

# Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Fund's assets and present value of liabilities from changes in interest rates and inflation expectations.	To invest in matching assets that move in line with the present value of the Fund's liabilities.	The Fund increased its allocation to Gilts over the period, which aim to hedge part of the Fund's inflation and interest rate risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values).	The Fund did not have exposure to leveraged LDI funds so it did not suffer from any liquidity strain. The portfolio is very liquid with funds traded at least weekly.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified.	The Fund invests only 14.5% in a well-diversified equity fund which is solely made up of surplus of buyout liabilities, with the remaining assets in the portfolio targeting Gilts + 0.75% and hedging c.100% of liabilities on a Technical Provisions basis (c.95% on a buy-out basis.)
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors where possible.	The Fund invested in a passive long dated credit fund and an actively managed absolute return credit fund which invest across a variety of sectors, diversifying the underlying credit risk.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who integrate ESG into their investment process, utilise their right to vote and have good reporting on ESG matters.	As part of the investment management of the Fund's assets, the Trustees expects the investment managers to make decisions on: <ul style="list-style-type: none"> <li>The selection, retention and realisation of investments considering all financially material considerations. · The exercise of rights (including voting rights) attached to these investments.</li> </ul>



- Undertaking engagement activities with investee companies and other stakeholders where appropriate.
- To date the Trustees have not set ESG priorities and do not use proxy voting services- all voting is carried out by their fund managers.

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Non-financial	Any factor that is not expected to have a financial impact on the Fund’s investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments
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# Changes to the SIP

Over the period to March 2025, the Trustee made changes to the SIP to reflect the intentions of buy-in of the Fund's liabilities.

## Changes to the SIP

Date updated:  
October 2024

The Pension Fund Trustees restructured their asset allocation to:

- Protect buyout funding by retaining LGIM index equity (backing buyout surplus on a Gilts flat basis) and ring-fencing it from the Fund's other assets.

Optimize non-equity assets to:

- Target Gilts + 0.75% p.a. returns;
- Maintain ~100% interest rate/inflation hedge (95% on buy-out basis);
- Build a cashflow-matching portfolio (5–10-year liabilities) via Buy & Maintain Credit;
- Increase investment-grade corporate bonds for long-term returns and insurance pricing hedge;
- Hold sufficient liquidity reserves for short-term needs.

# Current ESG policy and approach

## ESG as a financially material risk

The SIP describes the Fund's policy with regards to ESG as a financially material risk. The next page details how the Fund's ESG policy is implemented. The rest of this statement details the Trustee's view of the manager, the actions for engagement and an evaluation of the stewardship activity.

The following table outlines the areas by which the Fund's investment manager is assessed on when evaluating their ESG policies. The Trustees will review the Fund's ESG policies and engagements periodically to ensure they remain fit for purpose.

# Implementing the Current ESG Policy

Areas for monitoring and engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Environmental, Social, Corporate Governance factor and the exercising of rights.	The Trustees receive information from its investment advisers and its fund managers on the investment managers' approaches to engagement	The manager has not acted in accordance with their own policies and frameworks. The manager's policies are not in line with the Trustees' policies in this area

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# Engagement

As the Fund invests via LGIM, they have provided details on their engagement actions.

Fund name	Transparency
LGIM	<p>All decisions are made by LGIM’s Investment Stewardship team and in accordance with their relevant Corporate Governance &amp; Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.</p> <p>LGIM’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 clients. Their voting policies are reviewed annually and take into account feedback from clients.</p> <p>Every year, LGIM 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 LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. They also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.</p> <p>LGIM’s Investment Stewardship team uses ISS’s ‘Proxy Exchange’ electronic voting platform to electronically vote clients’ shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. Their use of ISS recommendations is to augment their 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 they receive from ISS for UK companies when making specific voting decisions.</p> <p>To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.</p> <p>LGIM retain the ability in all markets to override any vote decisions, which are based on LGIM’s 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 LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.</p> <p>More information can be found at: <a href="https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/">https://www.lgim.com/uk/en/capabilities/investment-stewardship/active-ownership/</a></p>

# Voting (for equity/multi asset funds only)

The Trustees has acknowledged responsibility for the voting policies that are implemented by LGIM on their behalf.

LGIM has provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2025.

Fund name	Voting summary	Examples of Most Significant Votes
<p>LGIM CR - Global Equity FW 50:50 Index Fund</p>	<p><i>Eligible Votable Proposals : 2981</i>  <i>Eligible resolutions : 37792</i>  <i>Eligible resolutions %: 99.75</i>  <i>For votes %: 81.77</i>  <i>Against votes %: 17.98</i>  <i>Abstain votes % : 0.25</i></p>	<p><b>Shell Plc</b>  <b>2024-05-21</b></p> <ul style="list-style-type: none"> <li>• Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</li> <li>• Approximate size of fund's holding as at the date of the vote (as % of portfolio): 3.908075</li> <li>• Resolution 22: Approve the Shell Energy Transition Strategy</li> <li>• LGIM voted Against</li> <li>• LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</li> <li>• Climate change: A vote against is applied. We acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view 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, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. In essence, we seek 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, we 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 decarbonization strategy.</li> <li>• Outcome of the vote: Pass</li> <li>• LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</li> </ul>

## Unilever Plc

2024-05-01

- Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
- Approximate size of fund's holding as at the date of the vote (as % of portfolio): 2.156918
- Resolution 4: Approve Climate Transition Action Plan
- LGIM voted For
- LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
- Climate change: A vote FOR the CTAP is applied as we understand it to meet LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, we note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. We therefore remain supportive of the net zero trajectory of the company at this stage.
- Outcome of the vote: Pass
- LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

The information contained herein, and views expressed by Isio are based solely on information provided by the investment managers. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.