

Implementation Statement, covering the Scheme Year from 1 January 2024 to 31 December 2024

Part of the Trustee's annual report & accounts

The Trustee of the Royal London Group Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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 3.

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.

The Statement does not consider the Scheme's Additional Voluntary Contribution ("AVC") arrangements.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Scheme Year.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to its investment manager the exercise of rights and engagement activities in relation to its investments, as well engaging with its investment manager to encourage strong stewardship policies and processes.

2. Voting and engagement

As part of its advice on the ongoing review of the Scheme's investment manager, Royal London Asset Management ("RLAM"), the Scheme's investment adviser, LCP, incorporated its assessment of the nature and effectiveness of RLAM's approach to voting and engagement. In particular:

- *The Trustee received an annual report from LCP in February 2024, which provided an update on RLAM's investment capabilities alongside an assessment of how Responsible Investment matters are incorporated into its processes.*
- *The Trustee received an ESG dashboard prepared by LCP and the investment manager, which scored each of the Scheme's equity and credit mandates. The Trustee used this dashboard to question RLAM on areas where scores were lower than average to encourage improvement.*

The Trustee also met with the investment manager and LCP on several occasions over the Scheme Year, with a focus on voting and engagement as well as the management of climate change risk. This included:

- *Training on systemic risks (ie risks that affect an entire market or economy, rather than a single company) such as climate change, including their potential impact on pension scheme investments, funding, employer covenant and members. Stewardship was identified as one way of helping to assess and reduce exposure to these types of risks.*
- *A session jointly prepared by the investment manager and LCP, including a summary from the investment manager of how it prioritises engagement on the Trustee's behalf, and a comparison of sample investment manager voting decisions vs its peers.*
- *Considering the potential investment in an alternative global equity fund, with a greater focus on companies that prioritise climate transition, natural capital preservation, health and wellbeing, and equality of opportunity.*

- *Reviewing the Trustee’s key “engagement themes”, which feature a strong focus on climate change. The Trustee remained comfortable that these were well aligned with RLAM’s key engagement themes.*
- *Receiving an update on RLAM’s progress on increasing the proportion of companies that it engages with on the topic of climate change, with reference to portfolio carbon emissions.*
- *Planning a roadmap for Responsible Investment in 2025, with a particular focus on climate-related objectives and a focused session on RLAM’s approach to stewardship.*

Following the introduction of DWP’s guidance, the Trustee has set stewardship priorities to focus engagement with RLAM on specific ESG factors. The Trustee’s current stewardship priorities for the Scheme are: Climate change, Biodiversity, and Governance and Corporate Culture.

These priorities were selected because the Trustee views these issues as market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship. Therefore, the Trustee believes it is in the members’ best interests that RLAM adopts strong practices in these areas.

The Trustee has communicated these stewardship priorities to RLAM, and RLAM has confirmed these priorities are very well aligned with its own approach.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with RLAM to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Scheme Year

The Trustee did not direct how votes were exercised by RLAM and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors RLAM’s voting and engagement behaviour and challenges RLAM where 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 Scheme’s portfolios that hold equities as follows:

- Royal London Global Equity Diversified Mandate
- Royal London Emerging Markets Equity Tilt Mandate

We have also included engagement data on the Scheme’s investment grade corporate bond mandate.

Over the 12 month period to 31 December 2024, the Trustee implemented a partial buy-in for a subset of the Scheme’s members. This bulk annuity policy did not have any voting opportunities over the period covered by this Statement.

3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the following voting policy which RLAM has in place. The Trustee reviews these policies, focusing on the elements which relate to its stewardship priorities, and is comfortable that the policies are aligned with the Trustee’s views.

“RLAM regards voting in a responsible, informed, and consistent manner to be a fiduciary duty of institutional investors, as such proxy voting at RLAM is a highly active and integrated process led by dedicated staff within the Responsible Investment (RI) Team. The RI Team sits alongside fund managers who are involved in decision making and policy setting. RLAM reviews its voting policies on an annual basis to ensure that RLAM integrate best practice and market developments; this process is in conjunction with fund managers to ensure that RLAM arrive at a strong, consistent approach. RLAM’s voting policies can be found here:

<https://www.rlam.com/globalassets/media/literature/policies/voting-guidelines.pdf>

All votes are assessed and fully researched in-house by the RI Team, many of which are also discussed at length with the relevant fund management teams. To aid in this, RLAM purchases governance and voting research from IVIS (the voting service of the UK Investment Association) and Glass Lewis. This provides information around company meetings, and highlights items of particular interest or where there could potentially be an exception to generally agreed principles affecting RLAM’s shareholder rights.

This external research is used in conjunction with internal research, information gathered from meetings with the company and any other relevant sources. RLAM does have a custom voting template implemented by Glass Lewis,

but RLAM does not follow proxy recommendations and does not operate any standing instructions or auto-vote procedures. The voting recommendations are used rather as a method of flagging potential concerns. All votes are reviewed at a minimum by one member of the RI team before submission, and two members if they are controversial or differ from RLAM's policy position. Fund managers receive automated notifications of all votes submitted for their funds, where they can raise any additional questions or concerns.

All votes are publicly disclosed one month in arrears on the RLAM website, and voting records can be found at the following link: <http://www.rlam-voting.co.uk/voting/>. RLAM also write to any company held in their actively managed funds should RLAM vote against or abstain, providing their vote decisions and rationale for opposing management. This often leads to further dialogue and meetings with management."

3.2 Summary of voting behaviour

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

	Royal London Global Equity Diversified Mandate	Royal London Emerging Markets Equity Tilt Mandate
Value of Scheme assets invested at end of the Scheme Year	£88.8m (6.6%)	£4.5m (0.3%)
Number of equity holdings	211	781
Number of meetings eligible to vote	186	617
Number of resolutions eligible to vote	2,694	6,009
% of resolutions voted	100%	99%
Of the resolutions on which voted, % voted with management	79%	73%
Of the resolutions on which voted, % voted against management	19%	18%
Of the resolutions on which voted, % abstained from voting	2%	2%
Of the resolutions voted, % where management's stance was not disclosed	0%	7%
Of the meetings in which the manager voted, % with at least one vote against management	81%	56%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15%	10%

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from RLAM who hold listed equities, is set out below.

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 RLAM provides a shortlist of votes, and suggested RLAM could use the PLSA's criteria for creating this shortlist.

By informing RLAM of its stewardship priorities and through regular interactions with RLAM, the Trustee believes that RLAM will understand how it expects them to vote on issues for the companies they invest in on the Trustee's behalf.

The Trustee has reported on the most significant votes for each mandate. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

Royal London Global Equity Diversified Mandate

Canadian Pacific Kansas City Limited. April 2024

Summary of resolution: Advisory vote on approach to climate change

Relevant stewardship priority: Climate change

Approx size of the holding at the date of the vote: 0.32%

Vote: Against

If vote was against management, whether the intention was communicated to the company: Not applicable

Outcome of the Vote: Passed (89.26% For)

Rationale: While RLAM acknowledges the positive steps taken by the Company in pursuing SBTi target certification and their development of green technologies such as their hydrogen locomotive project, they continue to have concerns about an absence of detail on decarbonisation levers and associated capex, and flat/increasing emissions on an absolute and intensity basis.

Next steps: Following RLAM's letter to the company, they have had an engagement opportunity to emphasise their concerns.

Apple Inc. February 2024

Summary of resolution: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report

Relevant stewardship priority: Governance and Corporate culture

Approx size of the holding at the date of the vote: 5.78%

Vote: For

If vote was against management, whether the intention was communicated to the company: Not applicable

Outcome of the Vote: Not passed (68.41% Against)

Rationale: While RLAM acknowledges the Company's current disclosures around pay equity, RLAM are supportive of the Company increasing their reporting in this area.

Next steps: Following RLAM's letter to the company, RLAM would welcome further engagement to discuss social issues.

Visa Inc. January 2024

Summary of resolution: Advisory vote on executive compensation

Relevant stewardship priority: Governance and Corporate culture

Approx size of the holding at the date of the vote: 1.31%

Vote: Against

If vote was against management, whether the intention was communicated to the company: As part of RLAM's standard procedures a voting engagement letter was sent to the company after the vote detailing the rationale for voting against management.

Outcome of the Vote: Passed (89.93% For)

Rationale: RLAM remain concerned over the large area of discretion applied to bonus outcomes, and take issue with the scale of discretionary awards granted during the year.

Next steps: Following RLAM's letter to the company, RLAM held a call with Investor Relations to relay their concerns regarding the compensation framework and outcomes.

Royal London Emerging Markets Equity Tilt Mandate

Firststrand Ltd. November 2024

Summary of resolution: Approve Remuneration Policy

Relevant stewardship priority: Governance and Corporate culture

Approx size of the holding at the date of the vote: 0.28%

Vote: Against

If vote was against management, whether the intention was communicated to the company: Not applicable

Outcome of the Vote: Not available

Rationale: RLAM continues to find a number of concerns with the company's remuneration framework and disclosures. In particular, RLAM notes a lack of performance weightings under the LTIP, the short-term skew of award opportunities and LTIP grants settled in cash instead of shares.

Next steps: RLAM will continue to monitor Remuneration issues at the company.

Malaysia Airport Holdings Bhd. June 2024

Summary of resolution: Election of Directors

Relevant stewardship priority: Governance and Corporate culture

Approx size of the holding at the date of the vote: 0.03%

Vote: Against

If vote was against management, whether the intention was communicated to the company: As part of RLAM's standard procedures a voting engagement letter was sent to the company after the vote detailing the rationale for voting against management.

Outcome of the Vote: Not available

Rationale: RLAM believes the board and chairman lack sufficient independence.

Next steps: RLAM will continue to monitor Governance issues at the company

*RLAM have informed us that outcome of the vote for the company is not yet published on their websites and could not be included.

Commentary on the most significant engagement opportunities on the Trustee's behalf within the investment grade corporate bond portfolio is set out below.

E.ON SE. June 2024

Trustee engagement priority category: Climate change

Purpose: RLAM engaged with the company's Senior Sustainability Manager and Economic and Public Affairs Managers as part of the Climate Action 100+ (CA100+) collaborative initiative to discuss the company's preliminary climate assessment.

Outcome: RLAM believes that the company is making progress, however, the impact on the CA100+ benchmark's assessment remains to be seen. The company finds this assessment challenging as it feels the methodology does not fully consider its business structure, for example the benchmark's expectations for 'just transition' disclosures when E.ON has a few generation sites that require closing. The company welcomed RLAM's suggestion to emphasise 'transitioning-in' and transparent disclosure of employee training initiatives. The company will publish a lobbying report to address one of the assessment's indicators. RLAM facilitated dialogues with InfluenceMap and BDI (the Federation of German Industries), which the company found constructive and valuable. The conversations

appear to be informative for both E.ON and BDI.

Heathrow Funding Ltd. April 2024

Trustee engagement priority category: Climate change

Purpose: RLAM engaged with Heathrow's representatives to review the company's sustainability disclosures. RLAM wanted to provide constructive feedback and recommended enhancements to their current practices, focusing on environmental and social governance aspects to better align with industry standards and stakeholder expectations.

Outcome: During RLAM's meeting, they emphasised the significance of a 'just transition' and urged the company to develop a comprehensive plan that incorporates this concept into its overall approach. Additionally, RLAM requested greater transparency regarding the decarbonisation strategies for mitigating Scope 1, 2, and 3 emissions. Specifically, RLAM highlighted the importance of focusing on positive lobbying efforts, forging strategic partnerships and biodiversity. RLAM will continue to monitor the company's disclosures and engage further if necessary.

South West Water. Feb 2024

Trustee engagement priority category: Biodiversity

Purpose: To assess how South West Water's most recent water asset management plan for the period 2025 to 2030 aligns with RLAM's water sector expectations of best practice and identify areas where improvement is needed.

Outcome: The meeting with South West Water concluded positively, with the company providing further insights into its proactive environmental initiatives and upstream thinking, aimed at addressing biodiversity concerns. The company is shifting towards integrating natural capital into its decision making. It has also piloted natural capital catchment plans and conducted detailed reviews of water challenges. In addition, South West Water is at the forefront of assessing antimicrobial resistance (AMR) risks and is collaborating with the University of Exeter to enhance its understanding in this domain. RLAM will be reassessing the company based on its latest disclosure to their investor expectations and share areas of improvement with it.