategy).

As at 5 April 2025, the Scheme was fully funded on both a low dependency basis and an indicative buy-out basis.

The Trustee maintains an Integrated Risk Management dashboard which is updated quarterly, which includes metrics that assess the liquid assets available within the Scheme as well as the liability hedging vs target levels.

For the DC / AVC arrangements, the Trustee reviewed and updated its objectives to provide:

- members with access to an appropriate range of investment options, reflecting the membership profile and the variety of ways that members can draw their benefits in retirement; and
- a suitable default lifestyle investment option for those members previously invested in the Equitable Life With Profits Fund (which was closed on 1 January 2020). The objective for the default option is to generate returns above inflation whilst members are far from retirement, and then gradually reduce risk by switching investments over a 10-year period up to retirement. The Trustee has made available to members three alternative lifestyle strategies and a range of self-select funds, covering all major assets classes and a range of risk profiles.

The Trustee assesses the value for money members receive from the DC / AVC arrangements on a regular basis. The last assessment was undertaken in November 2023 as part of the triennial review of the Scheme's DC and AVC arrangements. In addition the Trustee undertakes a light-touch review of the DC / AVC arrangements as part of the preparation of the annual DC Chair's Statement each year, with the last such review in September 2024. Based on the outcome of this review the Trustee concluded that the DC / AVC arrangements remained appropriate for the Scheme and consistent with the Trustee's objectives outlined above.

3. Investment strategy

The Trustee, with the help of its advisers and in consultation with the employer, reviewed the Scheme's investment strategy for the DB arrangements over the course of the Scheme Year, following a significant improvement in the funding position of the Scheme. This review resulted in the Trustee and employer agreeing to target the purchase of a bulk annuity policy in mid-2025, to cover all future benefit obligations for the members of the Scheme – this was completed on 1 July 2025.

The Trustee agreed a plan to de-risk the Scheme's investment strategy, reducing its allocation to "return-enhancing" assets and increasing its allocation to liquid "matching" assets over time, as progress is made in the run up to the target bulk annuity transaction date. As a result, over the course of the Scheme Year the Trustee took the following actions:

- fully disinvesting from the Scheme's listed equity, diversified growth and absolute return bond mandates;
- introducing new mandates to short-dated credit, asset-backed securities and government bonds; and
- updating the Scheme's interest rate and inflation hedging policy, to target a 100% hedging level on an indicative buy-out basis (previously targeting 100% of the Technical Provisions basis).

The overall result of these changes is expected to lead to a lower risk, more liquid investment strategy (with a corresponding reduction in expected return).

As part of these changes, the Trustee made sure the Scheme's assets were adequately and appropriately diversified between different asset classes.

There were no changes to the investment strategy for the DC / AVC arrangements during the Scheme Year.

4. Considerations in setting the investment arrangements

When the Trustee reviewed the DB investment strategy, it considered the investment risks set out in the addendum to the SIP. This included considering the overall investment risk (measured using "Value at Risk") to help assess the merits of different investment strategies.

The Trustee considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the need for diversification and specific circumstances of the Scheme (eg the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

Further detail on the key risks considered is set out in Section 4.1 below.

The Trustee reviewed the DC / AVC arrangements in November 2023. As part of this review, it considered the relevant investment risks set out in the addendum to the SIP.

The Trustee invests for the long term, to provide for the Scheme's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed periodically. The Trustee has also agreed an IRM policy that aims to monitor and manage risks in relation to covenant, funding and investment to the Scheme. An IRM dashboard is produced on a quarterly basis and discussed at Trustee meetings.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the investment adviser or information provided to the Trustee by the Scheme's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk and collateral adequacy risk. The Trustee's implementation of its policy for these risks during the year is summarised below.

With regard to the risk of inadequate returns, as part of the strategy review for the DB arrangements the Trustee considered the best estimate return of the investment strategy and considered it to be sufficient to produce the required return needed to achieve the Scheme's investment objectives. For the DC / AVC arrangements the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These form part of the growth phase of the lifestyle strategies available to members and are also available to members on a self-select basis.

The Trustee's policy for the DB section is to target an interest rate and inflation hedging level in line with the Scheme's funding level, on the agreed funding basis. This is monitored on an ongoing basis in the quarterly investment monitoring report produced by the investment adviser. Over the Scheme Year the Trustee increased the level of interest rate and inflation hedging to be broadly 100% on an indicative buy-out liability basis.

Equity, credit and currency risks were all considered as part of the investment strategy reviews, and were all reduced over the Scheme Year.

With regard to collateral adequacy risk, the Trustee holds investments alongside the LDI portfolio, to be used should the LDI manager require additional cash to be invested to support the hedging arrangements. As at 5 April 2025, the Scheme held more than enough liquid assets to meet multiple potential collateral calls on the LDI funds.

Together, the investment and non-investment risks give rise to funding risk. The Trustee formally reviewed the Scheme's funding position as part of its 5 April 2022 triennial actuarial valuation. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings, and the Trustee has the ability to monitor this daily on LCP Visualise.

The following risks are covered elsewhere in this Statement: investment manager, counterparty and excessive charges in Section 5, valuation and illiquidity/marketability risk in Section 6 and climate-related and ESG risks in Section 7.

The quarterly reports reviewed during the year showed that the Scheme's assets in aggregate have produced performance broadly in line with expectations over the long-term.

5. Implementation of the investment arrangements

The Scheme's investment adviser, LCP, monitored the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Scheme's investment 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 Scheme invests in, or any material change in the level of diversification in the fund.

¹ The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and may consider alternative arrangements where managers are not meeting performance objectives.

The Trustee monitored the performance of the Scheme's investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report showed the performance of each fund over the quarter, one year and three years (or relevant timeframe as appropriate). Performance was considered in the context of the manager's benchmark and objectives.

The Trustee also regularly invites the Scheme's investment managers to present at Trustee meetings, aiming to see each manager approximately once every other year. Over the Scheme Year, the Trustee met with Arcmont, DRC and Barings (the Scheme's private credit managers) to discuss the Scheme's investments respectively managed by them. The main focus of the discussions with the three managers was the performance of the underlying holdings and projected timescales for the return of capital back to the Scheme.

Over the Scheme Year the Trustee fully redeemed from five funds: the Ruffer Absolute Return Fund, the BlackRock Absolute Return Bond Fund, the BlackRock Aquila Life Overseas Fixed Benchmark Equity Fund, the Aberdeen Long Lease Property Fund and the Insight Buy & Maintain Credit 2031-2035 Fund.

The Trustee also appointed three new mandates: the BlackRock Senior Securitised Fund, the BlackRock Sterling Short Duration Credit Fund and the BlackRock Aquila Life 5-15 Years UK Gilt Index Fund.

The Trustee obtained formal written advice from its investment adviser, LCP, before investing in the funds and made sure the investment portfolios of the funds chosen were adequately and appropriately diversified. The Trustee relies on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustee's policies prior to any new appointment.

For the DC / AVC arrangements, the Trustee considered the investment charges incurred by the funds available to members as part of the annual DC Chair's Statement.

6. Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows whilst maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The IRM dashboard includes KPIs that focus on the liquidity of the Scheme's assets to cover collateral requirements on the Scheme's LDI portfolio and expected benefit payments over the next 2 years. Neither of these KPIs were breached during the Scheme Year.

The Scheme's investment adviser and administrator discuss on a monthly basis the Scheme's short term cashflow needs and advise the Trustee on any necessary disinvestments or investments. The Trustee receives income from several of the Scheme's investments that is used to meet these cash flow requirements.

The Trustee and employer have agreed for future deficit contributions to be paid into an escrow account from September 2023, given the improvement in the funding position of the Scheme. As a result of this the Trustee reviewed the process for management of short term cashflow needs and agreed a revised quarterly cashflow management framework between the investment adviser and administrator, effective June 2024.

For the DC / AVC arrangements it is the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC / AVC funds which the Trustee made available during the Scheme Year are daily priced.

7. Financially material considerations, non-financial matters

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).

In May 2024, the Trustee received training on systemic stewardship from LCP, focusing on the fiduciary responsibilities of a Trustee. The Trustee also reviewed LCP's responsible investment (RI) scores for the Scheme's existing managers and funds, along with its 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 the LCP's ongoing manager research programme, and it is these that

directly affect its manager and fund recommendations. The Trustee was satisfied with the scores and no further actions were taken.

On the back of this, the Trustee decided to endorse LCP's climate policy asks, showing its support in LCP's ongoing engagement with policymakers. A summary of these asks can be found online at <https://www.lcp.com/en/insights/in-brief/using-investor-influence-to-combat-climate-change>.

The Trustee has set a Net Zero Ambition to help mitigate climate risk. It aims to align the Scheme's assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets.

No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

For the DC / AVC arrangements, the Trustee recognises that some members may wish for ethical matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available an ethical UK equity fund as an investment option to members.

8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. Each manager maintains its own voting policy, details of which can be found on their respective websites. However, the Trustee takes ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below.

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 voting and engagement.

Following the introduction of DWP's guidance, in December 2022 the Trustee agreed to set the following stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors:

- Climate Change;
- Board Remuneration; and
- Modern Slavery.

These priorities were selected as market-wide risks and areas where the Trustee believes that good stewardship and engagement can improve long-term financial outcomes for the Scheme's members. The investment adviser communicated these priorities, along with the Trustee's broader responsible investment expectations, to the Scheme's managers on behalf of the Trustee shortly after they were agreed. As stewardship priorities, the Trustee considers votes in relation to these matters to be significant votes.

There has been no change to the Trustee's stewardship priorities during this Scheme Year.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Description of voting and engagement behaviour during the Scheme Year

All of 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. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis through the production of this Statement.

In this section the Trustee has sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that held equities over the Scheme Year. For the DB arrangements these are as follows:

- BlackRock Aquila Life Overseas Fixed Benchmark Equity Fund (fully redeemed on 6 December 2024); and
- Ruffer Absolute Return Fund (fully redeemed on 24 April 2024).

For the DC / AVC arrangements these are as follows:

- L&G Multi-Asset (formerly Consensus) Index Fund;
- L&G FTSE4Good (formerly Ethical) UK Equity Index Fund;
- L&G Global Equity 50:50 Index Fund;
- L&G UK Equity Index Fund; and
- L&G World (Ex-UK) Equity Index Fund.

In addition to the above, the Trustee contacted the Scheme's investment managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Each manager confirmed there were no voting opportunities.

9.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

BlackRock

BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant.

BlackRock's voting process is led by the BlackRock Investment Stewardship team ("BIS"). Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis, it is just one among many inputs into its vote analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its 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 (such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research.

Ruffer

Ruffer has internal voting guidelines as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS), to assist in the assessment of resolutions and the identification of contentious issues. Although Ruffer is cognisant of proxy advisers' voting recommendations, in general, Ruffer does not delegate or outsource its stewardship activities when deciding how to vote on its clients' shares.

Research Analysts are responsible for reviewing the relevant issues case by case and exercising their judgement based on their in-depth knowledge of the company, and are supported by the RI team. Ruffer looks to discuss with companies any relevant or material issue that may impact its investment. From time to time, Ruffer asks for additional information or an explanation to inform its voting decisions.

For non-contentious votes, with no disagreement between Ruffer's voting intention and management and ISS recommendations, approval is required by any two non-connected Directors from the investment and client and distribution teams.

Ruffer is open to working alongside other investors on both policy and company specific matters. The decision to collaborate on company specific matters will be judged on a case-by-case basis by the responsible investment team with input from research analysts and portfolio managers as well as the legal and compliance teams.

Legal & General Asset Management (as underlying investment manager for the ReAssure funds)

L&G's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all of L&G's clients. L&G's voting policies are reviewed annually and take into account feedback from its clients.

Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as L&G continues to develop its voting and engagement policies and define strategic priorities in the years ahead. L&G also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

L&G's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. However all voting decisions are made by L&G and L&G does not outsource any part of the strategic decisions. L&G's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure L&G's proxy provider votes in accordance with its position on ESG, L&G has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what L&G considers are minimum best practice standards, which L&G believes all companies globally should observe, irrespective of local regulation or practice.

L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows L&G to apply a qualitative overlay to its voting judgement. L&G have strict monitoring controls to ensure its votes are fully and effectively executed in accordance with L&G's voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform L&G of rejected votes which require further action.

9.2 Summary of voting behaviour

A summary of the voting behaviour over the Scheme Year for the DB assets is provided in the table below. The Scheme disinvested from the BlackRock and Ruffer funds on 6 December 2024 and 24 April 2024 respectively. Ruffer was unable to provide voting data for non-month-end dates. As such, voting data for Ruffer is shown as at 30 April 2024, which was the closest month end-date to the point of disinvestment. BlackRock was unable to provide voting data for non-quarter-end dates, so data is shown for BlackRock for the year to 31 March 2025.

Manager name	BlackRock	Ruffer
Fund name	Aquila Life Overseas Fixed Benchmark Equity Fund	Absolute Return Fund
Total size of fund as at 31 March 2025	£815m	£2,612m
Value of Scheme assets at the date of disinvestment	£14.1m (c5.1% of the Scheme at the time of disinvestment)	£2.2m (c0.8% of the Scheme at the time of disinvestment)
Number of equity holdings	1,756	57
Number of meetings eligible to vote	1,958	7
Number of resolutions eligible to vote	25,093	118
% of resolutions voted	98%	100%
Of the resolutions on which voted, % voted with management	94%	97%
Of the resolutions on which voted, % voted against management	5%	3%
Of the resolutions on which voted, % abstained from voting	0%	0%
Of the meetings in which the manager voted, % with at least one vote against management	27%	57%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%	3%

*The sum of % of votes for, against and abstaining from voting may not sum to 100% due to rounding.

A summary of voting behaviour for the funds in the DC / AVC arrangements over the period (excluding Clerical Medical which is solely AVC) is provided in the table below. Data is shown as at 31 March 2025 unless stated otherwise.

Manager Name	L&G	L&G	L&G	L&G	L&G
Fund name	Multi-Asset (formerly Consensus) Fund	FTSE4Good (formerly Ethical) UK Equity Index Fund	Global Equity 50:50 Index Fund	UK Equity Index Fund	World (Ex-UK) Equity Index Fund
Total size of fund	£172m	£233m	£2,306m	£9,477m	£4,281m
Value of Scheme assets at end of the Scheme Year	£0.5m	£0.0m	£0.7m	£0.3m	£0.3m
Number of equity holdings	7,087	216	2,885	501	2,703
Number of meetings eligible to vote	10,638	257	2,981	717	2,810
Number of resolutions eligible to vote	105,686	4,434	37,792	10,134	33,434
% of resolutions voted	100%	100%	100%	100%	100%
Of the resolutions on which voted, % voted with management	77%	94%	82%	94%	78%
Of the resolutions on which voted, % voted against management	22%	6%	18%	6%	22%
Of the resolutions on which voted, % abstained from voting	1%	0%	0%	0%	0%
Of the meetings in which the manager voted, % with at least one vote against management	69%	39%	69%	43%	76%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14%	5%	13%	5%	15%

9.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who held listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten significant votes, and suggested the managers could use the PLSA's criteria² for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

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

- align with the Trustee's stewardship priorities;
- are associated with companies in which the fund has a significant holding;
- might have a material impact on future company performance; and

² [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- have a high media profile or are seen as being controversial.

At least one significant vote is reported on from each of the funds in which the Scheme invests. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee. For the funds in which the Scheme fully disinvested during the Scheme year, only votes prior to the disinvestment date have been included.

Votes have been grouped by investment manager rather than by fund given there is significant overlap between holdings within funds managed by the same investment manager.

BlackRock

Temenos AG, 7 May 2024

- **Summary of resolution:** Approve Remuneration Report
- **Relevant stewardship priority:** Board Remuneration
- **Approx size of the holding at the date of the vote:** <0.1%
- **Why this vote is considered to be most significant:** This vote was considered significant as it is linked to one of the Trustee's stewardship priorities.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** BlackRock did not support this shareholder proposal because, in its assessment, the disclosure did not provide sufficient detail of the company's remuneration policies and the link between performance-based pay and company performance.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome of the vote and next steps:** Failed. BlackRock continues to hold the investment in the fund.

Amazon.com, Inc., 22 May 2024

- **Summary of resolution:** Report on Efforts to Reduce Plastic Use
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 1.2%
- **Why this vote is considered to be most significant:** This vote was considered significant as it is linked to one of the Trustee's stewardship priorities and was a significant holding in the fund.
- **Company management recommendation:** Against
- **Fund manager vote:** Against
- **Rationale:** BlackRock did not support this shareholder proposal because, in its assessment, the company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome of the vote and next steps:** Failed. BlackRock continues to hold the investment in the fund.

Ruffer

Bank of America, 24 April 2024

- **Summary of resolution:** Approve a Report on clean energy supply financing ratio
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 0.2%
- **Why this vote is considered to be most significant:** This vote was considered significant as is linked to one of the Trustee's stewardship priorities.
- **Company management recommendation:** Against
- **Fund manager vote:** Against
- **Rationale:** In its assessment, Ruffer believes that the Bank of America is committed to its Net Zero targets and provides much of the necessary data to support this. While Ruffer supports enhanced disclosures more

broadly, the proponent's required ratio is already available via a third-party (Bloomberg). Hence, in support of greater uniformity within the responsible investing space, Ruffer feels a vote against this proposal was the best option rather than requiring the company itself to calculate this ratio with a possibly varying methodology.

- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** Failed. Ruffer will continue to monitor the company.

Legal & General

Shell Plc, 21 May 2024

- **Summary of resolution:** Approve the Shell Energy Transition Strategy
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** n/a – held across multiple funds
- **Why this vote is considered to be most significant:** This vote was considered significant as is linked to one of the Trustee's stewardship priorities.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** L&G acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and it views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, L&G expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. L&G seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation. Additionally, L&G notes it would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capex allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in Shell's decarbonisation strategy.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome of the vote and next steps:** Passed. L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Tesla, Inc., 13 June 2024

- **Summary of resolution:** Advisory Vote to Ratify Named Executive Officers' Compensation
- **Relevant stewardship priority:** Board Remuneration
- **Approx size of the holding at the date of the vote:** n/a – held across multiple funds
- **Why this vote is considered to be most significant:** This vote was considered significant as is linked to one of the Trustee's stewardship priorities.
- **Company management recommendation:** For
- **Fund manager vote:** Against
- **Rationale:** L&G believes that the approved remuneration policy should be sufficient to retain and motivate executives. L&G notes that while most Named Executive Offices received modest or no compensation for 2023, one executive was granted an outsized, time-based stock option award upon their promotion, the magnitude and design for which are not adequately explained. The grant does not require the achievement of pre-set performance criteria in order to vest, and L&G considers its value to be excessive.
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome of the vote and next steps:** Passed. L&G will continue to engage with our investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

National Grid Plc, 10 July 2024

- **Summary of resolution:** Approve Climate Transition Plan
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** n/a – held across multiple funds

- **Why this vote is considered to be most significant:** This vote was considered significant as is linked to one of the Trustee's stewardship priorities.
- **Company management recommendation:** For
- **Fund manager vote:** For
- **Rationale:** L&G commends the company's efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science based targets. L&G also appreciates the clarity provided in the 'Delivering for 2035 report' and look forward to seeing the results of National Grid's engagement with SBTi regarding the decarbonisation of heating
- **Was the vote communicated to the company ahead of the vote:** Yes
- **Outcome of the vote and next steps:** Passed. L&G will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

9.4 Engagement opportunities

This section provides an example of engagement by Insight, who manages the Scheme's buy and maintain credit mandate. The underlying bonds do not have voting rights attached to them, but nevertheless the Trustee expects Insight to engage with the underlying companies who issued the bonds on matters that may affect the ability of the companies to pay back the bond holders, including ESG matters. The example has been selected as it aligns with the stewardship priorities of the Trustee.

BASF SE, Q2 2024 (stewardship priority: Climate Change)

BASF SE is one of the world's largest and most diversified chemicals producers, with extensive operational, product, technological and geographical diversification. Insight engaged with them on scope 3 emissions, water management and disclosures of hazardous chemicals in its product footprint.

On its water management policies, BASF SE operates in an industry which has high water impacts. Insight conducted some mapping using the World Resources Institute Aqueduct tool to identify sites which operate in areas of high water risk, around 25% of BASF's sites are in areas of high water stress. BASF's reporting on water is fairly strong, and the company is rated an A- in its CDP water questionnaire.

On its water risk, Insight has encouraged the issuer to adopt enhanced site-specific water targets for sites located in areas of high water stress. BASF is changing a previous target focused on reducing its water demand to an impact target (eg to have a net positive impact on water), a practice in line with some other peers.

On its product footprint, Insight sought to improve BASF's disclosures of hazardous chemicals, particularly a subset known as PFAS – Per- and Polyfluoroalkyl Substances. PFAS are water and oil repellent and are used in many industrial processes. PFAS accumulate in the ecosystem over time and can permeate into drinking water sources. Insight noticed that Chemsec (an external rating company that scores chemical companies) limits the issuer's score due to its disclosures around hazardous and persistent chemicals. As such, Insight suggested that BASF looks into this to see what can be done to improve its Chemsec score.

On the issues surrounding pollutants, Insight asked BASF if it has a timebound commitment to phase its use of hazardous and persistent chemicals in its product portfolio. BASF responded it is engaging with Chemsec but has a different view on hazardous chemicals. For example, Chemsec have penalised the issuer's score certain chemicals in the product portfolio which the issuer does not produce, but Chemsec want the issuer to make a public statement.

Insight recognises that BASF has made progress in terms of setting a target for Scope 3 category 1 emissions (purchase of raw materials). This target is to reduce Scope 3.1 emissions by 15% by 2030 compared to a 2022 baseline to achieve net zero emissions by 2030. However, BASF has failed to set a target on the remaining portion of its Scope 3 emissions. BASF has over 45,000 products which makes it difficult to track and monitor each end use. As a result, BASF states there are complexities that will take time to overcome in order to report its full Scope 3 emissions.

Insight acknowledges that BASF operates in a high-risk sector from a climate and water standpoint, and appreciate the company has comprehensive reporting in these areas, and is hopeful that BASF will continue to improve transparency and set a Scope 3 target to cover raw materials emissions when low emissions alternatives become available, which Insight will monitor for.