

# Licensed Trade Charity 1967 Pension & Life Assurance Scheme

## Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated March 2024 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 1 April 2024 to 31 March 2025.

### Investment objectives of the Scheme

The objectives of the Scheme are set out on page 3 of the SIP and are summarised below.

#### Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

#### Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- Achieve a return which is sufficient, over the longer term, to meet the Funding Objective.
- Adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

### Stewardship policy

The Trustees' stewardship policy, as set out in the SIP is as follows.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.

## Review of the SIP

The Trustees most recently reviewed the SIP in March 2024 due to an investment strategy review that took place in Q3 2023. The SIP was updated to reflect the updated asset allocation and included other general updates.

The Trustees have a policy on financially material considerations relating to Environmental, Social and Governance (ESG) issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the SIP.

The Trustees will review the asset allocation, and may change those shown in the table below, at least every three years. Similarly, the Trustees will review the choice of the investment managers at least every three years.

## Investment managers and funds in use

In alignment with the Scheme's investment objectives, the Trustees have put into effect the strategic asset allocation outlined in the table below:

Asset Class	Fund	Target Asset Allocation
<b>Diversified Growth Funds</b>	Baillie Gifford Managed Fund	21%
<b>Property</b>	Schroders Property Fund	20%
<b>Corporate Bonds</b>	Abrdn Corporate Bond Fund	20%
<b>Protection / Liability Matching Portfolio</b>	Abrdn Liability Aware Equity Real Profile Fund	15%
	Abrdn Liability Aware Real Profile Fund	
	Abrdn Liability Aware Nominal Profile Fund	24%
	Abrdn Deposit and Treasury Pension Fund	
<b>Total</b>		<b>100%</b>

## Investment Governance

The Trustees are responsible for making investment decisions and seeks advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Scheme to help form their policies set out in the SIP as the Scheme is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and now the Pensions Regulator. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service

standards. The strategic objectives were put in place in December 2019, and are reviewed every three years.

There were no changes to the objectives put in place for Broadstone which were last reviewed December 2024. The Trustees are due to formally review these objectives by December 2027 or earlier.

### **Trustee Policies**

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
<b>Financially and Non-Financially Material Considerations</b>	<p>The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect its investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of its investment managers.</p> <p>Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect its investment managers, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.</p>	No deviation from this policy over the year to 31 March 2025 (see below)
<b>Voting Rights and Engagement</b>	<p>The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their investment managers to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of their investment managers.</p>	No deviation from this policy over the year to 31 March 2025 (see below)
<b>Capital Structure of Underlying Companies</b>	<p>Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the investment managers. The Trustees expect the extent to which the investment managers monitors capital structure to be appropriate to the nature of the mandate.</p>	No deviation from this policy over the year to 31 March 2025

## Financially and non-financially material considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the investment managers and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing investment managers.

The Trustees acknowledge that they are delegating the consideration of financially material factors in relation to determining the underlying holdings to their investment managers given they are investing in pooled funds.

The Trustee invests across a range of asset classes and styles. The Trustee expects the investment managers to take into account ESG considerations by engaging with the underlying companies and where relevant, by exercising voting rights on these companies.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

<b>Asset Class</b>	<b>Actively or Passively Managed?</b>	<b>Comments</b>
<b>Diversified Growth Funds</b>	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect its investment manager, to engage with the underlying investee companies, where possible, although it appreciates that fixed income assets within the portfolio do not typically attract voting rights.
<b>Property</b>	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities. However, the Trustees expect the investment manager to have regard to ESG issues when properties are being sold and purchased within the portfolio, together with any opportunities to re-develop existing properties with ESG issues in mind.
<b>Corporate Bonds</b>	Active	The Trustees expect the investment managers to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment managers to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
<b>Liability Driven Investments</b>	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
<b>Liquidity</b>	Active	The Trustees believe there is limited scope for ESG issues to improve risk-adjusted returns in this asset class because of the nature of the investment.

## **Voting Rights and Engagement Activities**

The Trustees currently invest in pooled investment funds with the investment managers, and they acknowledge that this limits their ability to directly influence each investment manager. In particular, all voting activities have been delegated to the investment managers, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments. The Trustees' stewardship policy is detailed at the start of this document although this has not been shared with the investment managers to influence what they believe to be the most significant votes.

Within the current investment arrangements, the Baillie Gifford Managed Fund contains publicly listed equity holdings. This fund has voting rights attaching to these underlying

equities, and the Trustees have delegated these voting rights to the investment managers, where they will set their own voting policy.

A summary of the votes made by the investment managers on behalf of the Trustees (where the investment owns equities) is provided in the table below from 1 April 2024 to 31 March 2025, based on the latest information available from each investment manager.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
Ballie Gifford	Managed Fund	2,992	95%	4%	1%

Information regarding proxy voting is detailed below:

- **Baillie Gifford** are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis) but client voting decisions are made in-house and in line with Baillie Gifford's in-house policy.

## Significant votes

The Trustees believe the following are the most significant votes undertaken on their behalf over the scheme year:

Significant Vote 1 – Baillie Gifford Managed Fund	
Company	Genus PLC
Date	20 November 2024
% of portfolio invested in firm	c. 0.17% of Baillie Gifford Managed Fund was invested in the company at the date of vote.
Resolution	Amendment of Share Capital
Why significant	This resolution is significant because it received greater than 20 per cent opposition.
How voted	<b>VOTED AGAINST (against management)</b>
Manager Comments	<i>"We opposed the resolution which sought authority to issue equity because the potential dilution levels are not in the interests of shareholders. This resolution received approximately 23 per cent dissent. Whilst recognising that the issuance authorities sought by the company are aligned with the revised guidance from the UK Pre-Emption Group, the UK strategy took the view that the overall level of issuance without pre-emption rights under the guidance was too high. The strategy's rationale for voting against this resolution was shared with the company before votes were cast."</i>
Vote outcome	Pass

## Engagement activities

The notable engagement activities of the investment managers over the last 12 months is provided below:

- **Baillie Gifford** engaged with the BHP group to address its progress in addressing the aftermath of the 2015 Samarco mine dam failure in Brazil, focusing on social, environmental and legal remediations. Significant progress has been made across

social remediations, with the Renova Foundation (set up to administer compensation and resettlement) nearing the completion of its distributions. The variety of resettlement options reflects a flexible approach to meeting the needs of the affected communities. Environmental remediation has largely been successful, with water quality restored to pre-disaster levels in 2018 and long-term projects underway to rejuvenate fish populations and riverbank ecosystems. Legal remediation presents a mixed picture, with ongoing negotiations with the Brazilian government and a significant UK civil case expected to continue until 2029. Samarco Social License to Operate (SLO) shows signs of improvement, with efforts to engage the community in the mine reopening process and changes implemented to the tailings management strategies to improve trust. The improvement in Samarco's SLO and the anticipation of further upgrades by third-party ESG data providers indicate a positive trajectory for BHP. Baillie Gifford continues to monitor progress in this area, with more milestones expected to be completed by the end of the 2024 calendar year.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into the managers' investment and stewardship processes. Investment managers will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2024 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest UNPRI 'Investment & Stewardship Policy' scores of the investment managers are outlined in the table below.

Manager	UNPRI Score
Baillie Gifford*	★★★★
Schroders	★★★★★
Aberdeen	★★★★★
Median	★★★

*\*2023 UNPRI score as Baillie Gifford did not provide their 2024 score.*

The Trustees also consider the investment managers' policies on stewardship and engagement when selecting and reviewing investment managers.

### Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from Broadstone to ensure the investment objectives set out in their SIP are being met.