Connect Pensions & Life Assurance Scheme Statement of Investment Principles implementation statement for the scheme year ending 31.10.2024

The Occupational Pension Schemes (investment and Disclosure) (Amendment) Regulations 2019 require defined benefit pension schemes to produce and publish a statement which must set out how, and the extent to which, the scheme's policies on stewardship have been followed during the scheme year, and describe the voting behaviour by, or on behalf of, the trustees, including the most significant votes cast by the trustees or on their behalf, during the scheme year, stating any use of the services of a proxy provider. This SIP implementation statement published by the Connect Pensions & Life Assurance Scheme is for the year ending 31st October 2024.

The scheme invests in LGIM FTSE4Good Developed Equity Index Fund (which prior to May 2024 was called LGIM Ethical Global Equity Fund), Columbia Threadneedle Dynamic Real Return Fund, LGIM All Stocks Index-Linked Gilts and LGIM Over 15 Year Gilts.

From 1 October 2021 the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 came into force, introducing new requirements relating to reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, to improve both the quality of governance and the level of action by trustees in identifying, assessing and managing climate risk.

The CP&LAS is too small to fall within the scope of the new requirements. Nevertheless, the Trustee agrees with the Pensions Regulator's view that global heating has the potential to destabilise the social and economic conditions on which we depend for our pensions system, that the impact has financial consequences as well, and that any scheme that does not consider climate change is ignoring a major risk to pension savings and missing out on investment opportunities[1].

Action on net zero
During the previous scheme year the Trustee board had discussed adopting the climate goal of net zero and resolved to undertake training in preparation for this. The training was completed by the trustee board of directors on 26 February 2024. The board subsequently discussed and agreed a formal policy on adopting a net zero target which became part of the Statement of Investment Principles.

The policy is as follows:
"Reflecting on the importance of climate risk, the Trustee has decided to reduce carbon emissions attributable to the investment portfolio, with a target to achieve net zero emissions by 2050 or, where viable, before 2050. In setting such a target, the Trustee recognises that the Scheme's assets are not currently aligned with this objective and that it may take some time to restructure the portfolio to be consistent with the target (for example, by investing in pooled funds that themselves have set a "net zero by 2050" target). The implementation of the target will be considered with the investment consultant and carried out in a measured way, that also takes into account the Trustee's wider objectives and ESG beliefs."

With the assistance of their investment consultants' climate risk assessment tools, the board undertook a scenario analysis of the impact of climate change on the investment portfolio. The board also took note of the implied temperature alignment of the funds in which they were invested. The board decided to review its multi-asset credit funds and then its equity funds in order to move forward on implementing the board's net zero strategy.

In July the board selected the M&G Sustainable Total Return Credit Fund to replace 50% of the Threadneedle Dynamic Real Return Fund. Prior to selecting M&G the board held discussions with the fund manager and sought and received assurances about cooperation with the board's stewardship agenda.
Shortly after 31st October, regarding equity funds, the board selected the AMX/ DWS Global Low Carbon Stewardship Fund which not only incorporated a low carbon commitment but also offered voting in alignment with the Trustee's Red Line voting policy, unlike the funds it replaced.. The fund due to be replaced was the

---

[1] https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/climate-change-and-environment/climate-change-strategy

LGIM Ethical Global Equity Fund. The AMX fund is a passive global equity strategy incorporating ESG tilts, exclusions and decarbonisation targets, focussed on large and mid-cap companies.

However, for the duration of the period under review the pre-existing investments were held, and so this implementation statement concerns these.

1. The Trustee's policy on engagement and voting rights

The Statement of Investment Principles (SIP) includes the following:

"The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns.

"The Trustee currently has no alternative but to delegate the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers, who are signatories to the UK Stewardship Code or equivalent. The Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

"The Trustee has adopted the Red Line Voting policies published by the Association of Member-Nominated Trustees as an appropriate set of policies that the Trustee wishes to guide their fund managers in the stewardship of their investments. To date, the fund managers have been reluctant to accept these policies and until this changes, the Trustee has no option but to allow the investment managers to continue exercising the investment rights attaching to the assets in any pooled funds according to their own policies. The Trustee will endeavour to hold the managers to account in relation to the exercising of these investment rights.

"The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

"Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information, and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code, and ask them to explain why their policies and/or voting activities are not in alignment with those of the Trustee if that should be the case."

2. Voting and engagement: equity managers

The scheme invests in the following funds:

LGIM Ethical Global Equity Fund

Columbia Threadneedle Dynamic Real Return Fund [DRR]

2.1. Fund manager refusal to accept Trustee's voting policy

The fund managers had previously refused to honour the Red Line Voting policy adopted by the CP&LAS. The corporate trustee directors agree with the government and TPR on the importance of having a voting policy as it sets out the Trustee's views on how fund managers should engage and vote, at the AGMs of companies in which the scheme invests, on a range of matters covering environmental (including climate change), social and governance issues. Even where fund managers refuse to act on the basis of the client's voting policy, it can still be used as a benchmark to hold the fund managers to account. The corporate trustee directors again asked the fund managers, in the light of regulatory requirements and the industry's movement, that they operate the Red Lines on a comply or explain basis.

LGIM responded by stating that the unit-linked funds in which the Trustee invests via its unit-linked insurance contract issued by Legal and General Assurance (Pensions Management) Limited would be managed in accordance with the Scheme's SIP to the extent permitted by the terms of the Trustee's unit-linked insurance policy and PMC's Description of Funds.

However, Columbia Threadneedle responded that they could confirm that assets had been largely managed in alignment with the PPS stewardship and investment policies, and had provided further information as requested with regard to the areas that PPS had highlighted in the Trustee's letter to them.

They added that they had found PPS' feedback very valuable and welcomed further views for Threadneedle's consideration. "We appreciate the opportunity to provide further context to our stewardship activities. We have a thorough, bespoke policy and process in place that is reviewed annually and takes client input into account."

2.2 Climate change:

LGIM

The Trustee welcomed LGIM's continuing commitment to fighting climate change and recognition that, as stated in their 2024 Climate Impact Pledge: "The pace of transition is neither fast enough nor smooth enough, in our view. That is clear from our assessments and engagements since we launched the CIP in 2016." It was noted that one of LGIM's top global investment stewardship themes was framed as "Keeping 1.5°c alive" which reflects the global struggle to do so.

The Trustee also welcomed LGIM's requirements on companies to report in line with guidance of the Taskforce on Climate Related Financial Disclosures (TCFD), and more recently their requirement in relation to mining companies and electric utilities that they should "refrain from making new investments in thermal coal mining or power generation expansion, as this is incompatible with achieving net-zero by 2050 under the International Energy Agency's (IEA's) net zero emissions scenario."

Significant votes

LGIM was asked to disclose:

- how many management-proposed resolutions they had voted against during the reporting period in relation to the company being in breach of the requirement that companies report in line with TCFD guidance, and at which companies;
- At how many (and which) AGMs did they vote against the chair of the board on the basis of insufficient action being taken on climate change;
- At how many (and which) AGMs did they vote against a management-proposed resolution, or for a shareholder resolution, on the grounds that the company had not refrained from making new investments in thermal coal mining or power generation expansion.

LGIM responded that under their Climate Impact Pledge, 455 companies from the quantitative stream and 37 companies from the qualitative stream were identified for a vote against the Chair of the Board in the 2024 AGM season. The list of the 37 companies can be found in LGIM's Climate Impact Pledge 2024.
Of the 492 companies, 106 were identified as having failed to meet LGIM's new 'baseline' expectations for heavy emitting sectors of oil and gas (regarding methane emissions disclosure) and mining and utility companies (no new coal).
LGIM highlighted their Future World Protection List, which captures companies undertaking expansion of thermal coal mining capacity as detailed in their methodology document *Future World Protection List Methodology.*
Companies on the Future World Protection List, in addition to being excluded from the L&G portfolios that apply this list, are also subject to a vote against the Chair (or next most senior director up for re-election) at their AGM. A list of the FWPL companies and the reason for their being on the FWPL is available in their future-world-protection-list-table.pdf

Shareholder resolutions

The Trustee noted that across the reporting period (the year to 31 October 2024) LGIM voted for 95 shareholder resolutions on the environment but voted against 91 which means that the fund manager had only supported about half. In previous correspondence the Trustee had pointed out that motions described as on the environment are not necessarily about climate change so there was no way of knowing how many of the shareholder resolutions that LGIM opposed were on climate change. The Trustee made the point that it would be useful to LGIM's clients if their reports could make this distinction.

LGIM responded stating that they would generally support shareholder resolutions on climate when they are requesting ‘say on climate’ vote structures, requesting additional disclosure and reporting to evidence the company’s alignment to published net-zero goals and interim targets, or requesting disclosures or changes aligned to LGIM's minimum expectations of climate-transition plans, or their sector-specific expectations as set out in the Climate Impact Pledge Sector Guides.

LGIM stated that it carefully assesses most climate-related shareholder resolutions. While considering the asks from the ‘principle’ point of view, and gauging their alignment with LGIM's detailed sector expectations, the fund manager pays close attention to the specific details and restrictions proposed by these resolutions.

Significant votes:
The Trustee asked how many shareholder resolutions on climate change LGIM had opposed in this period and why.

LGIM responded that 2024 saw a reduction in the number of climate-related shareholder resolutions, with some of the focus moving away from pure climate management into the direction of nature- and social-related aspects. In 2024 the fund manager voted on 114 climate-related proposals, (down from 145 the previous year), of which LGIM supported 91 (79.8%). 83 of the 114 votes were filed in North America, 16 in Japan, 10 in Europe, four in Australia and only one in the UK.
Of the shareholder resolutions LGIM did not support, most were due to concerns with proposals being overly prescriptive or when the company had already provided appropriate reporting on such issues. A small number were related to climate risks in corporate retirement plans, which LGIM considered were run by third parties in line with their fiduciary duties, with employees being given fund-election options.

In response to the Trustee's note that it would help if reporting on resolutions on climate change could be separated from the general category of 'environmental resolutions', LGIM stated that they obtain their data and categorisations from ISS and they are aware that different proxy voting providers may operate different categorisation systems.

Columbia Threadneedle:
Asked whether they had voted against any company resolutions on the grounds of failures with regards to climate change, CTI confirmed that they had done so at NVR, Centene Corp and Lennar Corp.

They withheld/abstained their vote relating to a management resolution around concerns with regard to climate change at Berkshire Hathaway, Glencore and First Citizens BancShares, Inc.

CTI supported shareholder resolutions related to climate change at Berkshire Hathaway, Expeditors International of Washington, Inc., Meta Platforms and Bank of America.
They voted against shareholder resolutions related to climate change at Centene Corp, Home Depot, Shell Plc, Amazon, NextEra Energy, Mitsubishi UFJ Financial Group, Inc., The Kroger Co, Microsoft, Intuit, Lennar Corp and Alphabet.

2.3 Diversity
LGIM
The Trustee warmly welcomed the continued evolution of LGIM's diversity policies, including their decision to seek to engage with proxy voting organisations to raise minimum standards of diversity across various markets, and their policy that companies should be transparent and clearly disclose diversity and inclusion policies and representation data at four levels: company board (non-executive directors), executive leadership team, management team, and entire workforce.

The Trustee also welcomed LGIM's adoption of the Parker Review as an authoritative source of information on ethnicity on the boards of FTSE 100 and FTSE 250 companies; their actions in line with the Parker Review's targets that it sets those companies; and LGIM's policy that companies should disclose their gender and ethnicity pay gap information, where possible, along with actions to close any stated gap.

The Trustee further welcomed LGIM's decision that they may pre-declare their vote intention ahead of meetings to draw the attention of the market, clients and other companies to a particular issue, resolution or outcome. LGIM doing this will inevitably draw attention to the issue and encourage other fund managers to consider this issue more seriously than many currently are doing.

The Parker Review stated that Diploma plc, Frasers Group, Howden Joinery and Intermediate Capital Group were the four FTSE 100 companies that had all-white boards, and LGIM voted against directors at Diploma and Howden.

Significant votes:
At Intermediate, LGIM explained that at the chosen reference date, the company acknowledged that it met the target of having a 40% female representation on the board but did not meet the targets for ethnic diversity and for appointing a female director to a senior board role. However, it had not voted against the company because the company stated that the next NED appointment will increase the ethnic diversity of the board and that it will "include gender diversity as a crucial consideration in considering all appointments to senior board roles". It is also noted that, as at the AGM date, the board will have only 33% women on the Board.
At Frasers Group, since the publication of the Parker Review update the company had in fact met the expectation of at least one director from an ethnic minority background.

LGIM was asked what engagement action they had taken with the 47 FTSE 250 companies that had not met the Parker Review target of at least one ethnic minority board member and the 28 companies that had failed to respond to the Parker Review.
LGIM responded that in 2024, they had voted against two UK companies due to a lack of board-level ethnic diversity: Diploma and Howden Joinery Group; this compares to three companies voted against in 2023.
In 2023, LGIM had written to 49 FTSE 250 and 24 Russell 1000 companies that LGIM considered did not meet minimum expectations on ethnic diversity, which was to have at least one person from an ethnically-diverse background on the board. These companies were given until the end of 2024 to meet LGIM's expectations or face voting sanctions.
LGIM responded that it had continued to engage with these companies in 2024 and, by the end of the year, they had seen a 61% improvement, with 25 UK companies from the original list2 now meeting the minimum expectations.
At the end of 2024, of the 24 Russell 1000 companies LGIM had written to, four had left the index and nine had since appointed an ethnically diverse board member: a 45% improvement.
Going into the 2025 AGM season, three companies provided an explanation for not having an ethnically diverse board. The 12 remaining UK companies and five new ones that entered the index will be subject to a vote against the board chair.

In the Russell 1000 Index, 11 companies from the original target list will be subject to a vote against the nomination committee chair (or equivalent). However, changes in the index resulted in 15 additional companies emerging that do not have the requisite ethnically diverse board.
Therefore, LGIM stated that 26 US companies are expected to be subject to a vote sanction in 2025.

The Trustee's voting policy includes voting against the chair of the board of companies for failures to publish equality monitoring data and asked whether LGIM had voted in this way in relation to any company resolutions as opposed to supporting shareholder resolutions. LGIM responded that they do not have this policy.

The Trustee asked what their plans were for continuing LGIM's valuable stewardship work in the United States in relation to race equality despite the election of a President who is abolishing equality, diversity and inclusion programmes.
LGIM responded that the stewardship and investment landscape in the US is evolving at pace, and includes updated guidance from the SEC. LGIM's investment stewardship activities continue to be implemented as planned and in accordance with its policies and processes, which it pointed out are available on LGIM's website under investment stewardship and governance. LGIM also stated that it would continue to monitor closely and would provide further updates to clients as necessary.

CTI
CTI were also asked about why there was no vote against a director at the four FTSE 100 companies with all-white boards. CTI responded that Diploma had announced the appointment of a new non-executive director who was due to join in Q1 2025 which would mean the target would be met.

At Frasers Group they had outlined the reason for abstaining in their vote rationale: "*The Company should appoint a woman to at least one senior board position (Chair, CEO, CFO, SID), in line with the FCA diversity guidelines for listed companies. The board chairman serves as a member of the Remuneration Committee. The board chairman serves as a member of the Nomination Committee.*" In terms of race diversity, the company had disclosed that it had one member on the board from a "mixed/ethnicity group".

Howden Joinery Group: CTI outlined their vote in support of re-electing the directors in their vote rationale: women represent 37.5% of the Board at the reference date, which is close to the reporting requirement, and the company had confirmed that it is committed to meeting the gender and ethnic diversity targets by the end of 2024. On 7th May 2024 the company announced the appointment of two new NEDs, both female and one who is considered to be from an ethnic minority group.

At International Capital Group, CTI stated that whilst at the time of the AGM none of the non-executive directors on the board were from an ethnic minority background, it should be noted that the CEO is a French national. In addition, recently the company has appointed a new female non-executive director who is Canadian and therefore, given the changes/refreshment to the board with national diversity, this was not considered an issue.

The board will remind CTI that the Parker Review states: "A director was defined as from a minority ethnic group if they identified as Asian, Black, Mixed or Other, with the option to describe the Other group.[2]. It uses the Government's ONS classifications. It is not based on nationality.

CTI was also asked what engagement action they had taken with the 47 FTSE 250 companies that had not met the Parker Review target of at least one ethnic minority board member and the 28 companies that had failed to respond to the Parker Review, whether it had voted against directors at the 47 companies in the FTSE 350 reported by the Parker Review to have all-white boards, and whether CTI had plans to do so in future. CTI responded that the most recent Parker Review Update, published in March 2025, had the number at 32, and they provided a very helpful table of their engagement and voting with regard to these companies.
They had engagement or outreach with regard to diversity at 12 of the companies and had taken voting action at eight. However it was only at Foresight Solar Fund Ltd where the voting rationale referred to ethnic diversity as well as gender diversity. All the other votes concerned only gender diversity. Voting to improve gender diversity is of course extremely welcome but it is regrettable that ethnic diversity issues were ignored. CTI stated however that in the 2025 proxy voting season which had already begun, the broader diversity topic would be considered when executing votes and engaging with portfolio companies.

2.4. Excessive executive pay and low workforce pay
One issue where the LGIM voting policy significantly differs from our Red Line voting policy is that of excessive executive pay as expressed via pay ratios. While LGIM (and the Red Lines) are concerned with a range of remuneration issues, the Trustee board believes that LGIM does not place sufficient weight on the damaging impact of executive pay that is simply far too high in relation to the company's workforce.
According to the High Pay Centre, mean FTSE 100 CEO pay grew substantially in 2023 at £4.98-million, up 12.2% from £4.44-million in 2022 and the highest level since 2017. This increase was about double that of the UK workforce. The pay ratio of the median FTSE 100 CEO to the median UK fulltime worker was 120:1 in 2023. Also according to the High Pay Centre, over the period 28 companies in the FTSE 350 paid their CEOs more than 100 times the median wage paid to their workforce, of which 24 were in the FTSE 100.
These included Experian, Relx, BAE Systems, HSBC, GSK, Aviva, Intertek, BP, Marks & Spencer, Sainsbury and Tesco all of whose remuneration reports LGIM supported.

[2] *https://parkerreview.co.uk/wp-content/uploads/2024/03/The-Parker-Review-March-2024.pdf page 88*

Of even greater concern, LGIM supported the remuneration reports of companies that not only pay their CEOs more than 100 times the median pay of their workforce, but also are not registered as (real) Living Wage payers and we are not aware that they pay the real Living Wage. These were Associated British Foods, Ashtead, BT Group, Whitbread, Kingfisher, Next, Bunzl, AstraZeneca, Centrica, Rentokil and Flutter, along with Mitie and Rolls-Royce (the Trustee noted that LGIM voted against the remuneration policy for the latter two).

The Trustee warmly endorsed LGIM's focussed engagement campaign with a clear escalation strategy to get 15 global food retailers to reduce income inequality within their operations and supply chains, and noted Shareaction's recent report on low pay which indicates that even when companies such as Sainsbury and Marks and Spencer are paying the real Living Wage, according to Shareaction this does not extend to the subcontracted staff such as cleaners and security.

Significant votes:
LGIM was asked to explain why they had supported these excessive pay awards and in particular why they supported the pay awards for CEOs that are more than 100 times the median pay of a workforce for which the same CEOs have not even guaranteed paying a real Living Wage. The Trustee acknowledged the point LGIM had made in previous correspondence that until such time as companies publicly disclose minimum pay data and data providers capture it, it would remain difficult for the fund manager to target companies on not paying a living wage on a broad scale. So the Trustee asked what action LGIM is taking to push companies to provide this data, especially those that have such excessive pay ratios. The Trustee urged LGIM to consider targetting those companies.

LGIM responded that as a long-term engaged investor, they want to support companies' boards to be able to recruit, retain and incentivise the appropriate talent to sustainably grow the business and encourage innovation without undue risk-taking.
They had not set a strict policy threshold or maximum pay expectation in terms of absolute quantum. Instead, they apply a combination of principle-based and structural expectations to assess companies' executive remuneration and their alignment to long-term sustainable performance and stakeholder experience.
LGIM expects boards to consider whether their company's pay ratio is appropriate within the industry in which it operates. Consideration should also be given as to whether the 'year-on-year' changes in the ratio are appropriate in the light of corporate performance.
However, they stated that they do not apply policy-based voting sanctions based on pay ratios, as LGIM felt that these often do not adequately take into consideration the differences in market norms due to industry and sector, organisational and ownership structures, products and services offered and, importantly, performance and alignment with the experience of shareholders and other stakeholders.
LGIM also stated that they believe that voting on pay ratios above a certain level may also disproportionately sanction companies that employ large numbers of lower-skilled workers. In addition to employment opportunities, these companies are often also offering an essential service or products to communities, therefore requiring investment and suitable management to be encouraged into these sectors.
Nevertheless, the board felt that this approach takes insufficient notice of the following clauses of Section 5 (on remuneration) of the Corporate Governance Code:

Clause 35:
"The remuneration committee ... should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;"
Clause 40:
"When determining executive director remuneration policy and practices, the remuneration committee should address the following: (...) risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;"
Para 41:
"There should be a description of the work of the remuneration committee in the annual report, including ... reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps".

Regarding the Living Wage, LGIM responded that 50% of the FTSE 100 are not Living Wage accredited, concurring with the Trustee that as with Sainsbury and Tesco that did not necessarily mean that they were not paying the real living wage). In 2023, LGIM had expanded its corporate engagement on paying the living wage and income inequality and launched a targeted engagement campaign on this topic with specific vote sanctions against the re-election of top directors at companies that fail to meet LGIM's minimum expectations by the time of their 2025 AGM. They had targetted the food retail sector, as LGIM believed these companies to be generally more resilient due to the community service they provide, financially less impacted by the Covid-19 pandemic than other sectors, and with a high proportion of their workforce earning low wages. They had identified 15 global supermarket retailers in developed economies and began engagement with these companies in late 2023.

They reported that in Asian markets that have regulations in place setting (and annually reviewing) the minimum wage, the idea of a living wage was new. They also heard that the concept of a living wage was not on the agenda for other investors with whom these companies engaged. Despite this, some of the companies LGIM engaged with were willing to consider approaching a living wage-setting organisation to learn more about this. In European markets, there was more willingness to adopt living wages, but applying this across supply chains was proving far more difficult than initially anticipated, due to the sheer number of companies sourcing from the same suppliers, and the different attitudes towards paying a living wage and agreeing on the appropriate methodology that should be used. In the US, where the federal government has failed to review the minimum wage since 2009, instead leaving the matter to individual states, the responses ranged from asking why should that company go first, to a willingness to explore options by connecting with living wage-rate providers.

LGIM also stated that pay ratios are also expected to be higher where executives receive substantial variable pay opportunity in years of good performance. While this may be one reason for a higher differential, it can only reasonably be applied where a company can demonstrate strong outperformance. To address income inequality in the US, a market where executive pay is often outpacing UK levels substantially, LGIM therefore introduced a voting policy that seeks to expose any performance-pay misalignment. As such, from 2024, LGIM had applied additional voting sanctions on the ‘say on pay’ proposals at S&P 500 companies whose total shareholder return (TSR) had underperformed the S&P 500 over the previous three years and their CEO pay ratio exceeds 300.

Columbia Threadneedle
Columbia Threadneedle supported the remuneration reports of companies that not only pay their CEOs more than 100 times the median pay of their workforce, but also are not registered as (real) Living Wage payers and the Trustee was not aware that they pay the real Living Wage. These included Associated British Foods, BT Group, Marks and Spencer, Whitbread, Kingfisher, Next, Rolls-Royce, Bunzl, Clarkson, Centrica, Intercontinental Hotels, Rentokil, Flutter, Ashtead, AstraZeneca and B&M European Value (with the three latter companies the Trustee noted they abstained or voted against the remuneration policy).

Asked why they had done so, CTI referred to their corporate governance guidelines and stated that every vote undergoes a detailed analysis and discussion with fundamental research analysts and portfolio managers holding the issuer. Decisions are complex and consider various factors. Core guidance includes that levels of compensation and other incentives should be designed to promote sustainable, long-term shareholder value creation, competition for talent, and reflect the executives’ work and contribution to the company. They added that all voting decisions are owned by the portfolio managers.

The Trustee also asked CTI what action it was taking to push companies to disclose the data on whether they were paying the real Living Wage. CTI explained that this was one of the considerations included in their research and engagement efforts which consider a broad range of topics, including financially material environmental, social, and corporate governance themes that are in clients’ best long-term interests.
They added that for the reporting period, Columbia Threadneedle Investments was involved in engagement and industry group work around enhanced pay disclosure, including through the Platform Living Wage Financials (PLWF), as well as the Workforce Disclosure Initiative (WDI), both featuring – inter alia – UK companies in their research and engagement work.

2.5. Freedom of association and recognition of trade unions

The Trustee's voting policy sets out a vote against the re-election of the chair of the main board if there is a failure to abide by the UN Global Compact standards on freedom of association, including the recognition of independent trade unions for the purpose of collective agreement. Principle 3 of the UN Global Compact is the clearest of all the Global Compact Principles. It states: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining".

This is particularly important to the CP&LAS since the scheme sponsor is a major trade union and all the scheme members are trade union officials and staff. The Trustee had studied LGIM's votes at the AGMs of Starbucks, Amazon, Alphabet, Tesla and Walmart, and welcomed LGIM's vote for the shareholder resolution at Amazon to commission a third party assessment on the company's commitment to freedom of association and collective bargaining. The Trustee also welcomed LGIM's support for a shareholder resolution at Tesla calling for the company to adopt a non-interference policy respecting freedom of association. However, there was concern that no voting action at all was taken at Walmart, Alphabet or Starbucks, and concern also that LGIM had failed to apply its clear policy of voting against the chair of the board. The Trustee supplied a range of publicly reported examples of union-busting from these companies.

Significant votes

- LGIM was asked to explain whether they were satisfied that these companies, which for years had been actively preventing trade unions from representing their workforces, are not featured in their Future World Protection List. They were asked to clarify whether Principle 3 breaches are excluded by their data provider, or whether these five companies are too important to be added to the list.
- LGIM was also asked whether they could confirm whether they would be voting against the chairs of the boards of these companies at their next AGMs if their anti-union practices continue.

In response, LGIM pointed to the methodology of its Future World Protection List and stated that the data was provided by a well-known and highly respected ESG data provider which did not identify these companies as being in breach of the UN Global Compact, which did not answer the question.

LGIM pointed to the following two documents for further information:
LGIM Human rights policy document https://cms.lgim.com/globalassets/lgim/document-library/responsible-investing/human-rights-policyfinal2023.pdf

LGIM’s human capital management approach and expectations https://am-cms.landg.com/globalassets/lgim/document-library/responsible-investing/lgim-human-capital-management-approach-and-expectations.pdf

CTI

The Trustee welcomed CTI's support at the Amazon AGM for the shareholder resolution calling for the commissioning of a third party assessment of the company's commitment to freedom of association and collective bargaining, and the fact that CTI cast some of its votes in support of the Tesla shareholder resolution, but was disappointed to see no voting action in relation to freedom of association from CTI at the AGMs of Starbucks, Alphabet or Walmart.

CTI set out the engagement and themes covered with these companies, stating that labour standards remain a relevant research, engagement and proxy voting topic, and the UN Global Compact remains a relevant reference framework, and breaches are incorporated in CTI's analysis, engagement efforts and investment process along respective investment fund processes.

5. Directors' pension provision

The Trustee's policy is to vote against the remuneration report or policy if the pension contributions for any director are not limited to the director’s basic salary and are out of alignment with that of the company’s workforce.

LGIM's very similar policy is that "LGIM expects companies to ensure that the pension provisions for a new board director, and for others for whom contracts are being re-negotiated, are aligned with what is being offered to a majority of the workforce. In addition, and in line with market practice in this area, LGIM expects incumbent directors' pension provisions to be aligned with what is offered to a majority of the workforce by 2023. LGIM will vote against the remuneration policy where there have been no changes proposed to address a disparity in pension provisions."

The Trustee welcomed LGIM's vote against the remuneration report at Pearson, due to the CEO's pay package being based on the higher US pay levels while the pension provision was based on the UK, as it is more favourable in the UK.

Significant votes

- LGIM was asked what engagement they had had with other companies and how they had voted on the issue other than at Pearson over the period.

LGIM Responded that in 2024, in addition to Pearson, they voted against four other UK companies for pension differentials versus the wider workforce. These companies were Fuller, Smith & Turner plc, ME Group International plc, S&U plc, and Hostel World Group plc.

LGIM gave further information on their actions at Pearson. Although the company's stated intention was to align the CEO's pay package more closely with US peers, they had elected to use UK practices when it came to his pension. This would result in a pension provision of 16% of salary, which is more than a US executive could expect to receive. At the April 2023 AGM LGIM decided to vote against the policy resolution and escalated their concern by voting against the re-election of the remuneration committee chair. They also pre-declared this vote ahead of the AGM. The remuneration policy vote received 46.4% of votes against, almost failing the 50% approval threshold, and was one of the highest levels of pay dissent in the UK that year.

LGIM had continued their engagement with Pearson. In a post-AGM outreach by the company, in line with the UK Corporate Governance Code expectation on votes with significant dissent, LGIM again clarified their position on choosing a single talent market in which to set pay and had continued to engage with Pearson throughout 2024 on their remuneration, specifically regarding individual aspects, such as bonus deferral provisions, that did not appear to align to LGIM's minimum expectations.
Ultimately in 2024, LGIM voted against Pearson's remuneration report because their bonus opportunity would not be subject to further deferral once the shareholding guideline was met and pension provisions are aligned with UK practice when the quantum of pay was aligned with US practice. LGIM wanted the company to select the pay practices of one country instead of cherrypicking the policies from both countries that offered the best outcomes for executives. Due to LGIM's ongoing concerns about remuneration, they also voted against the re-election of the chair of the remuneration committee.

CTI

CTI stated that regarding executive contracts and pensions its corporate governance guidelines state: "Prior to employment contract agreements, companies should actively consider the potential rewards concerning severance in the event of inadequate performance and clarify the performance conditions under which such severance benefits are to be payable. We encourage companies to seek mitigation in case a director has taken up employment elsewhere and to adjust the length and size of any payments accordingly. We recommend that companies make larger severance packages the subject of a shareholder vote."
CTI had engaged on pensions with Cranswick Plc, Whitbread Plc, Centrica Plc and HSBC. There was no director vote directly linked to pension contributions in the reporting period.

3. Summary of votes cast

Question	**Legal & General Investment Management FTSE4Good Developed Equity Index Fund** *(LGIM supplied data for the year to 31.12.24)*	**Columbia Threadneedle CT Dynamic Real Return Fund** *CTI supplied data as at 30.09. 2024*
What was the total size of the fund as at 31.10.2024?	£1,303,671,658	£643.2m

What was the number of equity holdings in the fund as at31.10.2024?	1092	485
How many meetings were you eligible to vote at over the year to 31.10.2024?	1174	170
How many resolutions were you eligible to vote on over the year to 31.10.2024?	16651	2790
What % of resolutions did you vote on for which you were eligible?	99.5%	98.82%
Of the resolutions on which you voted, what % did you vote with management?	82.06%	92.69%
Of the resolutions on which you voted, what % did you vote against management?	17.57%	6.7%
Of the resolutions on which you voted, what % did you abstain from?	0.37%	0.67%
In what % of meetings, for which you did vote, did you vote at least once against management?	74%	51.18%
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?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	The administration of our proxy voting process is handled by a central point of administration at our firm (the Global Proxy Team). Among other duties, the Global Proxy Team coordinates with our third-party proxy voting and research providers. Columbia Threadneedle Investments 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. We have retained both Glass, Lewis & Co. and ISS to provide proxy research services to ensure quality and objectivity in connection with voting client securities.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	13.71%	N/A

4. Taskforce on Climate Related Financial Disclosures

As stated in the introduction to this implementation statement, the board chose to try to collect initial data and reports from the fund managers in relation to the TCFD recommendations and the information disclosed here will assist the board to develop its investment and stewardship policy and strategy with regard to climate change.

The corporate trustee directors asked the fund managers to

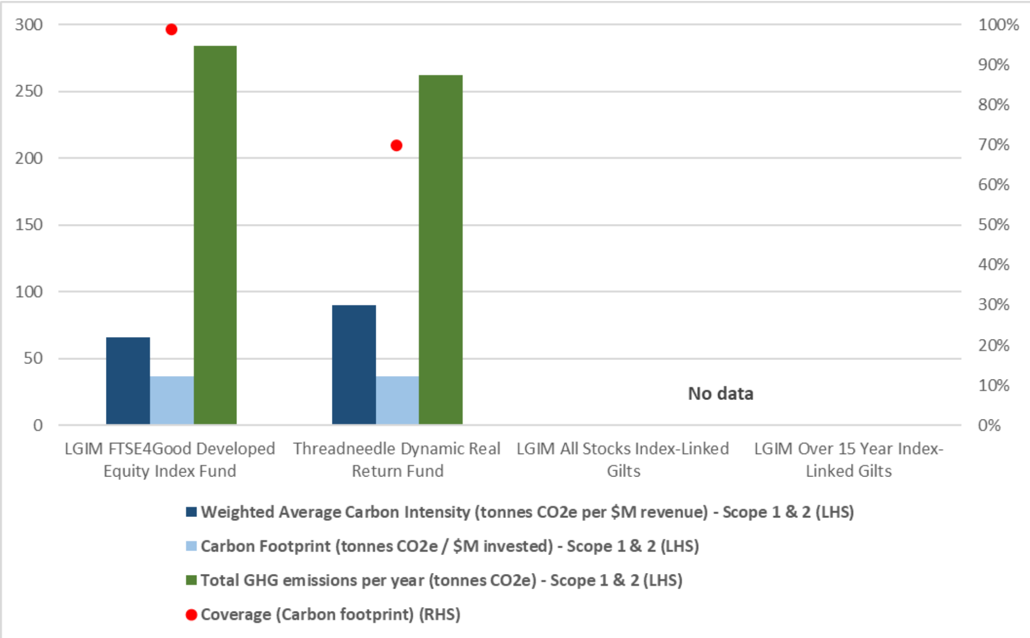
• supply their responses to the TCFD recommendations on governance, strategy and risk management; and

• complete the new PLSA carbon emissions template.

The TCFD reports for the fund managers are as follows:

https://am-cms.landg.com/globalassets/lgim/_document-library/climate-impact-pledge/cro_cip-2024-final-8de7.pdf https://docs.columbiathreadneedle.com/documents/Climate%20Change%20Report_TCFD.pdf?inline=true

4.1 Carbon disclosure metrics



Source: Investment managers. Data as at 31 October 2024 (or closest date where data is available).

4.2 Portfolio alignment metrics

LGIM FTSE4Good Developed Equity Index Fund – 2.6°C

5. Conclusion

The Trustee is pleased to have been able to report the decisive actions taken during this period on the matters of climate change and stewardship.

Having undertaken preparatory training and having regard to the advice of the scheme's investment adviser, the Trustee adopted a commitment to net zero by 2050 or earlier and began implementing the new policy. The Trustee carried out reviews of its multi-asset credit funds and its equity funds across all three pension schemes governed by the Trustee board, with assistance and recommendations from the investment advisor. The funds that were selected also had a net zero target.

This year's SIP implementation statement indicates again why it is so important that fund managers honour their clients' voting policies, or if they will not do so, that pension funds use their own voting policies to try to hold them to account.

This report again shows that because the fund managers are not following the Trustee's voting policy they had been voting in contradictory ways, with one voting for a resolution and another voting against, for example LGIM and Columbia Threadneedle Investments cancelling out each other when voting on the remuneration reports and policies at several FTSE 100 company AGMs. And while support for shareholder resolutions regarding the recognition of trade unions was forthcoming for example at Tesla and Amazon, the failure of either fund manager to take any negative voting action at the AGMs of known union-busting companies such as Starbucks and Walmart indicates that the priority given to this matter is not in line with that of the Trustee.

Nevertheless, following the Trustee's consistent engagement with the fund managers over our priority issues we have seen further welcome progress in moving towards the Trustee's position, particularly on diversity. The Trustee reported last year that it had adopted its stewardship engagement priorities across the three pension schemes that it governs all of which have a common scheme sponsor and, following its engagement with four equity fund managers on the issue of ethnic minorities on boards, all had included ethnic minorities on boards as a voting policy with some voting against the chair of the nomination committee at companies failing on this policy issue. This meant that shareholder votes of more than £2.5-trillion can now be used to vote against companies that are failing to meet their Parker Review targets.

Over the current reporting year this developed further, with:
● the continued evolution of LGIM's policy including their decision to seek to engage with proxy voting organisations to raise minimum standards of diversity across various markets; and
● CTI stating that in the 2025 proxy voting season, the broader diversity topic would be considered when executing votes and engaging with portfolio companies.

The Trustee concludes that this active engagement with our fund managers has continued to prove to be of value.