

# *Implementation Statement, covering the period from 1 October 2022 to 30 September 2023 (the “Trust Year”)*

The trustee of the TUI GROUP UK Pension Trust (the “Trustee” of the “Trust”) 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 Trust Year, as well as details of any review of the SIP during the Trust Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. The Trust is a sectionalised scheme for three separate schemes called:

- the BAL Scheme (“BAL”)
- the TUI UK Scheme (“TUI UK”)
- the TAPS Scheme (“TAPS”)

Given this segregated structure, in this document BAL, TUI UK and TAPS are referred to as the “Schemes”. The sections of the Schemes which provide benefits determined on a defined benefit (“DB”) basis, are referred to as the “DB Sections”. In addition, BAL and TUI UK also have assets related to the payment of Additional Voluntary Contributions (“AVCs”) and contributions to Defined Contribution (“DC”) sections (the “DC Sections”). TAPS also has assets related to the payment of AVCs.

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2 to 10 below. The Statement is also required to include a description of the voting behaviour during the Trust 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 11.

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 is based on and uses the same headings as the Trust’s SIP which was in place during the Trust Year – dated 7 September 2022. This Statement should be read in conjunction with the SIP which can be found online.

## **1. Introduction**

No review of the SIP was undertaken during the Trust Year. The SIP was formally reviewed after Trust Year end in December 2023.

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

No changes were made to the voting and engagement policies in the SIP during the Trust Year. These policies were formally reviewed post Trust Year end in December 2023.

The Trustee has, in its opinion, followed the Trust’s voting and engagement policies during the Trust Year.

## 2. Investment Objectives

### Defined Benefit (“DB”) Sections

Policy stated in SIP	Comment on Trustee's compliance
<i>“The Trustee's objective is to invest the assets of the Trust prudently to ensure that the benefits promised to members are provided.”</i>	<p>The Trustee regularly monitors the Schemes’ cashflow requirements. A forward-looking review of liquidity requirements took place in August 2021, performed by its investment adviser (LCP) with input from the Schemes’ Administrator. Since then, cashflow needs have been managed using the agreed approach, and all cashflow requirements have been met during the Trust Year. This cashflow policy is periodically reviewed to ensure it remains appropriate.</p> <p>The Trustee receives ongoing advice from LCP on the Schemes’ investment strategies and journey plan progress to ensure that they remain appropriate, including ensuring sufficient expected asset returns and sufficient liquidity to meet member benefits.</p>
<i>“The overall aim is to reach and maintain a position where sufficient assets are held to cover all liabilities plus an additional reserve for unforeseen events such as improvements in mortality, and to have a contribution rate which the UK sponsoring employers (including the Principal Employer, TUI UK Limited) and TUI AG as guarantor (the “TUI Group”), can sustain.”</i>	<p>The Trustee receives quarterly performance monitoring reports from LCP that monitor the Schemes’ funding position, and periodical updates from its Actuary.</p> <p>An appropriate contribution rate has been agreed with the TUI Group and is periodically reviewed and was updated in February 2021 (TUI UK and BAL) and October 2021 (TAPS only) following the latest actuarial valuation results.</p> <p>The DB liabilities of TAPS were insured in full through the purchase of a bulk annuity (“buy-in”) policy with Legal &amp; General (“L&amp;G”) in April 2021, meaning payment of benefit payments for insured members is no longer reliant on the investment performance of the TAPS’ assets and continuing financial support of the TUI Group.</p> <p>As at 30 September 2023, BAL was fully funded on a Technical Provisions basis, noting that a proportion of its pensioner payments were also insured through the purchase of a buy-in policy with L&amp;G in April 2021. The TUI UK Scheme was below full funding on a Technical Provisions basis but has a plan in place to reach full funding on the Technical Provisions basis.</p>

## Additional Voluntary Contributions (“AVCs”) & Defined Contribution (“DC”) Sections

Policy stated in SIP	Comment on Trustee's compliance
<p><i>“For BAL and TUI UK, which are both closed to DC contributions, the main default strategy (ie the strategy in which members’ DC benefits should be invested if they have not made an active investment choice) is the Flexible Income Lifestyle Strategy. The Trustee's objectives for the main default strategy are as follows:</i></p> <ul style="list-style-type: none"> <li><i>• aim for significant long-term real growth while members are further away from retirement.</i></li> <li><i>• manage down volatility in fund values as members near retirement.</i></li> <li><i>• target an end point portfolio that is appropriate and consistent with members using their accumulated pot to fund their retirement via flexi-access drawdown.</i></li> </ul> <p><i>Taken together, the objectives and policies the Trustee has adopted in respect of the main default strategy, and following analysis of the membership, are expected to meet the needs of members, by providing the following:</i></p> <ul style="list-style-type: none"> <li><i>• The opportunity to increase the value of their benefits with investment growth.</i></li> <li><i>• An investment which manages risk in an appropriate and considered way.</i></li> <li><i>• A portfolio commensurate with how members may take their benefits when they retire.”</i></li> </ul>	<p>As part of the performance and strategy review of the DC default arrangement in November 2022 the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Trust.</p> <p>Based on the outcome of this analysis, the Trustee concluded that the default arrangement has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members. As part of this review, the Trustee did identify some members in the Flexible Income Lifestyle, the default, who may be more suited to the Lump Sum Lifestyle based on what they are most likely to choose to do at retirement given their smaller pot sizes.</p> <p>The Trustee also provides members with access to a range of investment options which it believes are suitable for this purpose and enables appropriate diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes as set out in the DC Section of the Investment Policy Implementation Document.</p> <p>The Trustee reviews changes in member choices, behaviours and trends as part of the strategy review using administration reports. Over the Trust Year there were no material changes.</p>

### 3. Investment strategy

#### Defined Benefit (“DB”) Sections

Policy stated in SIP	Comment on Trustee's compliance
<p><i>In April 2021, the Trustee entered into two bulk annuity policies (also known as buy-ins) in respect of a portion of the BAL Scheme's pensioner liabilities and all of the TAPS Scheme's liabilities. These bulk annuity policies will either partially (for the BAL Scheme) or wholly (for the TAPS Scheme) meet the cashflows due from these two Schemes to members.</i></p> <p><i>The Trustee considers the non-insured assets of each Scheme as two portfolios:</i></p> <ul style="list-style-type: none"> <li><i>The Growth Portfolio which has the objective of improving the funding position of each Scheme. It comprises a portfolio of credit and debt-based investments, real estate and alternative assets such as insurance-linked securities (with the latter having final redemption proceeds paid back over time).</i></li> <li><i>The Matching Portfolio which has the objective of providing investment performance which broadly follows the movements in the value of each Scheme's liabilities (excluding the liabilities insured by the buy in policy for the BAL Scheme). It comprises a bespoke Liability Driven Investment (“LDI”) portfolio (predominantly of fixed and index-linked gilts, gilt repurchase agreements, interest rate and inflation swaps) and buy and maintain credit exposure which when combined have interest rate and inflation exposure characteristics which are broadly similar in nature to the liabilities of each Scheme over the long term. The allocation to the LDI Portfolio will be determined by the collateral required to support the interest rate and inflation hedge.</i></li> </ul> <p><i>The Trustee continues to consider additional de-risking strategies as the funding level improves.</i></p> <p><i>The non-insured assets for the TAPS Scheme are held in cash as future payments from this Scheme are expected to take place in the near term.</i></p>	<p>As at 30 September 2023, the BAL Scheme's non-insured assets and the TUI UK Scheme's assets were invested in line with as described in the SIP:</p> <ul style="list-style-type: none"> <li>a Growth Portfolio, comprising units in the TUI GUPT Secure Income Common Investment Fund (“CIF”), which invests in credit and debt-based instruments; and</li> <li>a Matching Portfolio, comprising LDI and buy and maintain credit assets, to hedge the Schemes' interest rate and inflation liability risks.</li> </ul> <p>The Trustee, advised by LCP, reviewed the role of the CIF within the BAL and TUI UK Scheme's investment strategies. Following this, to enable each Scheme to have greater flexibility to change its investment strategy to suit its own requirements, the Schemes' investment strategies were changed as set out below:</p> <ul style="list-style-type: none"> <li>five semi-illiquid funds previously held in the CIF were re-registered so to be held directly by the TUI UK and BAL Schemes; and</li> <li>BAL's holdings in two of the five semi-illiquid funds were fully redeemed in line with the Scheme's objectives.</li> </ul> <p>The BAL and TUI UK Schemes' matching portfolios are estimated to have had interest rate and inflation exposure characteristics which were broadly similar in nature to the liability benchmarks of each Scheme (non-insured only for the BAL Scheme) that were in effect over the reporting period. The TUI UK Scheme disinvested the majority of its Invesco buy &amp; maintain corporate bond portfolio in October 2022 and transferred the assets into the LDI mandate.</p> <p>As at 30 September 2023, the TAPS Scheme's non-insured assets were held in a liquidity fund (cash equivalents) and cash, consistent with the policy in the SIP.</p>

## AVCs & DC Sections

Policy stated in SIP	Comment on Trustee's compliance
<p><i>“For the AVC and DC Sections, the Trustee has made available a range of investment funds for members.”</i></p> <p><i>“The Trustee has identified that the BlackRock Aquila Market Advantage Fund is considered to be an additional default arrangement for governance purposes and must meet the charge cap restrictions. This is as a result of a bulk transfer of assets without member consent on 24 June 2019, where assets were transitioned into this fund from the Standard Life Global Absolute Return Strategies Fund. This fund is a significant part of the main default strategy, and so is regularly reviewed alongside any review of the main default strategy.”</i></p>	<p>The Trustee has made available alternative lifestyle strategies (targeting a cash lump sum and annuity purchase) and a self-select fund range to members covering all major asset classes as set out in the DC Section of the Investment Policy Implementation Document. The Trustee believes the range of investment options which it provides enable appropriate diversification.</p> <p>The performance of the BlackRock Aquila Market Advantage Fund as well as other investment options available to members, and the default arrangement, are reviewed in the quarterly reports the Trustee receives from LCP.</p>
<p><i>“The Trustee will review the default strategies and investment options at least every three years and as soon as practicable after any significant change in legislation, investment policy, or the demographic profile of relevant members.”</i></p>	<p>The Trustee, with the help of its advisers and in consultation with the sponsoring employers, reviewed the strategy and performance of the default arrangement over the Trust Year on 7 December 2022.</p> <p>As a result of this review, the Trustee analysed:</p> <ul style="list-style-type: none"><li>• whether some members given small pot sizes would be better suited to the alternative lifestyle targeting cash;</li><li>• how to better integrate ESG into the default through the use of the low carbon fund; and</li><li>• replacing the current diversified growth fund (“DGF”) with more passive DGF, with long term strategic diverse allocations.</li></ul> <p>As part of this review the Trustee also made sure the Trust's default arrangement was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.</p>
<p><i>“The Trustee will also monitor the relevant members’ behaviour to check whether assumptions made about how members will access their benefits are borne out in practice.”</i></p>	<p>The Trustee also reviewed retirement data as part of the performance and strategy review of the DC default arrangement, looking at what age they accessed them versus when they said they would. The Trustee noted that 71% of members who retired over the year to 30 September 2022 took their benefits earlier than their target retirement age, and noted an action to communicate to members about ensuring the target retirement age reflects their intentions.</p>

#### 4. Considerations in setting the investment arrangements

Policy stated in SIP	Comment on Trustee's compliance
<p><i>"When deciding how to invest the Trust's assets, the Trustee considers several risks, including, but not limited to, those set out in Appendix 2 of the SIP."</i></p> <p><i>"The Trustee considered a wide range of asset classes for investment, taking account of the expected returns and key individual risks associated with those asset classes as well as how these risks can be mitigated where appropriate..."</i></p>	<p><b>DB Section:</b> When the Trustee reviewed BAL and TUI UK's investment strategies during the Trust Year, it considered the investment risks set out in Appendix 2 of the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.</p> <p><b>AVCs and DC Sections:</b> Return and risk of the default strategy and performance of the self-select funds were reviewed during the Trust Year as part of quarterly investment reports produced by the Trustee's investment consultants. When the Trustee undertook a performance and strategy review of the DC default arrangement in December 2022, it considered the investment risks set out in the SIP. It also 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.</p>

#### 5. Implementation of the investment arrangements

Policy stated in SIP	Comment on Trustee's compliance
<p><i>"Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments."</i></p>	<p><b>DB section:</b> Before the re-registration of five semi-illiquid funds held by the CIF to the TUI UK and BAL Schemes, the Trustee received proper written investment advice from LCP, its investment adviser, confirming the suitability of the re-registration. There were no new manager arrangements in the DB section over the Trust Year.</p> <p><b>DC section:</b> The Trustee has not made any changes to their manager arrangements in the DC section over the Trust Year.</p>

## Policy stated in SIP

*“It is the Trustee’s responsibility to ensure that the managers’ investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies.*

*The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.”*

## Comment on Trustee’s compliance

The Trustee's investment adviser, LCP, monitors the investment managers on an ongoing basis, which includes regular research meetings with the managers. LCP monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of with regard to the Trust's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process, approach to responsible investment and stewardship, or key staff changes for any of the funds the Schemes invest in, or any material change in the level of diversification in the fund.

Where appropriate the Trustee invites the Trust's investment managers to present at Trustee meetings. Over the period, the Trustee did not meet with any of its managers.

The Trustee was comfortable with all of its investment manager arrangements over the Trust Year.

*“The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well as the role it plays in helping the Trust meets its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.”*

The Trustee monitors the performance of the Trust's investment managers on a quarterly basis, using performance monitoring reports provided by LCP. The report shows the performance of each manager over various periods. Performance is considered in the context of the manager's benchmark and objectives.

The quarterly DC investment reports received by the Trustee during the Trust Year show that all the Trust's managers have produced performance broadly in line with expectations over the long-term given recent market conditions, with the exception of the BlackRock Market Advantage Fund. The BlackRock Market Advantage Fund was formally reviewed as part of the triennial strategy review.

For the DC and AVC Sections the Trustee's advisers carried out a value for members assessment, which confirmed to the Trustee that overall members were receiving good value for money. The review covered a range of factors, including the fees payable to managers; the fees were found to be reasonable when compared against schemes with similar sized mandates.

## 6. Realisation of investments

Policy stated in SIP	Comment on Trustee's compliance
<p><i>“For the DB Sections, when appropriate, the Trustee, on the administrators’ recommendation, decides on the amount of cash required for benefit payments and other outgoings and informs the investment managers of any liquidity requirements. The Trustee’s preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid (eg property).”</i></p>	<p>During the Trust Year the Trustee received recommendations from Equiniti, the Trust’s administrator, on the amount of cash required for benefit payments and other outgoings. The Trustee subsequently informed the investment managers of its’ liquidity requirements. The Trustee holds a portfolio which allocates to both liquid and illiquid assets.</p> <p>The Trustee receives income from the underlying assets in the CIF, which is retained in a cash fund managed by the Trust’s custodian, Northern Trust and used to help meeting cashflow payments. If there is excess cash the Trustee receives advice from its investment adviser on appropriate investments for the excess cash.</p>
<p><i>“For the AVC and DC Sections, the Trustee’s policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments.”</i></p>	<p>All of the AVC and DC Section funds which the Trustee made available to members during the Trust Year are daily priced.</p>

## 7. Financially material considerations and non-financial matters

Policy stated in SIP	Comment on Trustee's compliance
<p><i>“The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice.</i></p> <p><i>The Trustee has limited influence over managers’ investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.”</i></p>	<p>As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.</p> <p>In September 2023, the Trustee reviewed LCP’s responsible investment (RI) scores for the Trust’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager’s approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme, and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2022. The Trustee reviews LCP’s RI scores approximately every two years.</p> <p>The Trustee receives ad hoc updates on ESG and Stewardship related issues from its investment adviser.</p>
<p><i>“The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments. Within the AVC and DC Sections the Trustee recognises that some members may wish for ethical or other non-financial matters to be taken into account in their investments”</i></p>	<p>Within the DC Section the Trustee recognises that some members may wish for ethical matters or other non-financial matters to be taken into account in their investments and therefore it has made available the Vanguard ESG Developed World All Cap Equity Index Pension Fund and HSBC Islamic Global Equity Index Pension Fund as investment options for members.</p>

## 8. Voting and engagement

Policy stated in SIP	Comment on Trustee's compliance
<p><i>“The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.</i></p> <p><i>The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers’ general policies on stewardship, as provided to the Trustee from time to time, considering the long-term financial interests of the beneficiaries. The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.”</i></p>	<p>The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement.</p> <p>The Trustee takes ownership of the Trust's stewardship by monitoring and engaging with managers.</p> <p>As part of its advice on the selection and ongoing review of the investment managers, the Trust's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.</p> <p>Following the introduction of DWP's Guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the March 2023 meeting, the Trustee discussed and agreed a stewardship priority for the Trust which was climate change.</p> <p>For the DB section, the Trustee undertakes a comprehensive review of managers' voting and engagement practices on a triannual basis. The review carried out as at November 2021 included the investment adviser's qualitative assessment for each manager and a summary of the managers' voting and engagement policies. The next review is due to be completed in late 2024.</p> <p>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.</p>

## 9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of the SIP)

Policy stated in SIP	Comment on Trustee's compliance
<i>"It is the Trustee's policy to assess the performance of the Trust's investments, investment providers and professional advisers from time to time. See Section 5 of the SIP. The Trustee will also periodically assess the effectiveness of its decision-making and investment governance processes and will decide how this may then be reported to members."</i>	<p>As mentioned in Section 5, the Trustee assesses the performance of the Schemes' investments on an ongoing basis as part of the quarterly monitoring reports it receives.</p> <p>The performance of the professional advisers is considered on an ongoing basis by the Trustee.</p> <p>The Trustee has put in place formal objectives for its investment adviser and will review the adviser's performance against these objectives on a regular basis.</p> <p>The Trustee carries out periodic reviews of its governance processes with regards to operational due diligence, pricing and dealing, voting and stewardship, and investment manager fees.</p>

## 10. Policy towards risk (Appendix 2 of the SIP)

<i>"When assessing the risk appetite and risk capacity, the Trustee considered a range of qualitative and quantitative factors" ... "The Trustee considers that there are several different types of investment risk that are important to manage and monitor."</i>	<p>Risks are monitored on an ongoing basis with the help of the investment adviser.</p> <p>The Trustee maintains a risk register, and this is discussed at quarterly meetings. The risk register incorporates climate risks, as the Trustee believes that climate change is a financially material systemic issue that presents risks and opportunities for the Schemes.</p> <p>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 Trustee's investment adviser or information provided to the Trustee by the Trust's investment managers. These risks are listed with further detail under Appendix 2 of the SIP.</p>
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*“For the DB Sections, a key objective of the Trustee is that, over the long-term, the Trust should generate its target return so that it has adequate assets to meet its liabilities as they fall due. The Trustee therefore invests the assets of the Trust to produce a sufficient long-term return in excess of the liabilities. There is also a risk that the performance of the Trust’s assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been considered in setting the investment strategy and is monitored by the Trustee on a regular basis.*

*In the AVC and DC Sections, as members’ benefits are dependent on the investment returns achieved, it is important that investment options are available which can be expected to produce adequate real returns over the longer term. Accordingly, equity and equity-based funds, which are expected to provide positive returns above inflation over the long term, have been made available to members and feature in the growth phase of the main default strategy. To reduce the chance of a sharp deterioration in members’ benefits close to retirement, the Trustee has made the main default strategy a lifestyle strategy.”*

The Trustee regularly reviews the investment strategy of both the BAL and TUI UK Schemes, considering the expected return for each. The expected return was set at an appropriate level, providing a buffer above the required returns to reach a fully funded position on the respective target liability measures in the long-term.

The Trustee formally reviews the Schemes’ funding positions as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly – the position is reviewed on a quarterly basis at Trustee meetings and the Trustee Directors also have the ability to monitor this daily on LCP Visualise.

With regard to the risk of inadequate returns in the DC section, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the standard deviation and returns of the default strategy on a quarterly basis.

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## 11. Description of voting behaviour during the Trust 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 Trust Year. However, the Trustee monitors managers’ voting and engagement behaviour and challenges managers where their activity has not been in line with the Trustee’s expectations.

In this section we have 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 Trust’s funds that hold listed equities. For the DC Section specifically we have included only the funds with equity holdings used in the default strategy given the high proportion of DC Section assets invested in these funds. We have not included any standalone self-select funds.

### **AVC and DC Sections:**

- BlackRock Market Advantage Pension Fund
- BlackRock ACS World Multifactor Equity Tracker Pension Fund
- Standard Life World Ex UK (BlackRock) Pension Fund

In addition to the above, the Trustee contacted the Trust’s asset managers that do not hold listed equities, to ask if any of the assets held by the Trust had voting opportunities over the Trust Year. Commentary provided from these managers is set out in Section 11.4.

## 11.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. For DB section, the Trustee reviews these policies once every three years, with the next review to be completed over the next Trust Year.

### **BlackRock Investment Management (UK) Limited (“BlackRock”)**

Voting decisions are made by members of the BlackRock Investment Stewardship (“BIS”) team with input from the wider investment team as required, in accordance with BlackRock’s Global Corporate Governance and Engagement Principles and custom market-specific voting guidelines.

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

BlackRock aims to vote at all shareholder meetings of companies in which their clients are invested. In certain markets, there might be regulatory constraints or operational issues which can affect BlackRock’s ability to vote on certain proxies, as well as the desirability of doing so. They do not support impediments to the exercise of voting rights and will engage regulators and companies about the need to remedy any constraint. Where they experience impediments in relation to a specific shareholder meeting, they will review the resolutions to assess whether the business under consideration warrants voting despite the complications caused by the impediment.

BlackRock will vote in favour of proposals where they support the approach taken by a company’s management or where they have engaged on matters of concern and anticipate management will address them. BlackRock will vote against management proposals where they believe the board or management may not have adequately acted to advance the interests of long-term investors. BlackRock ordinarily refrains from abstaining from both management and shareholder proposals unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management. This may be appropriate where there is a lack of disclosure regarding the proposal to be voted on, or an abstention is the only way to implement its voting intention.

BIS prioritises work around themes that they believe will encourage sound governance practices and deliver sustainable long-term financial performance. Their year-round engagement with clients to understand their priorities and expectations, as well as their active participation in market-wide policy debates, helps to inform these themes. The themes BlackRock has identified in turn shapes their Global Principles and market-specific Voting Guidelines and Engagement Priorities, which form the benchmark against which they look at the sustainable long-term financial performance of investee companies.

Whilst BlackRock does subscribe to research from the proxy advisory firms, ISS and Glass Lewis, this is just one among many inputs into their voting decision process. BlackRock primarily uses proxy research firms to transform corporate governance information and analysis into a concise, easily reviewable format so that BIS’s analysts can readily identify and prioritise those companies where their 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), their engagement and voting history with the company, the views of their active investors, public information, and ESG research.

### **Standard Life**

As the Standard Life World Ex UK (BlackRock) Pension Fund invests solely in underlying BlackRock funds for the DC Sections, BlackRock is responsible for the provision of the voting data. As such, the voting process described above for BlackRock is applicable.

## 11.2 Summary of voting behaviour

A summary of voting behaviour over the Trust Year is provided in the table below.

	DC Fund 1	DC Fund 2	DC Fund 3
Manager name	BlackRock	Standard Life	BlackRock
Fund name	ACS World Multifactor Equity Tracker Fund	World Ex UK Equity (BlackRock) Pension Fund*	Market Advantage Pension Fund

Total size of fund at end of the Trust Year	£223.1m	£26.2m	£474.0m
Value of Trust assets at end of the Trust Year (£ / % of total assets)	£9.0m	£9.0m	£9.9m
Number of equity holdings at end of the Trust Year	467	2,329	1,717
Number of meetings eligible to vote	469	2,444	1,418
Number of resolutions eligible to vote	6,692	30,077	15,741
% of resolutions voted	97	93	91
Of the resolutions on which voted, % voted with management	95	93	91
Of the resolutions on which voted, % voted against management	4	7	8
Of the resolutions on which voted, % abstained from voting	0	0	1
Of the meetings in which the manager voted, % with at least one vote against management	23	31	35
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0	0	0

\*The Standard Life Fund is made up of 4 underlying BlackRock funds; iShares Pacific ex Japan Equity Index Pension Fund, iShares North American Equity Index Pension Fund, iShares Continental European Equity Index Pension Fund and iShares Japan Equity Index Pension Fund.

### 11.3 Most significant votes

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

The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. 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 most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria<sup>1</sup> for creating this shortlist.

The Trustee has interpreted most "significant votes" to mean those that align with the Trustee's stewardship priorities.

The Trustee has reported on a maximum of two of these significant votes per fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

<sup>1</sup> [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

## AVC and DC Sections

### BlackRock

BlackRock has deemed a vote significant where:

- The voting relates to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance.
- The issues involved are high-profile and therefore of interest to its clients and other stakeholders, and potentially represent a material risk to the investment.

As Standard Life Fund invests in four underlying BlackRock funds, the most significant votes are provided by BlackRock and therefore will follow the same criteria. There were no significant votes for the iShares Pacific ex Japan Equity Index Pension Fund.

<b>Fund Name</b>	BlackRock ACS World Multifactor Equity Tracker Fund	
<b>Company name</b>	Exxon Mobil Corporation	
<b>Date of vote</b>	31 May 2023	
<b>Size of holding as at the date of vote</b>	2.6%	
<b>Summary of the resolutions</b>	Report on Methane Emission Disclosure Reliability	Adopt Medium-Term Scope 3 Greenhouse Gas Reduction Target
<b>Company management recommendation</b>	Against	Against
<b>Fund manager vote</b>	Against	Against
<b>Rationale for the voting decision</b>	BIS did not support this shareholder proposal because, in their assessment, Exxon has provided sufficient disclosures on both their approach to methane emissions abatement as well as how they are working to accurately measure and monitor methane emissions.	BIS did not support this shareholder proposal because, in their view, the methodology for setting scope 3 targets in carbon intensive industries is still under development. Until there is a common framework for managing the related uncertainty and complexity, they look to company management to determine the appropriate disclosures to help investors understand their approach. Further, complying with the specific ask of the shareholder proposal may be unduly constraining on management and the board's ability to set the company's long-term business strategy.
<b>Was the vote communicated to the company ahead of the vote</b>	N/A	N/A
<b>Criteria for selecting this vote as "most significant"</b>	Climate change is one of the Trustee's stewardship priorities.	Climate change is one of the Trustee's stewardship priorities.
<b>Outcome of the vote</b>	Fail	Fail

<b>Fund Name</b>	Standard Life World Ex UK Equity (BlackRock) Pension Fund	
<b>Underlying Fund</b>	iShares Pacific ex Japan Equity Index Fund	iShares North American Equity Index Fund
<b>Company name</b>	Techtronic Industries Co., Ltd.*	Chevron Corporation
<b>Date of vote</b>	12 May 2023	31 May 2023
<b>Size of holding as at the date of vote</b>	0.3%	0.8%
<b>Summary of the resolutions</b>	Approve the Amendments to Share Award Scheme	Rescind Scope 3 GHG Reduction Proposal
<b>Company management recommendation</b>	For	Against
<b>Fund manager vote</b>	Against	Against
<b>Rationale for the voting decision</b>	BIS did not support the proposed amendments to the share award scheme and the share option scheme as, in their view, the amendments are not in shareholders' long-term financial interests given they allow for providing options to service providers and have relatively short vesting periods.	BIS did not support this shareholder proposal because the company has already taken actions that address the proponent's request given that they incorporate scope 3 emissions into their Portfolio Carbon Intensity metric. Further, complying with the specific ask of the shareholder proposal may be unduly constraining on management's ability to set the company's long-term business strategy.
<b>Was the vote communicated to the company ahead of the vote (if against management)</b>	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.	N/A
<b>Criteria for selecting this vote as "most significant"</b>	There were no significant votes that related to the Trustee's stewardship priority. We have, therefore, chosen votes where the fund manager voted against the company management recommendation.	Climate change is one of the Trustee's stewardship priorities.
<b>Outcome of the vote</b>	Pass	Fail

\*This vote also applies to the BlackRock Market Advantage Fund.

<b>Fund Name</b>	Standard Life World Ex UK Equity (BlackRock) Pension Fund
<b>Underlying Fund</b>	iShares Continental European Equity Index Fund
<b>Company name</b>	Siemens AG*
<b>Date of vote</b>	9 February 2023
<b>Size of holding as at the date of vote</b>	1.7%
<b>Summary of the resolutions</b>	Approve Virtual-Only Shareholder Meetings Until 2025
<b>Company management recommendation</b>	For
<b>Fund manager vote</b>	For
<b>Rationale for the voting decision</b>	The company identified several benefits to holding a virtual AGM, including cost and resource efficiency; the potential to enable greater access for participants; and the potential avoidance of corporate carbon emissions in connection with director and executive travel. For these reasons, BIS believed it was in the best financial interests of their clients to support these management proposals.
<b>Was the vote communicated to the company ahead of the vote (if against management)</b>	N/A
<b>Criteria for selecting this vote as “most significant”</b>	Climate change is one of the Trustee's stewardship priorities.
<b>Outcome of the vote</b>	Pass

\*This vote also applies to the BlackRock Market Advantage Fund.

<b>Fund Name</b>	BlackRock Market Advantage Pension Fund
<b>Company name</b>	BE Semiconductor Industries NV
<b>Date of vote</b>	26 April 2023
<b>Size of holding as at the date of vote</b>	0.02%
<b>Summary of the resolutions</b>	Advisory vote on the Remuneration Report 2022
<b>Company management recommendation</b>	For
<b>Fund manager vote</b>	Against
<b>Rationale for the voting decision</b>	BIS did not support the 2022 remuneration report over their concerns about several structural issues, mainly related to the board's use of discretionary awards and metrics that, in their view, were not sufficiently stretching.
<b>Was the vote communicated to the company ahead of the vote (if against management)</b>	BlackRock endeavour to communicate to companies when they intend to vote against management, either before or just after casting votes in advance of the shareholder meeting.
<b>Criteria for selecting this vote as "most significant"</b>	There were no significant votes that related to the Trustee's stewardship priority. We have therefore chosen votes where the fund manager voted against the company management recommendation.
<b>Outcome of the vote</b>	Fail

#### 11.4 Votes in relation to assets other than listed equity

The Trustee also requested comments for the non-equity funds within the DB section investment strategy. None of the DB section's investment managers were presented with any voting opportunities over the Trust Year.