Voca Final Salary Scheme

IMPLEMENTATION STATEMENT

6 April 2023 – 5 April 2024

Voca Final Salary Scheme

Private and Confidential

Introduction / Summary

This Statement of Investment Principles ("SIP") Implementation Statement ("the Statement") has been prepared by the Trustee Board ("the Trustee") of the Voca Final Salary Scheme ("the Scheme"). It covers the period from 6th April 2023 to 5th April 2024.

The regulations require the Trustee to produce an annual Statement setting out how voting and engagement policies in the SIP have been implemented during the Scheme's financial year. This Statement also includes a summary of updates to the SIP over the reporting period.

From 1 October 2022, further Department of Work and Pensions ('DWP') guidance on the reporting of stewardship activities through Implementation Statements came into effect. This statement aims to consider this guidance as the Trustee moves towards meeting the DWP's updated stewardship expectations.

Changes to the SIP over the period

The SIP was updated in June 2023. This review focused on minor updates to wording regarding the investment policy of the Trustee as well as descriptions of risk measurements and controls. The Trustee has made informed strategic investment decisions in accordance with its rights and responsibilities to enable the achievement of the Trustee's long-term investment objectives as set out in the SIP. The Scheme's SIP can be found here.

The Trustee's monitoring of portfolio transaction costs and turnover

The Trustee reviews the portfolio transaction costs and turnover of managers where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations. The Trustee is satisfied that the portfolio transaction costs incurred during the period were appropriate given the individual nature of each mandate.

The Trustee's Stewardship Policy

The Trustee understands good stewardship to be the responsible allocation, management, and oversight of capital to enhance the security of member benefits via improved long-term performance of our assets, leading to sustainable benefits for the economy, the environment and society.

The Trustee will aim to use its influence as an asset owner to ensure that best practices are reflected in terms of environmental, social and governance ("ESG") factors, and will hold the Scheme's investment managers to account for the effective use of their influence as owners of assets.

The Trustee's policy in relation to engagement and monitoring:

The Trustee expects investment managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Scheme's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations.

The Trustee recognises that there is no 'one-size-fits-all' stewardship approach. Instead, the managers are encouraged to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies. This can be based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. The Trustee expects manager engagement with companies to be underpinned by engagement on public policy matters where relevant. The investment managers are expected to track these assessments and progress in stewardship over time, to maintain continuity of activity, and to assess the effectiveness of stewardship delivery. The Trustee will challenge its investment managers when their engagements are deemed to be of deficient quality.

In order to drive corporate change, and where initial engagement has made little progress, the Trustee expects its investment managers to escalate engagement accordingly. The managers are given discretion over the appropriate tools to deploy and are expected to communicate with issuers' management teams. Should there still be little progress made after escalation, the managers are expected to consider disinvestment as a final course of action.

The Trustee's policy in relation to voting rights:

The Trustee expects its managers to use as appropriate all the tools arising from their investments, including the rights and responsibilities associated with the instruments or other assets in which they invest.

Whereas voting responsibilities are outsourced to the investment managers, the Trustee recognises that it has a fiduciary and regulatory responsibility to retain agency in the process. Investment manager oversight is the key mechanism for this and, working with the Scheme's investment advisors, the Trustee therefore holds its managers accountable not only for voting activity as a whole, but also how they have voted in significant votes. It is the Trustee's responsibility to define the significance of votes placed on its behalf, and to be transparent with stakeholders and beneficiaries regarding outcomes.

Significant votes have been defined as votes which meet one or more of the following criteria:

- *Votes relating to our key stewardship theme of climate change;*
- *Votes relating to an issuer to which the Scheme has a large £ exposure;*
- *Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendations.*

Cognisant of the DWP's updated guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, the Trustee reviewed its previous policy and has made updates to bring it more in-line with recent guidance.

How have the Trustee's voting and engagement (stewardship) policies been followed?

The Trustee received regular updates from their investment advisor on the investment managers' performance. This included notifications of any change to the investment advisor's overall rating of the managers which incorporate ESG and Stewardship considerations.

The advisor's ESG and Stewardship assessment considers both portfolio-level and firm-level factors that allow them to complete a holistic assessment of the Scheme's managers' commitment to effectively integrate ESG considerations into their mandates for the benefit of the Scheme.

All of the investment managers of the Scheme are signatories of the UN PRI. Signatories to the UN PRI have made a public commitment to responsible investment and to build a more sustainable financial system. Signatories must annually produce a report against the UN PRI's assessment framework.

The use of voting rights is most likely to be financially material in the sections of the portfolios where physical equities are held. Financially material considerations include (but are not limited to) those arising from ESG including climate change considerations.

Given some of the Scheme's assets are invested with investment managers that hold gilts, derivative instruments, private assets, corporate bonds and other credit assets in their portfolios, voting is only relevant to the BlackRock Aquila Life Currency Hedged MSCI World Index Fund. As these investments are made via pooled funds, the investment manager is responsible for voting and engagement on the underlying assets rather than the Trustee, limiting the Trustee's ability to influence shareholder voting activity.

Looking ahead

It is the Trustee's belief that the policies set out in the SIP regarding the exercise of rights attaching to investments and the undertaking of engagement activities in respect of the investments has been followed over the reporting period.

Over 2024 the Trustee plans to continue to align the Scheme with the DWP's expectations on stewardship and take more ownership of stewardship, as the guidance expects. Any changes to the Trustee's approach will be taken with regard to the Scheme's governance constraints and in the best interests of the Scheme's members.

Appendix A – Engagement Examples

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments and is not restricted to equity investments. With this in mind, below are three examples of engagement within the credit and property asset classes.

RLAM – Direct Engagement – Credit

Company/Asset: HSBC Bank

Focus of the engagement: RLAM undertook a review of HSBC's draft Net Zero Transition Plan with the purpose of providing feedback.

Details of the engagement: During a feedback session with HSBC's Chief Sustainability Officer, the company highlighted its commitment to decarbonising the real economy, particularly in developing markets. The Net Zero Transition Plan, informed by GFANZ and TPT, sets a strategic vision for sector-specific transitions and provides an actionable plan. The plan details a sectoral approach based on global financing needs, and outlines HSBC's strategies to support decarbonisation and leverage financing opportunities.

Outcome of the engagement: The plan emphasises a fair and inclusive transition, with ongoing efforts to integrate just transition principles. RLAM found the plan to be sufficient and will continue to engage with HSBC, placing particular emphasis on the operationalisation of their commitment to a just transition.

TwentyFour – Direct Engagement – Credit

Company/Asset: Lloyds Bank

Focus of the engagement: RLAM initiated engagement with Lloyds as part of their Carbon Emissions Engagement Policy. The focus was on Lloyds' efforts to reduce scope 3 emissions in line with their broader environmental policy as relates to their residential mortgages, aligning with the SDG Climate Action goal.

Details of the engagement: During the engagement, Lloyds provided information on their initiatives aimed at reducing scope 3 financed emissions and the carbon intensity of their residential mortgages. Lloyds were able to reference initiatives focused on customer energy usage education, 'green' products available for energy efficient homes as well its partnership with Octopus Energy to provide financing for electric heat pumps and their role as part of several industry initiatives to incentivise energy improvements.

Outcome of the engagement: RLAM found the engagement to have achieved its stated objective and will continue to monitor Lloyds' progress on emissions disclosures and carbon emission reduction targets across the mortgage book and the wider lending division.

Schroders – Direct Engagement – Property

Company/Asset: All Occupiers

Focus of the engagement: Reducing operational emissions through collaborative efforts with tenants will determine the success of this initiative.

Details of the Engagement: Distribution of the inaugural sustainability newsletter to all tenants towards the end of 2023 and carrying out the first phase of Net Zero Carbon ("NZC") audits across the fund.

Outcome of the engagement: Continuity of clear communication and collaboration will improve the effectiveness of SCREF NZC strategy, and, combined with the NZC audits, provide a basis for assisting occupiers with recommendations to increase operational efficiency with regards to emissions and maximizing progress through landlord works.

Appendix B - Summary of Voting Over the Period

Over the Scheme year, voting activity by BlackRock was undertaken with due consideration to investors' best interests on a fund-wide basis and in accordance with the voting procedures set out in the manager's voting policy.

A summary of voting activities conducted by BlackRock on behalf of the Scheme is provided in the tables below. This covers the period 1st April 2023 to 31st March 2024.

Voting Criteria	BlackRock
No of meetings eligible to vote during the period	**1,003**
No of resolutions eligible to vote during the period	**15,204**
% of resolutions voted	**98% | 14, 925 proposals**
% of resolutions voted with management	**94% | 14,106 proposals***
% of resolutions voted against management	**5% | 819 proposals***
% of resolutions abstained	**0% | 93 proposals***
% of meetings with at least one vote against management	**32% | 322 meetings**
% of resolutions which you voted contrary to the recommendation of your proxy advisor?	**0% | 67 proposals**

*Figures may not total 100% due to various reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

Significant votes

The table below provides three examples of a significant vote for BlackRock. These votes have been selected as examples as climate change is considered a key theme for the Trustee. In practice, the manager votes on a wider range of topics than the examples listed below. The Trustee observed that BlackRock voted against a number of climate-related resolutions over the period. The Trustee, through their advisor, continues to challenge BlackRock on this issue.

	Vote 1	Vote 2	Vote 3
Company Name	Imperial Oil Limited	Shell Plc	Glencore Plc
Date of vote	02 May 2023	23 May 2023	26 May 2023
Summary of the resolution	SP2: Report on the Impact of the Energy Transition on Asset Retirement Obligations	Request Shell to Align its Existing 2030 Reduction Target Covering GHG Emissions on the use of its Energy products (Scope 3) with the Goal of the Paris Climate Agreement	Approve the 2022 Climate Report
BlackRock's vote	BlackRock voted AGAINST the resolution	BlackRock voted AGAINST the resolution	BlackRock voted AGAINST the resolution
Outcome of the vote	Fail	Fail	Pass
Rationale for the voting decision	The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company	The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company	BlackRock Investment Stewardship team believe this proposal is not in the best interests of shareholders.