# LifeSight

# Implementation Statement

## For Scheme Year ending 5 April 2023

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# Section 1: Introduction and summary

This document is the Annual Implementation Statement ("the Statement") corresponding to LifeSight's Statement of Investment Principles ("SIP") covering the year from 6 April 2022 to 5 April 2023 ("the Scheme Year").

The purpose of this statement is to:

- Detail any reviews of the SIP the Trustee undertook during the Scheme Year, including the reasons for any changes made to the SIP over the year – see Section 2.
- Set out the extent to which, in the opinion of the Trustee, LifeSight's SIP was followed during the Scheme Year – see Section 3 – **in summary, we consider that all SIP policies and principles were adhered to over the Scheme Year**.
- Describe the voting behaviour by, or on behalf of, the Trustee over the Scheme Year – see Section 4.

LifeSight makes use of a wide range of investments; therefore the principles and policies in the SIP are intended to be applied in aggregate and proportionately, focusing on areas of maximum impact.

Investment responsibility for LifeSight rests with the Trustee who fully own the investment approach and its outcomes. However, in order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to make them effectively, the Trustee delegates some responsibilities to a range of service providers and holds them to account as detailed in this statement. In particular:

- The Trustee has appointed an Investment Consultant, Towers Watson Limited, to advise and assist the Trustee on all investment matters. The Investment Consultant's responsibilities are detailed further in the SIP.
- Legal & General Assurance (Pensions Management) Limited, ("LGIM") is the platform and insurance policy provider for LifeSight and is also the underlying investment manager for the vast majority of LifeSight's assets, the majority of which are managed on an index-tracking basis. The Trustee has appointed LGIM with an expectation of a long-term partnership and encourages LGIM to engage in active ownership of LifeSight's assets for the medium to long-term, which serves to align interests with the Trustee's policies.
- The Trustee has appointed a Fiduciary Manager, Towers Watson Limited, to manage the LifeSight Equity fund and LifeSight Diversified Growth fund (DGF), the "Delegated Funds". These two funds represent the majority of LifeSight's assets (with LGIM as the primary underlying investment manager), as they are the return-seeking components of the Default Lifecycle strategies as well as being available on a self-select basis. The Trustee has set the Fiduciary Manager specific objectives and parameters with respect to the Delegated Funds within a bespoke Fiduciary Management Agreement. The Fiduciary Manager has been appointed by the Trustee to manage a dynamic overlay around a number of the Spending Phase Strategies.
- LifeSight has appointed EOS at Federated Hermes ("EOS") as a specialist market-leading stewardship overlay provider for LifeSight Equity and DGF. This provides an additional level of stewardship and engagement (over and above that conducted by LGIM) in respect of the assets within these key Default building block funds.

The Trustee also has regard to its own Trustee Knowledge and Understanding (TKU) and conducted a number of bespoke TKU activities over the year with regard to investment matters, which are detailed in the Chair's Annual Governance Statement.

# Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated during the Scheme Year, with two relevant versions over the period:

1. March 2022 – this was the version in place at the start of the Scheme Year.
2. March 2023 – this was the version in place as at the end of the Scheme Year – Material changes to the SIP included:
    - Section 1: The regulations sub-section has been ‘freshened up’ under the guidance of LifeSight’s Head of Governance, Risk and Compliance.
    - Section 2: Updates to reflect the Fiduciary Management delegations around the Spending Phase strategies.
    - Section 3: Amendments to the Trustee’s objectives.
    - Section 5: Amendments to the Trustee policy on sustainable and responsible investment to reflect latest industry guidance and best practice.
    - Appendix B: Addition of a new appendix to include the Trustee’s Stewardship Policy, in line with latest industry guidance and best practice.

The March 2023 version is the version referenced in the remainder of this document.

# Section 3: Adherence to the SIP

LifeSight's SIP comprises the following sections:

- Section 1: Introduction
- Section 2: Division of Responsibilities
- Section 3: Objectives and Investment Strategies
- Section 4: Investment Manager Arrangements
- Section 5: Sustainable and Responsible Investment
- Section 6: Other Investment Policies
- Section 7: Risk Management
- Section 8: Compliance with and Review of this statement
- Appendices

## SIP Section 1: Introduction

1.1 – 1.14 – These paragraphs provide relevant introductory and background comments rather than setting out any policies.

## SIP Section 2: Division of Responsibilities

2.1 – 2.11 – These paragraphs set out the investment governance structure and responsibilities rather than setting out any policies.

## SIP Section 3: Objectives and Investment Strategies

3.1 – This paragraph is a background statement of fact.

3.2 – This paragraph acknowledges the importance of the link between investment, member engagement and member outcomes – the Trustee maintains a separate Member Engagement policy and monitors metrics on LifeSight's member engagement and activity on both a quarterly and annual basis.

3.3 – 3.17 – The Trustee scrutinised an annual review of investment performance and suitability of LifeSight's Defaults and other investments, and concluded that the investment range remained suitable, with reference to the following:

- **Annual 'Section 36'[1] advice**, which provided confirmation of ongoing suitability from a regulatory perspective.
- **Annual 'Security of assets' advice**, which provided assurance on the ongoing security of the underlying investments.
- **An annual 'Transaction cost assessment' report**, which provides an assessment of the transaction costs incurred for the four key building-block funds compared to those of other pension providers.
- **An annual 'Costs and charges' report**, which provides an assessment of service and product costs in relation to LifeSight's investments in the Core and Extended fund ranges.
- **Annual 'Value for Members' assessment**, which provided assurance on the ongoing appropriateness of charges relative to corresponding value.
- **Annual Default Fund Monitoring report** which provided an assessment of past performance and risk of the Medium Risk Drawdown lifecycle relative to competitor default investment strategies.
- **An annual review of the Core and Extended fund ranges**.
- **An annual sustainable investing review,** which covers the full spectrum of LifeSight's sustainable investment related activities, including reporting on the progress versus LifeSight's net zero target and carbon journey plan and in 2022 explicitly considereddeforestation.

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[1] Meeting the requirements of section 36 of the Pensions Act 1995

- **Semi-annual presentations from the Fiduciary Manager** regarding the performance of, and outlook for, the Delegated Funds, LifeSight Equity and DGF, including the integration of sustainable investment alongside other investment risk and return factors.
- **Quarterly investment monitoring reports from LGIM and the Trustee's Investment Consultant**, which provided detailed information on a range of qualitative and quantitative factors, including: market background, short and long-term performance, securities lending, a summary of voting and other stewardship activities by LGIM as the main underlying fund manager, and the stewardship activities of EOS as the specialist stewardship overlay provider.
- **Miscellaneous other updates during the Scheme Year**, which included updates and commentary on underlying manager exposure to Russia / Ukraine, the inflation / cost of living crisis, the UK government bond market crisis over September / October, and corresponding member impacts.
- **An annual member profiling review of the suitability of Defaults corresponding to different member cohorts** (member cohorts from all participating employers are reviewed on a rolling schedule such that each is reviewed at least every 3 years).

3.18 – The Trustee typically reviews LifeSight's Savings Phase Default / Lifecycle and Spending Phase investment strategies in detail triennially in conjunction with its Investment Consultant. In between triennial reviews, the Trustee conducts annual reviews to assess whether there is any reason to question the continued appropriateness of the strategies and bring forward the next detailed review. The last triennial review was conducted in the prior Scheme Year in September 2021.

3.19 – Through the LifeSight website members are able to access information regarding the risk and return of all available funds from the fund factsheets (and, where relevant, links within them to underlying sub-fund factsheets). In addition, an investment guide is also available to members. As mentioned above, the fund range is subject to regular reviews that assess ongoing suitability across a range of risk and return factors.

## SIP Section 4: Investment Manager Arrangements

4.1-4.3 & 4.6 – Over the Scheme Year, LifeSight's investment options comprised:

- Ten Savings Phase Lifecycles (available to members pre-retirement) and five Spending Phase Strategies (available to members post-retirement) based on 4 underlying Building-Block funds, 2 of which are Delegated Funds managed by the Fiduciary Manager.
- A Core Fund range of 26 self-select funds available to all members, including the 4 Building-Block funds. All but one of the funds underlying the Core Fund range are managed by LGIM, the policy provider.
- A wider Extended Fund range of c.55 additional self-select funds are made available for specific purposes and/or cohorts of members, approximately a third of which are managed by LGIM, with the others being managed by a range of different asset managers.

As mentioned in 3.18, the triennial investment strategy review of the Savings Phase Default / Lifecycle and Spending Phase investment strategies was carried out in the previous Scheme Year. As part of this the Trustee agreed changes to the existing post-retirement investment strategy options from three risk-graded options and an Annuity Matching Fund to five objective-focused options, including changes to the building block allocations within the post-retirement Annuity Matching Fund lifecycle strategy. These changes were implemented during the Scheme Year.

There were no significant changes over the Scheme Year to the four Building-Block funds, although the fund allocations within the two Delegated Funds were adjusted over the year by the Fiduciary Manager. .

No funds were added or removed from the Core fund range during the Scheme Year.

For the Extended Fund range:

- No funds were removed.
- The following funds were added: Prudential With Profits fund, Nelex Guaranteed Growth fund, Berenberg Managed Volatility Equity fund, Berenberg Limited Volatility Equity fund, Blended Flexible Portfolio.

4.4 – 4.5 – These two paragraphs are background statements of fact.

4.7 – LifeSight is invested wholly through an insurance company platform restricting the allowable liquidity, use of derivatives and leverage in the investment offering. Leverage can be used for risk management and currency hedging purposes within the LifeSight fund range.

4.8-4.9 – Within the Default Lifecycles (via the Building-Block funds) and Core fund range LifeSight makes use of and offers members access to the following funds:

| **Building-block funds** | **Investment approach** |
|---|---|
| LifeSight Equity | Smart beta, passive, active asset allocation |
| LifeSight Diversified Growth | Active, smart beta, passive, active asset allocation |
| LifeSight Bonds | Passive, active asset allocation |
| LifeSight Cash | Active |
| | |
| **Other self-select funds** | |
| UK Equity | Passive |
| Europe (ex UK) Equity | Passive |
| North America Equity | Passive |
| Asia Pacific (ex-Japan) Equity | Passive |
| Japan Equity | Passive |
| Developed Markets Equity – Unhedged | Passive |
| Developed Markets Equity – Hedged | Passive |
| Emerging Markets Equity | Passive |
| Global Equity ESG Smart Beta | Smart beta |
| Climate Focused Equity | Active, smart beta |
| Ethical Global Equity | Smart beta |
| Shariah Equity | Smart beta |
| Property | Active, passive |
| Global Property | Smart beta |
| Infrastructure Smart Beta | Smart beta |
| UK Corporate Bond | Passive |
| Global High Yield Bond | Active |
| Emerging Market Government Bond | Passive |
| Annuity Matching | Passive, active asset allocation |
| Inflation Linked Annuity Matching | Passive, active asset allocation |
| UK Fixed Interest Gilts | Passive |
| UK Index Linked Gilts | Passive |

Where smart beta solutions are used, this is because they are specifically considered to be superior to passive market-capitalisation index options on an expected risk-adjusted return basis, over the long-term net of costs.

Similarly, where active funds are used, this is because they are specifically considered to be superior to passive market-capitalisation index or smart beta options on an expected risk-adjusted return basis, over the long-term net of costs.

4.10 – 4.12 – The primary focus of the Trustee is on the long-term given the nature of the Scheme and the time horizon of the majority of its members. However, the Trustee is conscious of the importance of managing shorter- and medium-term horizons, particularly for members in the mid-late phase of a Lifecycle, given the potential for short-term negative performance to adversely affect individuals' pension planning and ongoing engagement and trust.

Over the Scheme year the Trustee received the following documents with regards to investment performance:

1. Quarterly investment monitoring reports from LGIM.
2. Quarterly and annual investment monitoring reports from its Investment Consultant.. These included details of short-, medium- and longer-term performance relative to benchmarks/targets for all funds across the full fund range, commentary on an exceptions basis regarding performance with significant deviation from benchmark/target, and impact of short-term performance on projected long-term member outcomes for those members in the Defaults/lifecycles.

3. Bi-annual monitoring reports from the Fiduciary Manager regarding the Delegated Funds including attribution analysis of past performance (risk and return), portfolio positioning, and future expectations.
4. Annual Default Fund Monitoring report from WTW's DC research team which provided an assessment of past performance and risk of the Medium Risk Drawdown lifecycle relative to competitor default investment strategies.
5. Miscellaneous updates from the Investment Consultant and Fiduciary manager as necessary, as detailed above.

The Trustee continued to consider past performance in the context of the market background, and as only one input into a forward-looking assessment of ongoing suitability, which relies predominantly on manager research views based on a range of qualitative and quantitative factors. The Trustee has not terminated a manager based on failing to meet its objective.

4.13 – The Trustee reviewed the continued suitability of LifeSight's investments in December 2022 in the context of the overall range of funds and strategies. The conclusion of this was that the existing funds remain appropriate, though the Investment Consultant noted some possible amendments that could be considered in future.

4.14-4.15 – The Trustee has contracts in place that detail the services and fees with LifeSight's Investment Consultant, Fiduciary Manager, Platform and underlying investment managers.

The contract (including services and fees) with LGIM, the Platform provider and investment manager for the majority of LifeSight's assets, was monitored and managed over the Scheme Year via:

- Monitoring of Service Level Agreements
- Quarterly performance reports and/or meetings
- Regular management and relationship meetings
- Updates from WTW's specialist platform and manager research teams
- Established escalation contacts and processes.

An annual Service Delivery and Relationship (ClientFirst) meeting was held over the period to review the relationship between the Trustee and WTW and to raise any concerns over key services, such as Investment Advice and Fiduciary Management. It was concluded that there are no concerns.

The fees of the two Delegated funds managed by the Fiduciary Manager have stayed within their fee budgets over the year.

4.16-4.17 – During the year, the Trustee reviewed the costs incurred in managing LifeSight's assets via:

- An annual 'Transaction cost assessment' report, which provides an assessment of the transaction costs incurred for the Core fund range compared to those of other pension providers.
- An annual 'Costs and charges' report, which provides an assessment of service and product costs in relation to LifeSight's investments in the Core and Extended fund ranges.

These reviews considered the costs associated with portfolio turnover alongside a range of other underlying costs and charges. Where portfolio costs appeared to differ from expectations (due to portfolio turnover and / or other factors), further investigations were carried out to determine the reasons and understand whether any action was required. The Trustee was comfortable that portfolio costs, including those associated with turnover, were consistent with expectations relative to the underlying investments.

Further details on fees and charges are provided in the annual Chair's statement, including a summary of the annual Value for Members assessment for the Scheme year. This takes place on 5 April each year, with the most recent occurring as at 5th April 2023.

4.18 – LifeSight's Investment Consultant, Fiduciary Manager and underlying investment managers did not enter into soft commission arrangements with brokers in relation to LifeSight's assets.

## SIP Section 5: Sustainable and Responsible Investment

5.1 – 5.23 – The Trustee has agreed investment beliefs, principles and policies around responsible investing, stewardship and sustainability, which explicitly acknowledge that:

- *Sustainable and responsible investment is fundamental to delivering the best possible pension outcomes for members.*

- *An orderly transition to net zero greenhouse gas emissions is an urgent global challenge, as the risk from climate change is far-reaching, systemic and foreseeable, posing a significant threat not just to the environment but to socioeconomic stability.*
- *These challenges present material financial risks (which are long-term, uncertain, systemic, undiversifiable and unhedgeable) and opportunities, which necessitate specific risk management, opportunity identification and collective action.*

The Trustee's investment beliefs, principles and policies regarding sustainable investment in general and climate change in particular have led to the development of an explicit Net Zero goal for all of LifeSight's Default Lifecycles (discussed further below), supported by a robust '3D Carbon Journey Plan' – that is, a specific target carbon trajectory (and guardrails) towards Net Zero, across the three dimensions of time, term to retirement, and carbon exposure.

In terms of translating the agreed beliefs, principles and policies into practice, the Trustee agreed that the primary focus should be on the Default and Lifecycle designs (which hold the bulk of member assets), and that there are both top-down and bottom-up aspects.

**Top-down**, the key focus is on ensuring the appropriateness of the long-term investment strategy for each Saving Phase Default / Lifecycle and Spending Phase investment strategy, in terms of the overall balance between risk and return over time in the context of the purpose of each Lifecycle / solution and corresponding member preferences. One of the most critical elements of this is the allocation to the broad asset classes (i.e. equities, Diversified Growth Funds (DGFs), bonds and cash) over time. This, in turn, is informed by a range of risk and return analysis based on appropriate long-term financial assumptions, recognising that environmental, social and governance (ESG) factors can impact risk and return over time, as well as the inherent uncertainties in any set of assumptions.

**Bottom-up**, the focus is on developing the Delegated Funds underlying the Defaults / Lifecycles, in particular the LifeSight Equity Fund and DGF which contain the vast majority of member assets. In this regard, therefore, it is:

- The ongoing role of the Trustee to monitor, challenge and approve the approach taken by the Fiduciary Manager. This is achieved with the support of the Investment Consultant based on analysis of detailed sustainable investment scorecards, including a climate dashboard, as well as directly through regular review meetings with the Fiduciary Management team.
- The role of the Fiduciary Manager to reflect the Trustee's sustainability beliefs (including but not limited to climate risk considerations) in the ongoing portfolio construction of the Delegated Funds (in a reasonable manner at its discretion given cost and other practical constraints), and to provide detailed reporting to the Trustee. In particular, the Trustee looks to the Fiduciary Manager to monitor and manage the ESG integration and stewardship capabilities of the underlying investment managers. Both the Fiduciary Manager (through WTW) and LGIM (who manage the vast majority of LifeSight's assets via their platform) are signatories to the UK Stewardship Code of the Financial Reporting Council (FRC).
- The role of the underlying investment manager(s) selected by the Fiduciary Manager to manage ESG and other financial risks in a manner consistent with their mandates.

The Trustee monitored and interrogated the sustainable investment activities of its advisers and delegates based on:

- Annual sustainable investing review, which includes meetings with the key providers; progress reports relative to LifeSight's overarching Net Zero target and journey plan, informed by a broader 'climate dashboard'; detailed reporting on a broad range of other ESG metrics; detailed reporting on voting and engagement statistics and trends, informed by stewardship case studies on key votes and engagements; and any other areas that are considered topical and important over time
- Bi-annual reporting and meetings with the Fiduciary Manager regarding its portfolio management activities, the resilience of the Delegated Funds being assessed, and how the Delegated Funds are managed and monitored using a balanced scorecard of metrics.

The reporting and analytics evolved over the Scheme Year, and are expected to continue to evolve, to provide increasing information and insight into portfolio resilience, including but not limited to the impact of negative climate scenarios, and the effectiveness of stewardship activities.

The policies and processes described above have impacted LifeSight's investment strategy and decisions in numerous ways. For example:

**'Net Zero' climate target**

The Trustee has set a target to reach net zero greenhouse gas emissions target across LifeSight's Savings Phase Default / Lifecycle and Spending Phase investment strategies and the LifeSight Equity fund and DGF by 2050 at the latest, with at least a 50% reduction by 2030. The 50% reduction by 2030 represents a target of halving emissions compared to a 2019 baseline, consistent with the goals of the Paris Agreement and the UK government pledge.

Furthermore, as part of the triennial investment strategy review, the Trustee has set a carbon journey plan to help to achieve its climate targets. The base metric chosen to measure the portfolio improvements, from a carbon emissions perspective, is Carbon Intensity (T CO2 / $m) – often referred to as "Carbon Footprint". The goal of the carbon journey plan is consistent with LifeSight's Net Zero plegde and the Department of Work & Pensions (DWP) Task Force on Climate-Related Financial Disclosures (TCFD) regulations.

The steps LifeSight has taken to date (as detailed below) are already consistent with a multi-year journey to Net Zero.

**ESG integration: Capital allocation**

Over 85% of total assets under management are invested in the LifeSight Equity Fund and DGF, both of which are key Building-Blocks underlying the Savings Phase Default / Lifecycle strategies, and both of which allocate capital to funds in which the underlying stock selection explicitly and formally integrates ESG considerations within their portfolio construction approach:

- **Within LifeSight Equity:**
  - c.30% allocation to Robeco Global Sustainable Multi-Factor Equities Fund. This fund is constructed with a balanced combination of factors (value, momentum, low volatility and quality) and an ambitious level of sustainability integration via application of a UN Sustainable Development Goals (SDG) impact and risk assessment framework in determining stock weights. This strategy is aligned with a global low carbon economy by ensuring that the portfolio's carbon intensity is at least 20% improved vs the market and stocks that are not aligned to SDG 7 'Affordable and clean energy' and SDG 13 'Climate action' are excluded. The strategy also excludes stocks that are not aligned to the broader SDGs or Robeco's Exclusion Policy. Overall, this is expected to result in a portfolio with lower carbon and environmental impact footprints than the market, improved (although not explicitly targeted) ESG metrics and a portfolio that is aligned to the UN SDG objectives.
  - c.18% allocation to MSCI Adaptive Capped ESG Universal Fund. This fund systemically increases its allocation to companies with good and improving ESG characteristics and decreases its allocation to those with poor characteristics and those getting worse over time.
  - c.12% allocation to the Climate Transition Index (CTI) Fund. This fund applies an innovative methodology developed within WTW to quantify forward-looking climate transition risk on a company-by-company basis, enabling the construction of a global equity portfolio with overall lower transition risk and lower portfolio emissions.
  - The remaining c.40% is invested in an index-tracking market-capitalisation fund with targeted exclusions.
  - Overall, LifeSight Equity applies a limited number of targeted exclusions to companies involved in the production of controversial weapons, companies who are persistent UNGC violators, and companies with material proportions of their revenues attributable to thermal coal.
- **Within LifeSight DGF:**
  - c.31.5% allocation to the LifeSight Equity fund, which includes the funds listed above.
  - c.12.5% allocation to Heitman Global Prime Property Securities Fund, which incorporates an explicit ESG (including Climate Risk) screen and eliminates ESG laggards from the portfolio.
  - c.14% allocation to Infrastructure Equity MFG Fund, which formally integrates ESG into its formal quarterly portfolio review, focusing on how ESG impacts the reliability and sustainability of cashflows at the companies that form its investable universe.
  - c.3% allocation to BNYM Fallen Angels High Yield Bond Fund, which applies an ESG screen specifically to protect the fund from investing in companies whose recovery may be impaired due to ESG concerns (e.g. companies subject to environmental red flags; tar sands and thermal coal companies; and companies with a very low Environmental score due to climate or carbon risks).

**ESG integration: Stewardship (security and system level)**

Stewardship activities include both security level and system level engagement, leveraging several market leaders in this space:

- **WTW:** The Trustee leverages the broader resources, scale and system-level influence of WTW as Founder and Fiduciary Manager for LifeSight, not least via its extensive manager research and engagement platform with underlying managers, fiduciary management business, cross-specialism climate and resilience team, and general leadership in important collaborative initiatives.
- **LGIM & underlying asset managers:** The Trustee has appointed LGIM as the underlying investment manager for the vast majority of LifeSight's assets via LGIM's platform. Their scale and resources are leveraged for the purposes of ongoing corporate level voting and engagement and system-level engagement (including, but not limited to, climate-related engagement):
  - LGIM reports regularly to the Trustee on their stewardship activities, which notably include their Climate Impact Pledge.
  - The Trustee has a strong positive assessment of LGIM's stewardship capabilities and credentials.

  In addition, Bank of New York Mellon (BNYM) is responsible for carrying out stewardship activities within the Fallen Angels corporate bond fund.
- **EOS at Federated Hermes (EOS):** Within the Delegated Funds the Fiduciary Manager has partnered with EOS, a market leading engagement overlay provider, to undertake an additional layer of corporate and system-level engagement on LifeSight's behalf:
  - EOS undertake corporate engagement activities directly with portfolio companies, and public policy and market best practice engagement with legislators, regulators, industry bodies and other standard-setters to shape capital markets and the environment in which companies and their investors operate, a key element of which is risk related to climate change.
  - WTW attends and currently Chairs the EOS client advisory council, which means that WTW has input into shaping EOS's prioritisation of engagement activities.
  - Thus, LifeSight accesses one of the largest stewardship teams globally, including over 45 engagement professionals across LGIM and EOS combined, to engage with portfolio companies on a variety of ESG issues, including climate policy, human rights and responsible supply chains on a daily basis.
- **Thinking Ahead Institute:** LifeSight is a member of the Thinking Ahead Institute, a global not-for-profit innovation and research member group of asset owners and asset managers (with responsibility for c.$16trn of capital) whose purpose is to mobilise capital for a sustainable future.

**Free-Choice fund range**

LifeSight offers a range of self-select investment options to cater for different member preferences, including in particular a Climate Focused Fund  that, as the name suggests, puts specific emphasis onclimate-related risks and opportunities.

5.24 – The Investment Cosultant undertakes an annual sustainable investing review, as detailed above.

5.25 – This document is the Trustee's annual implementation statement which details the Trustee's adherence to these sustainable and responsible investment policies.

5.26 – The Trustee's annual climate-related financial disclosures statement is published as part of the Scheme's Report & Accounts and is also available as a standalone document.

## SIP Section 6: Other Investment Policies

6.1-6.3 – Statement of fact.

6.4 – This statement sets out the Trustee's policy in the event that member contributions are not able to be invested where chosen e.g. due to a fund suspension, and the action taken / or not taken after such issues are resolved.

6.5-6.9 – The investment range and monitoring activities have been commented on above.

6.10 - The Trustee's quarterly investment monitoring reports include details of underlying securities lending activities and the ongoing appropriateness of the associated risk controls and parameters to ensure security of assets.

## SIP Section 7: Risk Management

7.1 – Rather than setting out any policies, this paragraph provides an overview of the broad range of risks recognised by the Trustee, risks which could ultimately lead to members accumulating insufficient assets to finance their desired level of consumption in retirement.

7.2 – LifeSight's range of investment options (strategies and funds) has been described above, including a summary of the overall approach to design and monitoring. More detail regarding the approach to risk management is provided below.

The Trustee has regard to the balance between 'human capital' and 'financial capital' that members typically experience during their working lives. For example, younger members have relatively less financial capital (savings) but greater human capital (time horizon for future contributions and retirement optionality), which implies relatively high risk tolerance. Conversely, as members age, financial capital accumulates while human capital reduces, which implies that member risk tolerance reduces over time all else being equal.

The design of LifeSight's Defaults/Lifecycles reflects this concept of how member risk tolerance gradually reduces over the journey towards retirement as accumulated savings increase while time horizon reduces. In particular, during the design of the Default/Lifecycle strategies the Trustee considered the following metrics to balance journey and destination risk and return over time:

- Projected savings – The projected median and range of pot size at retirement for an example member.
- Projected replacement ratio – Similar to projected savings but with converting pot size to a pension via the purchase of an annuity, which is useful not only for annuity-targeting strategies but also as a measure of purchasing power of retirement savings.
- Retirement at risk – Expresses the impact of a downside investment shock, at different points along a member's journey, in terms of the number of years by which the member would have to delay retirement to achieve the same pension as before the shock, all else being equal.
- Conversion at risk – Considers the risk (versus return) of different at/pre-retirement portfolios relative to a given retirement purpose.

7.3 – This paragraph simply acknowledges the importance of providing relevant information and tools for members to facilitate their understanding of the different options available to them following a shortfall event – LifeSight maintains a suite of communication materials and modelling tools that are subject to regular review and engagement monitoring shared with the Trustee.

7.4 – LifeSight utilises Defaults (as described above) recognising that members will often not engage sufficiently or effectively with their retirement savings in general or their investments in particular.

## SIP Section 8: Compliance with and Review of this Statement

8.1 – This implementation statement is evidence of the Trustee monitoring compliance with the SIP.

8.2 – The Trustee formally reviewed the SIP once during the Scheme Year in March 2023.

# Section 4: Voting and engagement

## Stewardship (including voting and engagement)

LifeSight's overarching approach to stewardship – which includes corporate level voting and engagement, as well as broader system-level engagement through investment managers, public policy regulation, and collaborative initiatives – is detailed above and in the SIP.

- The Trustee recognises effective stewardship as a critical aspect of sustainable investment and important to a well-functioning investment industry. .
- The Trustee appreciates LifeSight's role as an influential industry participant, and seeks to exercise LifeSight's stewardship responsibilities primarily through:
  - WTW as Sponsor, Investment Consultant and Fiduciary Manager; and
  - LGIM, other underlying managers, and a specialist engagement overlay provider (EOS).
- The Trustee believes that harnessing the collective scale, resources and specialist skills of these organisations in this important, technical and resource-intensive area is the most effective way to maximise LifeSight's impact and influence across the following key stewardship activities:
  - Asset manager engagement
  - Issuer engagement
  - Voting
  - Public policy, advocacy and collaboration.
- As part of its annual engagement process with its key delegates, with the support of its Investment Consultant, the Trustee identifies a number of priority areas, themes and case studies on which to challenge and engage. Given the depth, breath, complexity and nuance underlying stewardship activities, no actions have been taken directly as a result of members views. However, the Trustee recognises the following priorities:
  - Climate change (and intrinsically related topics such as deforestation and biodiversity loss).
  - An orderly transition to a net zero economy that is aligned to the goals of the Paris Agreement (i.e., limiting global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees).
- The Trustee expects its delegates to integrate ESG factors appropriately as part of their investment processes, to adhere to the principles of applicable local stewardship codes, and to document how they are considering and addressing ESG issues.

## Voting (including use of proxy services)

The Trustee's overarching approach to voting is detailed above and in the SIP; however, we provide additional information below.

Equity holdings are held in pooled investment funds and, consequently, voting entitlements in these funds lie with the investment managers and are exercised in line with their own policies. Though, the Trustee communicates to its investment managers its overarching expectations, such as its investment managers having well developed voting policies, including setting out a clear position on different ESG topics such as climate change, and to exercise all votes where feasible. Therefore, the Trustee has selected investment managers who it considers to be strong in this area (and stewardship generally) and engages regularly with them – both directly and leveraging WTW's manager research team – regarding their voting activities in the context of their broader stewardship and ESG priorities, strategy and impact.

The vast majority of LifeSight's assets are managed by LGIM, who has its own voting policies (covered by its corporate governance and responsible investment policies) that determine its approach to voting and the principles followed when voting on investors' behalf. LGIM also use voting proxy advisors (detailed further below) which aid in their decision-making when voting.

The Trustee's Investment Consultant and Fiduciary Manager have assessed LGIM's voting policy as part of their overall assessment of the investment manager's capabilities. The policy is considered to be appropriate, and consistent with the Trustee's policies and objectives and ultimately, therefore, in the best financial interests of the members. Furthermore, LGIM is considered to lead its peers in terms of proactivity and taking visible stances on important topics. However, WTW continues to engage with LGIM on areas for development, not least around resourcing, and improving the breadth and depth of corporate engagements.

Additionally, the Trustee receives regular updates on LGIM's voting activities over the Scheme Year, including summary information, relevant case studies, and detailed analysis of voting activities from its Investment Consultant.

The detailed information in the Appendices set out the voting activities of LGIM over the Scheme Year in relation to all funds underlying the Core fund range, which includes the Building-Block funds underpinning the Savings Phase Defaults / Lifecycles and Spending Phase investment strategies, as well as some examples of significant votes. The Trustee has identified climate change as a key Environmental risk for the Scheme and therefore selected voting and engagement examples on this topic as most significant for the Scheme, alongside other significant examples which address Social and Governance areas.

## Use of proxy voting services

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 LGIM do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The LGIM 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.

To ensure LGIM's proxy provider votes in accordance with their position on ESG, they 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.

LGIM retain the ability in all markets to override any vote decisions, which are based on their 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 votes are fully and effectively executed in accordance with LGIM's 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.

Simon Ellis, Chair of Trustee, LifeSight

## Appendix 1: Voting Statistics

The table below gives a summary of voting statistics across all public equity funds underlying the Core fund range (including those funds used in the Building-Block funds) over the year to 5 April 2023. Please note where there are holdings in both hedged and unhedged funds, we have shown only the unhedged version (unless the only version used is hedged) as the voting statistics are identical.

| | Votable meetings | Votable Resolutions | % of votable resolutions voted on | % of votes with management | % votes against management | % of votes abstained | % of resolutions voted contrary to proxy adviser | Assets under management (AUM) as at 5 April 2023 (£m) |
|---|---|---|---|---|---|---|---|---|
| **Core Fund Range** | | | | | | | | |
| LGIM UK Equity Index ESG Exclusions Fund | 436 | 6,874 | 100.0% | 94.7% | 5.3% | 0.0% | 4.6% | 143.6 |
| LGIM Europe (ex UK) Equity Index ESG Exclusions Fund | 411 | 7,161 | 99.9% | 82.5% | 17.0% | 0.5% | 9.5% | 267.9 |
| LGIM North America Equity Index ESG Exclusions Fund | 697 | 8,700 | 99.4% | 65.5% | 34.4% | 0.1% | 26.6% | 2,217.1 |
| LGIM Asia Pacific (ex Japan) Equity Index ESG Exclusions Fund | 123 | 985 | 100.0% | 74.2% | 25.8% | 0.0% | 19.8% | 96.0 |
| LGIM Japan Equity Index ESG Exclusions Fund | 249 | 3,173 | 100.0% | 90.0% | 10.0% | 0.0% | 8.5% | 76.8 |
| LGIM Global Emerging Markets Equity Index ESG Exclusions Fund | 2,871 | 25,918 | 100.0% | 79.0% | 19.0% | 2.1% | 7.1% | 269.5 |
| LGIM MSCI ACWI Adaptive Capped ESG Index Fund[1,2] | 3,286 | 38,231 | 99.8% | 77.9% | 20.7% | 1.4% | 13.0% | 1,389.7 |
| LGIM Robeco Global Sustainable Multi-Factor Equities Index Fund[1] | 2,157 | 25,927 | 99.8% | 79.7% | 19.5% | 0.8% | 12.5% | 2,314.3 |
| WTW STOXX WTW World Climate Transition Index | 1,428 | 19,692 | 91.0% | 84.0% | 15.0% | 0.0% | 4.0% | 924.6 |
| LGIM UK Equity Index Fund | 733 | 10,870 | 99.9% | 94.5% | 5.5% | 0.0% | 4.2% | 283.2 |
| LGIM Europe (ex-UK) Equity Index Fund | 618 | 10,391 | 99.9% | 81.0% | 18.5% | 0.5% | 9.7% | 116.3 |
| LGIM North America Equity Index Fund | 676 | 8,543 | 99.4% | 65.4% | 34.6% | 0.1% | 26.6% | 253.7 |
| LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund | 503 | 3,590 | 100.0% | 70.8% | 29.2% | 0.0% | 17.9% | 60.5 |
| LGIM Japan Equity Index | 505 | 6,267 | 100.0% | 88.8% | 11.3% | 0.0% | 9.2% | 32.1 |
| LGIM World Emerging Market Equity Index Fund | 4,231 | 36,506 | 99.9% | 79.5% | 18.4% | 2.1% | 6.8% | 105.2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| LGIM World Developed Equity Index Fund[2] | 2,518 | 32,086 | 99.8% | 78.5% | 21.3% | 0.2% | 14.5% | 265.7 |
| LGIM Ethical Global Equity Index Fund | 1,155 | 16,602 | 99.8% | 82.0% | 17.8% | 0.2% | 13.0% | 70.0 |
| HSBC Islamic Global Equity Index Fund | 95 | 1,423 | 97.0% | 80.5% | 19.8% | 0.0% | 12.1% | 86.0 |
| Pictet Global Environmental Opportunities Fund | 48 | 736 | 100.0% | 95.4% | 4.6% | 0.0% | 0.5% | 4.1 |
| LGIM FTSE Transition Pathway Initiative (TPI) Global ex Fossil Fuels Fund | 1,708 | 22,685 | 99.8% | 80.0% | 19.5% | 0.6% | 14.4% | 8.3 |
| LGIM MFG Infrastructure Equity – GBP Currency Hedged[1] | 86 | 1,073 | 100.0% | 76.1% | 23.9% | 0.0% | 19.2% | 549.3 |
| LGIM Heitman Global Prime Property Securities Fund – GBP Currency Hedged[1,2] | 87 | 944 | 100.0% | 82.0% | 17.9% | 0.1% | 15.8% | 609.8 |
| LGIM Hybrid Property (70:30) Fund | 404 | 4,349 | 99.5% | 79.9% | 20.1% | 0.1% | 15.2% | 14.9 |
| **Total Votes** | **25,025** | **292,726** | | | | | | |

**Notes:**

- Figures for voting with or against management and abstaining may not add to 100% due to rounding, or if there were multiple vote strings for a given meeting then any proposal voted in a different manner between the vote strings is counted twice.
- Fund voting information provided for the full Scheme year whereas LifeSight may have been invested for part of the period
- 1. indicates funds used in the default fund range
- 2. Indicates funds which are also available in the Core fund range as a GBP hedged version – For these funds the AUM figure includes both hedged and unhedged funds

## Appendix 2: Significant Votes

The tables below give a snapshot of significant votes for the Scheme Year to 5 April 2023 (Source: LGIM)

**Example 1:**

| | |
|---|---|
| **Fund** | **LGIM Robeco Global Sustainable Multi-Factor Equities Index Fund** |
| **Company name** | **Alphabet Inc.** |
| **Size of the fund's holding** | 0.96% |
| **Summary of the resolution** | Report on Physical Risks of Climate Change |
| **How you voted** | LGIM voted FOR the resolution (with management). |
| **Rationale for the voting decision** | LGIM expects companies to be taking sufficient action on the key issue of climate change. |
| **Outcome of the vote** | Did not pass. 17.7% of the votes were in favour of the resolution. |
| **Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome** | LGIM will continue to engage with Alphabet, publicly advocate their position on this issue and monitor company and market-level progress. |
| **The criteria by which this vote is assessed to be "most significant"** | LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote. |

**Example 2:**

| | |
|---|---|
| **Fund** | **North America Equity Index Fund ESG Exclusions Fund** |
| **Company name** | **McDonald's Corporation** |
| **Size of the fund's holding** | 0.47% |
| **Summary of the resolution** | Report on Public Health Costs of Antibiotic Use and Impact on Diversified Shareholders |
| **How you voted** | LGIM voted FOR the resolution (with management). |
| **Rationale for the voting decision** | LGIM voted in favour of the proposal as they believe the proposed report will contribute to informing shareholders and other stakeholders of the negative externalities created by the sustained use of antibiotics in the company's supply chain and its impact on global health, with a particular focus on the systemic implications. Antimicrobial resistance (AMR) continues to be a key focus of the LGIM Investment Stewardship team's engagement strategy. LGIM believe that, without coordinated action today, AMR could prompt the next global health crisis, with a potentially dramatic impact on the planet, people and global GDP. This is unfortunately further substantiated through the recent study published in the Lancet at the beginning of 2022 by the Global Research on AntiMicrobial resistance (GRAM) project: Global burden of bacterial antimicrobial resistance in 2019: a systematic analysis. While LGIM note the company's past efforts to reduce the use of antibiotics in its supply chain for chicken, beef and pork, LGIM believe AMR is a financially material issue for the company and other stakeholders, and that concerted action is needed sooner rather than later. By supporting this proposal, LGIM want to signal to the company's board of directors the importance of this topic and the need for action. |
| **Outcome of the vote** | Did not pass. 13.2% of the votes supported the resolution. |

| | |
|---|---|
| **Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome** | LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress. |
| **The criteria by which this vote is assessed to be "most significant"** | LGIM pre-declared its vote intention for this resolution, demonstrating its significance. |

**Example 3:**

| | |
|---|---|
| **Fund** | **LGIM MSCI ACWI Adaptive Capped ESG Index Fund** |
| **Company name** | **UBS Group AG** |
| **Size of the fund's holding** | 0.18% |
| **Summary of the resolution(s)** | Approve Climate Action Plan |
| **How you voted** | LGIM voted AGAINST |
| **Where you voted against management, did you communicate your intent to the company ahead of the vote?** | Yes. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics. |
| **Rationale for the voting decision** | While LGIM positively note the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, LGIM have concerns with the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans. of industry disruption. |
| **Outcome of the vote** | Passed. 77.7% of the votes supported the resolution. |
| **Implications of the outcome e.g. lessons learned and likely future steps in response to the outcome** | LGIM will continue to engage with UBS, publicly advocate their position on this issue and monitor company and market-level progress. |
| **The criteria by which this vote is assessed to be "most significant"** | LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote. |

## Appendix 3: Significant broader corporate engagements

Some examples of key engagement activities undertaken during the Scheme Year include:

**LyondellBasell Industries (chemicals manufacturing company)**

EOS has engaged on climate change with LyondellBasell since 2017 to set more ambitious climate targets. With the support of other Climate Action 100+ (CA100+) investors, EOS maintained discussions about the company's progress in disclosing sustainability targets, including its planned science-based targets and a net-zero ambition.

EOS, as the CA 100+ engagement lead for the company, proposed a discussion on climate change at the company's 2021 annual meeting. Later in 2021, EOS welcomed the company's release of its climate strategy, setting a Scope 1 and 2 net-zero ambition for its global operations by 2050; a 30% absolute reduction of Scope 1 and 2 emissions by 2030; and a goal to source a minimum of 50% of its electricity from renewable energy by 2030.

EOS continue to engage with LyondellBasell on providing a detailed pathway to net zero, including Scope 3 emissions and climate lobbying.

**Mitsubishi UFJ Financial Group (bank and financial services company)**

Over 2022 LGIM specifically engaged with the company over its actions in terms of it playing its part in financing the transition to net zero.

- LGIM had direct & collaborative engagements with MUFG, including through ACGA (Asian Corporate Governance Association) and ARE (Asia Research & Engagement), requesting roll out of exclusion policies to take account of wider financing activities.
- Following continued engagement with Mitsubishi and across the financial sector, including collaborative engagements, with transition risk being a specific areas of focus, Mitsubishi joined the Net Zero Banking Alliance and are working towards improved disclosure.