

Engagement Policy Implementation Statement (“EPIS”)

Lloyd’s Pension Scheme (the “Scheme”)

Scheme Year End – 30 June 2024

The purpose of the EPIS is for us, the Trustees of the Lloyd’s Pension Scheme, to explain what we have done during the year ending 30 June 2024 to achieve certain policies and objectives set out in the Statement of Investment Principles (“SIP”). It includes:

1. How the policies in the SIP about asset stewardship (including both voting and engagement activity) in relation to the Scheme’s investments have been followed during the year; and
2. How the Trustees have exercised their voting rights or how these rights have been exercised on their behalf, including the use of any proxy voting advisory services, and the ‘most significant’ votes cast over the reporting year.

Our conclusion

Based on the activity the Trustees have undertaken during the year, the Trustees believe that the policies set out in the SIP have been implemented effectively.

In the Trustees’ view, most of the Scheme’s material investment managers were able to disclose good evidence of voting and/or engagement activity, and the activities completed by the Scheme’s managers align with the Trustees’ stewardship expectations. The Trustees believe that their voting rates have been implemented effectively on their behalf.

Some investment managers did not provide the Trustees with complete information to allow the Trustees to review the engagement activity carried out on their behalf. There are areas where we would like to see additional details, as set out in our engagement action plan. We will continue to engage with the managers to encourage them to provide detailed and meaningful disclosures about its engagement and voting activities, and learn how they consider financially material Environmental, Social and Governance (“ESG”) factors into their stewardship policies.

Scheme Stewardship Policy

The full SIP can be found here:

<https://www.hartlinkonline.co.uk/lloydspensionscheme/hopl.chi/wui/homepgui.html>

The Trustees updated the stewardship policy in September 2023 to reflect the new regulatory requirements with regards to stewardship reporting via the SIP and EPIS.

The below bullet points summarise the Scheme's stewardship policy that was applicable for the reporting year.

- The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its beneficiaries.
- The Trustees regularly review the suitability of the Scheme's investment managers and take advice from the Investment Adviser regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees expect, the Trustees undertake to engage with the manager and see a more sustainable position but may look to replace the manager.
- The Trustees review the alignment of the Trustees' policies to those of the Scheme's investment managers and ensure the managers, or other third parties, use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.
- The Trustees will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.
- The Trustees accept responsibility for how the manager stewards assets on their behalf, including the casting of votes (where voting is deemed applicable) in line with each managers' individual voting policies.
- The Trustees accept that there may be circumstances where managers are unable to exercise their voting power due to the underlying nature of assets held.
- The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest. Where such a concern is identified, the Trustees will engage with the Investment Adviser to consider the methods by which, and the circumstances under which, they would monitor and engage an investment manager and other stakeholders.

How voting and engagement policies have been followed

The Scheme is entirely invested in pooled funds, and so the responsibility for voting and engagement is delegated to the Scheme's investment managers, which is in line with the policies set out in the SIP. The Trustees reviewed the stewardship activity of the material investment managers carried out over the Scheme year and note that, most of the investment managers were able to disclose good evidence of voting and engagement activity. More information on the stewardship activity carried out by the Scheme's investment managers can be found in the following sections of this report.

Manager Appointments

Throughout the Scheme year, the Trustees considered how to further integrate ESG-aligned solutions into the Scheme's portfolio, to help further boost the ESG credentials of the Scheme's assets.

As such, the Scheme invested in the LGIM Future World Net Zero Buy & Maintain Credit Fund as this specific Fund seeks to achieve Net Zero alignment in accordance with LGIM's Net Zero Framework, alongside having a robust engagement and stewardship framework in place. This formed part of the new Matching Portfolio implemented shortly after 30 June Scheme year-end.

The Fund aims to produce a return derived from capital growth and income through investment in credit markets, by investing predominantly in a globally diversified portfolio of non-government bonds. The Fund seeks to include LGIM's thematic views, including those related to climate change by integrating ESG factors in the selection process.

Ongoing Monitoring

The Trustees received a quarterly monitoring report from Aon. The report includes ESG ratings and highlights any areas of concern, or where action is required. The ESG rating system is for Aon's "Buy" rated investment strategies and is designed to assess whether investment managers integrate responsible investment and more specifically ESG considerations into their investment decision making process. The ESG ratings are based on a variety of qualitative factors, starting with a proprietary due diligence questionnaire, which is completed by the fund manager.

Aon's researchers also conduct a review of the managers' responsible investment related policies and procedures, including a review of their responsible investment policy (where applicable), active ownership, proxy voting and/or stewardship policies. After a thorough review of the available materials, data, and policies, as well as conversations with the fund manager, the lead researcher will award an ESG rating, which is subject to peer review using an agreed reference framework. Ratings will be updated to reflect any changes in a fund's level of ESG integration and broader responsible investment developments.

Aon's manager research team regularly engage with the Scheme's investment managers on behalf of the Trustees on a variety of ESG issues. Aon will report back to the Trustees any areas of concern on which the Trustees may wish to engage directly with the manager.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Each year, the Trustees review the voting and engagement policies of the Scheme's investment managers to ensure they align with their own policies for the Scheme and help the Trustees to achieve them.

Our Engagement Action Plan

Based on the work we have done for the EPIS; the Trustees have decided to take the following steps over the next 12 months:

1. Engage with managers that didn't meet the Trustees' standards of engagement reporting to better understand their engagement practices and discuss the areas which are behind those peers. More specifically:
 - While Legal & General Investment Management ("LGIM") did provide a comprehensive list on fund level engagements, which the Trustees find encouraging, it did not provide detailed engagement examples specific to the fund in which the Scheme is invested in, as per the Investment Consultants Sustainability Working Group ("ICSWG") best practice industry standard. However, LGIM have stated that going forwards they will report using the ICSWG engagement reporting guide so we would expect to see a change in future years' reporting.
 - Arrowstreet did not provide any significant voting examples, nor did they provide any engagement information requested. Arrowstreet commented that it does not directly engage with company management and has partnered with Sustainalytics as a third party provider for engagements on an incident and compliance based approach. Aon engaged with Arrowstreet in November 2023 as part of its Engagement Program and welcomes greater engagement with Arrowstreet's service providers with respect to reviewing and monitoring delegated stewardship activities. As such, we would expect to see an increase in available data in future years' reporting.
 - Man Group ("Man") did not provide engagement information at fund level.

To address the issues highlighted above, the Trustees will work in conjunction with the Scheme's investment adviser, Aon, to engage with the Scheme's investment managers to better understand its engagement practices and discuss the reporting areas that are behind those of its peers. In addition the Trustees will

1. continue to undertake regular ESG monitoring of the Scheme's investment managers.
2. undertake an annual review of the Scheme's investment managers' Responsible Investment policies to ensure they are in line with the Trustees views.

Our managers' voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. The Trustees believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. The Trustees expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 30 June 2024.

| Funds | Number of resolutions eligible to vote on | % of resolutions voted | % of votes against management | % of votes abstained from |
|---|---|------------------------|-------------------------------|---------------------------|
| Arrowstreet Capital, L.P. Global Equity ACWI Strategy | 7,663 | 94.3% | 8.2% | 0.7% |
| LGIM Future World Global Equity Fund (Hedged) | 54,867 | 99.8% | 19.0% | 0.6% |
| Longview Global Equity Total Return Strategy (Unhedged) | 461 | 100.0% | 9.5% | 0.2% |
| Man Group Alternative Risk Premia ("ARP")* | 8,181 | 99.9% | 20.4% | 0.6% |

Source: Managers. Please note that the 'abstain' votes noted above are a specific category of vote that has been cast and are distinct from a non-vote.

*MAN Group were unable to provide data as at 30 June 2024, so the data provided here is at 31 December 2023.

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's managers use proxy voting advisers.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

| Managers | Description of use of proxy voting advisers (in the managers' own words) |
|---------------------------|---|
| Arrowstreet Capital, L.P. | We engage a third-party service provider Institutional Shareholder Services ("ISS") to provide proxy-voting services for client accounts (including Arrowstreet Sponsored Funds), including vote analysis, execution, reporting and certain recordkeeping services. Environmental, social and corporate governance (ESG) principles are taken into account in the service provider's standard proxy voting policies. In addition, we make available enhanced ESG specific proxy voting services upon request. Proxy voting services are monitored periodically by our Client Operations team. ISS maintains a set of proxy voting |

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| | guidelines that describe in greater detail how it generally votes specific proxy matters for the firm's clients. |
| LGIM | 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 we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. |
| Longview Partners LP (Longview) | On behalf of our institutional clients, we employ the services of the proxy voting adviser Glass, Lewis & Co, a leading independent provider of corporate governance solutions to the financial services industry. Glass Lewis fulfils two functions. Firstly, as a purely operational process, they ensure the voting instructions provided by Longview are implemented across client accounts. Secondly, Glass Lewis uses publicly available sources of information such as stock exchanges, regulators and company filings to provide research and analysis and make voting recommendations. Glass Lewis has partnered with Sustainalytics and Arabesque in order to provide additional ESG-specific information in their proxy voting analysis. |
| Man Group | Man Group appointed Glass Lewis as its proxy service provider. We use Glass Lewis's voting platform 'Viewpoint' to vote our shares electronically, receive research reports and custom voting recommendations. We have monitoring controls in place to ensure that the recommendations provided are in accordance with our custom voting policy and that our votes are timely and effectively instructed. Specifically, our voting framework employs screening to identify high-value positions and the Stewardship Team manually reviews the pre-populated votes for such positions. In addition to this manual check, we also have in place electronic alerts to inform us of votes against our policy, votes that need manual input and rejected votes that require further action. |

Source: Managers

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

Our managers' engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Some of the information provided is at a firm-level i.e. is not necessarily specific to the funds invested in by the Scheme.

| Funds | Number of engagements | | Themes engaged on at a fund level |
|---|-----------------------|------------|---|
| | Fund level | Firm level | |
| Arrowstreet Capital, L.P. Global Equity ACWI Strategy | | | <i>Not provided</i> |
| CBRE Global Investment Partners Global Alpha Fund | | | <i>Not provided</i> |
| LGIM AAA-AA-A Corporate Bond Over 15 Year Index Fund | 29 | 2,500 | Environment - Climate Change; Energy Governance - Remuneration Other - Corporate Strategy; Disclosure & Transparency |
| LGIM Future World Global Equity Fund (Hedged) | 886 | 2,500 | Environment - Climate Impact Pledge; Climate Change; Deforestation Social - Ethnic Diversity, Gender Diversity and Income Inequality Governance – Remuneration, Board Composition and Combined CEO and Chair |
| LGIM All World Equity Index Fund (GBP Currency Hedged) | 898 | 2,500 | Environment – Climate Impact Pledge; Climate Change; Deforestation Social – Ethnic Diversity, Gender Diversity and Income Inequality Governance – Remuneration, Board Composition and Combined CEO and Chair |
| Longview Global Equity Total Return Strategy (Unhedged)** | 16 | 16 | Environment - Climate Change Social - Human and Labour Rights; Human Capital Management Governance - Remuneration Strategy, Financial & Reporting - Reporting |
| Man Group Alternative Risk Premia Fund | <i>Not provided</i> | 81 | Environment* - Climate Change; Natural Resource Use/Impact Social* - Human and Labour Rights; Public Health Governance* - Remuneration |
| PIMCO Diversified Income Fund | 267 | >1,355 | Environment - Climate Change Governance - Board, Management & Ownership Strategy, Financial & Reporting - Capital Allocation; Financial Performance; Strategy/Purpose |

Source: Managers.

*Man Group did not provide fund level themes; themes provided are at a firm-level.

**Longview is a single product firm and has engaged with entities in relation to its sole investment strategy. Hence, firm level and fund level engagement are the same.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- Arrowstreet and CBRE did not provide any engagement information requested. Arrowstreet stated that it does directly engage with company management. CBRE said that they do not collate statistics on the number of individual engagements undertaken by the firm as a whole. Please note the CBRE property mandate has now been sold down and so will not feature in future reporting.
- Arrowstreet also did not provide any significant voting examples.
- LGIM provided fund-level engagement information but not in the industry standard ICSWG template.
- Man Group did not provide fund level engagement numbers.

This report does not include commentary on the Scheme's investment in government bonds, index-linked government bonds or cash because of the limited materiality of stewardship to these asset classes.

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. The Trustees consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below, in the managers' own words:

Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustee considers inappropriate or based on an inappropriate rationale
- a vote that has significant relevance to members of the Scheme.

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| LGIM Future World Global Equity Fund (Hedged) | Company name | The Goldman Sachs Group, Inc. |
| | Date of vote | 24 April 2024 |
| | Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio) | 0.3 |
| | Summary of the resolution | Resolution 8: Report on Clean Energy Supply Financing Ratio |
| | How you voted? | Votes supporting resolution |
| | Where you voted against management, did you communicate your intent to the company ahead of the vote? | LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics. |
| | Rationale for the voting decision | Shareholder Resolution - Climate change: A vote in favour of this proposal is applied. We believe that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as we consider this issue to be a material risk to companies. |
| | Outcome of the vote | Fail |
| | Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome? | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. |
| | On which criteria have you assessed this vote to be most significant? | Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant as LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects companies to be undertaking appropriate analysis and reporting on climate change matters, as we consider this issue to be a material risk to companies. |

| | | |
|--|---|---|
| Longview Global Equity Total Return Strategy (Unhedged) | Company name | Oracle Corp. |
| | Date of vote | 16 November 2023 |
| | Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio) | 4.0 |
| | Summary of the resolution | Advisory Vote on Executive Compensation |
| | How you voted? | Votes against resolution |
| | Where you voted against management, did you communicate your intent to the company ahead of the vote? | No |
| | Rationale for the voting decision | Insufficient response to shareholder dissent. Pay and performance disconnect. |
| | Outcome of the vote | Pass |
| | Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome? | For future proposals, Longview may consider engaging with the company prior to the vote to better understand management's stance, providing tight voting instruction deadlines allow. |
| | On which criteria have you assessed this vote to be most significant? | Longview has voted against management and >15% of total votes were against management. |

Source: Managers