ING UK Pension Fund: Defined Benefit Section
Annual Implementation Statement for the year ended 31 March 2024

June 2024

1. Introduction

This document is the Annual Implementation Statement ("the Implementation Statement") prepared by the Trustees of the ING UK Pension Fund (the "Fund") covering the Fund year to 31 March 2024, for the Fund's Defined Benefit ("DB") Section. It relates to the DB assets of the Fund and excludes consideration of AVCs. The purpose of this statement is to:

- Detail any reviews of the Fund's Statement of Investment Principles ("SIP") the Trustees have undertaken, and any changes made to the SIP over the year as a result of the review.
- Set out the extent to which, in the opinion of the Trustees, the Fund's SIP required under section 35 of the Pensions Act 1995, as amended, has been adhered to during the year.
- Describe the voting behaviour by, or on behalf of, the Trustees over the year.

A copy of this Implementation Statement will be made available on the following website: www.myingpension.com alongside the Fund's SIP.

2. Review of, and changes to the SIP

The SIP was updated in December 2023. Changes made include the following:

- The excess return target for the Defined Benefit Section of the Fund was updated to 1.0% p.a. above minimum risk liabilities. This return target will be reviewed periodically and as soon as possible, should the Funding Level fall below 110%.
- The Trustee's strategy of hedging 100% of liabilities in order to manage the deficit/surplus risk faced by the Fund was also incorporated into the document.
- The risk section was amended to set out derivative related risks in greater detail, including counterparty, leverage, basis, liability, and legal & operational risks.

The December 2023 SIP is the version referenced in the following sections of this document, where we set out how the principles have been implemented.

3. Adherence to the SIP

Overall, the Trustees believe the policies outlined in the SIP have been adhered to during the Fund year. The remaining parts of this Implementation Statement set out details of how this has been achieved for the DB Section.

The Trustees have delegated responsibility for investment decisions to its Investment Committee ("IC"). In certain instances, the IC has been involved in activity which allows the Trustees to adhere tothe SIP and this group has been referenced throughout this document in such instances.

Fund objectives

The Trustees have a long-term objective of ensuring that the Fund is able to provide the benefits set out in the Trust Deed. The Trustees seek to achieve this through investing in a diversified portfolio of assets, having taken account of the Fund's liabilities and its tolerance of risk in the context of the Trustees' evaluation of the Employer's covenant.

In line with the objectives set out in the SIP, the Trustees target a level of return in excess of minimum risk liabilities of 1% pa. Over the course of the year, the IC reviewed the Fund's asset allocation, funding position and measures of the expected return and risk of the Fund's portfolio to ensure that these remained broadly consistent with the overall objectives and took action where this was considered necessary.

Investment Principles

The Fund’s assets are invested in a diversified portfolio with five components: multi-asset funds, equities, legacy illiquid assets, Liability Driven Investments (“LDI”) (comprising gilts, swaps and investment grade corporate bonds) and cash.

Throughout the period covered in this report, in conjunction with their professional advisors, the IC periodically considered the mix between these assets to ensure that the liquidity, expected return, cost and risk are in line with the Trustees’ objectives. This is most evident at the quarterly Trustees and IC meetings.

Over the second half of 2023 the Trustees, in consultation with the Sponsoring Employer, reviewed the appropriateness of the Fund’s investment strategy and asset allocation to assess the following:

- Whether the strategic return target should be amended to reflect the overall objectives for the Fund; and
- Whether the Fund’s liability hedge should be extended to cover some, or all, of the surplus assets within the Fund.

In doing so, they sought advice from the Fund’s investment consultant. Following a review of the analysis presented by the Fund’s investment consultant, the Trustees agreed to target a strategic return of 1.0% p.a. in excess of the minimum risk liabilities and to retain the Fund’s existing hedging policy for interest rates and inflation.

The Trustees and the IC took the following steps over the year to help maintain the portfolio in line with the Investment Principles set out in the SIP:

- Introduced an allocation to investment grade corporate bonds within the Fund’s LDI portfolio.
- Undertook the strategic review described above.
- Reviewed and simplified the structure of its Liability Driven Investment mandate through transitions from swaps-based to gilts-based hedging.
- Reviewed its liability proxy (this is a set of fixed and real cashflows, which captures the sensitivity of the Scheme’s liabilities to changes in yields and inflation).
- Reviewed the Fund’s Total Expense Ratio (“TER”) through the Mifid II cost reporting provided by the investment consultant.

Investment Managers

Due to the Fund’s strong funding position, commensurately low risk investment strategy and the IC’s desire to maintain simplicity within the portfolio, the Fund makes use of a small number of investment managers. These managers invest in a range of instruments that provide the Fund with a diverse range of exposures to generate a return and hedge the interest rate and inflation risks arising from the Fund’s liabilities. As at 31 March 2024, the Fund had material (greater than 0.5% of assets) exposure to three investment managers.

The Trustees consider their choice of investment managers as suitable having received appropriate advice from their professional advisors, including the Fund’s investment consultant. In line with the policy of appointing managers with a medium to long term time horizon, the Fund’s investment managers remained the same throughout the year. This in turn allows investment managers to take a longer-term approach to investing, including engagement with issuers of debt and equity, with a view to improving investment outcomes over the long term. Whilst there were some changes to the underlying investment managers, no managers were terminated based on short-term performance alone. The following activity took place over the year to help ensure the portfolio best reflected the policies related to investment managers in the SIP.

- The IC received total Fund Section 36 letters confirming that the Fund’s investments are “satisfactory", in accordance with the 1995 Pensions Act.
- The Trustees have delegated the responsibility for selection of specific investments to appointed Investment Managers through the use of pooled investment vehicles for all the Fund’s assets.
- The Trustees reviewed the long-, medium- and short-term performance of Investment Managers during quarterly IC meetings. Performance was monitored relative to an

appropriate market benchmark where one was available or an appropriate return objective where a market benchmark was not available.
- The IC invited Investment Managers to present at Committee meetings where the Fund has a material allocation. During the year both Legal & General Investment Management and Towers Watson Investment Management met with the IC.
- The Investment Consultant reviewed and reported on the total fees and costs incurred by the Fund through its investments. As part of its review, the Investment Consultant also reported to the IC on the costs associated with portfolio turnover, including a consideration of whether realised turnover within investment strategies was consistent with the individual manager's expectations and within the Investment Consultant's expectations given its knowledge and understanding of the asset class and peers.

Responsible Investment and Stewardship

The Trustees utilise advice from the Investment Consultant to help assess ESG issues with the Fund's assets and to monitor the managers from an ESG perspective. Whilst this did not lead to any changes to the Fund's investments, the policies and processes described in this section of the SIP have impacted the Fund's investment in numerous ways:

- They were embedded in the advice and recommendations received from the Investment Consultant.
- The Fund did not appoint any new managers over the year; however, engagement and sustainability policies have been considered as part of previous appointments.
- The Fund's standalone allocation to equities tracks an index which contains an ESG tilt (i.e. overweighting exposure to companies which have positive ESG metrics) and excludes particularly poor areas such as controversial weapons.
- The IC met with representatives of Legal & General Investment Management (LGIM) in December 2023. As well as exploring the management and performance of the portfolio, part of the presentation was focused on how sustainable investment is embedded into the LGIM Diversified Fund's investment process.
- Similarly, the IC also met with representatives from Insight Investment in March 2024. This meeting included a discussion of the Fund's LDI and Buy & Maintain credit mandates, both managed by Insight Investment and an overview of how sustainability considerations are incorporated into their operation.
- Through the engagement undertaken by the Investment Consultant, the Trustees expect the Fund's investment managers to sign up to local Stewardship Codes and to act as responsible stewards of capital as applicable to their mandates.
- The Investment Consultant provided ongoing training to the IC on its obligations under the Taskforce for Climate-Related Financial Disclosure ("TCFD") requirements ahead of the second report, which will be published by the Trustees during 2024.

Risk

Given the strong funding position, the Fund targets a modest return in excess of its liabilities. This low level of return means that the Fund is running a commensurately low level of risk.The IC monitors and reviews the investment risks of the Fund in conjunction with the Investment Consultant at regular IC meetings.

4. Voting information

The Fund is invested across a diverse range of asset classes which carry different ownership rights. For the purposes of this report, voting information has been requested from the Fund's equity managers, where direct voting rights apply. As at the year end, the Fund was invested in the following funds, which invest in equity assets:

- Towers Watson Investment Management ("TWIM") Partners Fund
- Legal & General Investment Management ("LGIM") Diversified Fund
- LGIM Adaptive Cap ESG Equity Fund (GBP hedged and unhedged)

The Trustees have not set any specific guidelines around manager voting, but have reviewed the voting policies of each Investment Manager to confirm that they are consistent with their own policies.

As set out in the SIP, the Trustees' policy is to delegate the exercising of rights (including voting, engagement and stewardship) and the integration of ESG considerations into day-to-day decisions to the Fund's investment managers. This section sets out the voting activities of the above investment managers of the Fund over the year, including details of the Investment Managers' use of proxy voting.

The Fund's Investment Managers have their own voting policies, which determine their approach to voting, and the principles they follow when voting on investors' behalf. All Investment Managers also use voting proxy advisers, which aid in their decision-making when voting. Details are summarised in the table below:

Towers Watson Investment Management ("TWIM") Partners Fund

<table>
<tr><td>Voting policy</td><td colspan="4">As TWIM manages Fund of Funds, the voting rights for the holdings are the responsibility of the underlying managers. TWIM expects all of the underlying managers who hold equities over a reasonable timeframe to vote all shares they hold. TWIM has appointed EOS at Federated Hermes (EOS) to provide voting recommendations to enhance engagement and achieve responsible ownership. EOS also carries out public policy engagement and advocacy on behalf of all of our clients. In addition, EOS is expanding the remit of engagement activity they perform on our behalf beyond public equity markets, which will enhance stewardship practices over time.
https://www.wtwco.com/-/media/wtw/solutions/services/sustainable-investing-policy.pdf?modified=20230104213422</td></tr>
<tr><td>Voting activity</td><td colspan="4">Number of votes eligible to cast: 25,823
Percentage of eligible votes cast: 94.9%
Percentage of votes with management: 86.9%
Percentage of votes against management: 12.8%
Percentage of votes abstained from: 0.4%</td></tr>
<tr><td rowspan="5">Most significant votes cast</td><td>Company</td><td>Berkshire Hathaway</td><td>Alphabet</td><td>Microsoft Corporation</td></tr>
<tr><td>Date of vote</td><td>6-May-2023</td><td>2-Jun-2023</td><td>7-Dec-2023</td></tr>
<tr><td>Size of holdings</td><td>0.31%</td><td>1.65%</td><td>1.49%</td></tr>
<tr><td>Resolution</td><td>Climate Risk Disclosure</td><td>Report on Risks of Doing Business in Countries with Significant Human Rights Concerns</td><td>Report on Risks Related to AI Generated Misinformation and Disinformation</td></tr>
<tr><td>Decision /Vote</td><td>For</td><td>For</td><td>For</td></tr>
</table>

	Rationale for decision	*The manager voted in support of audit committee responsibility for climate risk disclosure believing the significance of leadership on this issue overrode the minor cost and inconvenience of compliance. Given the company already has disclosure representing 90% of emissions, and given the company's long-earned reputation for ethical stewardship, awaiting SEC guidance seems an inadequate delayed response. The manager voted against management but in line with ISS recommendations*	*The proposal was regarding greater transparency related to business conducted in places with significant human rights concerns. The siting of cloud datacenters and strategy for mitigating related country risk seems like appropriate and material topics for disclosure.*	*Shareholder proposal promotes better management of ESG opportunities and risks*
	Rationale for classifying as significant	*Given Warren Buffett's stature, his reluctance to be more assertive on this topic is a significant challenge to climate risk transparency and more broadly to Environmental stewardship.*	*The manager believes transparency on country risk is a non-controversial proposal and serves both Social and Governance interests.*	*Greater transparency allows shareholders to better assess the underlying risks and opportunities.*
	Outcome of vote	*Not Approved*	*Not Approved*	*Approved*

Use of proxy voting	For the Partners Fund, the equity exposure comes from four main areas: - The manager’s global equity portfolio, where EOS provides voting recommendations to enhance engagement and help achieve responsible ownership. EOS’s voting recommendations are informed by its extensive research and experience in the area of stewardship as well as its long-term engagement activities with companies. The underlying managers must provide an explanation and note their rationale when they choose to vote differently to the recommendation. The underlying managers in this portfolio use ISS’s ‘ProxyExchange’ electronic voting platform to facilitate voting. - The Fund’s Chinese equity manager uses Glass Lewis service, where they have created a bespoke policy. - The emerging markets equity managers use ISS, Glass Lewis, SES and Broadridge Proxy Edge platforms for information and to facilitate voting. - The long-short equity managers use ISS to provide corporate research and to facilitate the voting process.

Legal & General Investment Management ("LGIM") Diversified Fund

<table>
<tr><td>Voting policy</td><td colspan="4">https://www.lgim.com/uk/en/capabilities/investment-stewardship/</td></tr>
<tr><td>Voting activity</td><td colspan="4">Number of votes eligible to cast: 93,090
Percentage of eligible votes cast: 99.8%
Percentage of votes with management: 76.6%
Percentage of votes against management: 23.1%
Percentage of votes abstained from: 0.3%</td></tr>
<tr><td rowspan="7">Most significant votes cast</td><td>Company</td><td>Shell Plc</td><td>Toyota Motor Corp.</td><td>Public Storage</td></tr>
<tr><td>Date of vote</td><td>23-May-2023</td><td>14-Jun-2023</td><td>2-May-2023</td></tr>
<tr><td>Size of holdings</td><td>0.30%</td><td>0.21%</td><td>0.16%</td></tr>
<tr><td>Resolution</td><td>Approve the Shell Energy Transition Progress</td><td>Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement</td><td>Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal</td></tr>
<tr><td>Vote Cast</td><td>Against (against management recommendation)</td><td>For (Against Management Recommendation)</td><td>For (Against Management Recommendation)</td></tr>
<tr><td>Communication with company ahead of votes against management</td><td>LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is the manager's policy not to engage with investee companies in the three weeks prior to an AGM.</td><td>LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.</td><td>LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is the manager's policy not to engage with investee companies in the three weeks prior to an AGM.</td></tr>
<tr><td>Rationale for voting decision</td><td>A vote against was applied, though not without reservations. LGIM acknowledged the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remain concerned by the lack of disclosure surrounding future oil</td><td>LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM</td><td>A vote in favour was applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-</td></tr>
</table>

		and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5°C trajectory.	*acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM also believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.*	*term GHG emissions reduction targets consistent with the 1.5°C goal.*
	Rationale for classifying as significant	*LGIM is publicly supportive of so called "Say on Climate" votes. The manager expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.*	*LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, LGIM expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.*	*This shareholder resolution is considered significant due to the relatively high level of support received.*

	Outcome of vote	*Approved*	*Not Approved*	*Not Approved*

Use of proxy voting	Use of proxy voting: 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. To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. Type of voting policy followed (Trustee or manager specific): Manager specific. The Trustee does not have a bespoke voting policy in place for the strategy given its pooled fund structure. However, through considering analysis undertaken by the Trustee's Investment Consultant, the Trustee considers that the adoption of the manager's voting policy is in the best interests of the Fund's members. If the Trustee or the Fund's investment consultant consider that the manager has an unsatisfactory approach to stewardship they will engage with the manager to encourage them to improve their practice.

MSCI ACWI Adaptive Capped ESG Index Fund (unhedged and GBP currency hedged)

Voting policy	https://www.lgim.com/uk/en/capabilities/investment-stewardship/			
Voting activity	Number of votes eligible to cast: 36,189 Percentage of eligible votes cast: 99.9% Percentage of votes with management: 78.3% Percentage of votes against management: 21.4% Percentage of votes abstained from: 0.4%			
Most significant votes cast	**Company**	*Marvell Technology, Inc.*	*Alimentation Couche-Tard Inc.*	*Palo Alto Networks, Inc.*
	Date of vote	*16-Jun-2023*	*7-Sept-2023*	*12-Dec-2023*
	Size of holdings	*0.19%*	*0.16%*	*0.17%*
	Resolution	*Election of Director Brad W. Buss*	*Election of Director Melanie Kau*	*Election of Director Nikesh Arora*
	Vote Cast	*Against (against management recommendation)*	*Against*	*Against*
	Communication with company ahead of votes against management	*LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is the manager's policy not to engage with*	*N/A*	*N/A*

		investee companies in the three weeks prior to an AGM.		
	Rationale for voting decision	*A vote against is applied as LGIM expects companies not to recombine the roles of Board Chair and CEO without prior shareholder approval.*	*A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.*	*A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.*
	Rationale for classifying as significant	*LGIM considers this vote to be significant as it is in application of an escalation of LGIM's vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).*	*LGIM considers this vote to be significant as it is in application of an escalation LGIM's our vote policy on the topic of the combination of the board chair and CEO.*	*LGIM considers this vote to be significant as it is in application of an escalation LGIM's our vote policy on the topic of the combination of the board chair and CEO.*
	Outcome of vote	*Approved*	*Approved*	*Approved*
Use of proxy voting	See above.			

5. Conclusion

In line with the reasons mentioned above, the Trustees consider that all SIP policies and principles were adhered to during the year.