

# ING UK Pension Fund: Defined Contribution 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 Contribution (“DC”) Section. The purpose of this statement is to:

- Detail any reviews of the SIP the Trustees have undertaken, and any changes made to the Statement of Investment Principles (“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 followed 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](http://www.myingpension.com) alongside the Fund’s SIP.

#### 2 Review of, and changes to, the SIP

The Fund’s SIP was updated in December 2023 to amend the excess return target, the hedging strategy and additional detail on derivative related risks in relation to the Defined Benefit (DB) Sections of the Fund. There were no changes to the content of the SIP relating to the DC Section of the Fund, which was last updated in December 2022. **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, noting that the DC Section wording applies throughout the Fund year.**

#### 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 DC Section of the Fund. These details relate to those parts of the SIP which set out the Trustees’ policies.

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

##### Fund Objectives

The key investment objective for the Fund’s DC Section is to provide a suitable investment framework to allow members to save for retirement. To meet this objective the Trustees offer members a number of “lifecycle” options (one of which is the default option) as well as a range of self-select funds. This gives members a diversified range of options to meet a range of investment needs and risk/return objectives.

The Trustees have sought advice from their investment consultant throughout the year including at meetings of the Board of Trustees and of the IC.

## **Investment Principles**

A triennial strategy review of the DC investment options was carried out during the Fund year ended 31 March 2022, with a further review therefore due in the Fund year ending 31 March 2025. As such no review was carried out during this Fund year.

## **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 manager I remained the same throughout the year. This in turn allows investment manager 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.

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**

During the year the IC reviewed performance monitoring reports provided by their investment consultant, which included the investment consultant's research on (and rating of) the DC Section's investment manager, a key feature of which is an evaluation of the investment manager's sustainable investment capabilities.

Consideration of sustainable investment and ESG factors forms part of the Trustees' decision-making process. These factors will be incorporated in the strategy review being carried out in the Fund year ending 31 March 2025.

## **Risk**

The Trustees take advice from their investment consultant in relation to identifying and mitigating risks associated with DC investments. The Trustees provide the Fund's members with a member guide and information on all the investment funds, which includes an explanation of the risks associated with investing.

The Trustees monitor the performance of all the investment funds via quarterly reports provided by their investment consultant. This provides the Trustees with a breakdown of the returns of the funds and their benchmarks over various time periods.

The Trustees' policy is to offer DC Section members investment options that can be readily realised to allow members to access funds quickly and easily. That said, the DC Section does offer one investment option, the LGIM Hybrid Property (70:30) (Active and Passive) Fund, which invests in assets that may not be readily realisable in adverse market conditions due to liquidity and valuation issues.

## **Other Matters**

The Trustees hold a number of separate legacy additional voluntary contribution ("AVC") arrangements. These arrangements have historically provided members of the Defined Benefit Section of the Fund the ability to purchase additional benefits on a money purchase basis and are held with Aegon, Aviva, ReAssure, Standard Life and Utmost. The Trustees last reviewed these arrangements in June 2023. As a consequence of the assessments the Trustees decided to contact members with investments in the legacy AVC arrangements to explain the option available to them to utilise the funds available in the DC Section of the Fund, as an alternative to the legacy AVC arrangements. The

Trustees are currently in the process of first determining whether the assets from these legacy providers can be transferred to the DC Section of the Fund without member consent.

## 4 Voting information

The Trustees' policy is to delegate responsibility for the exercising of ownership rights (including voting rights) attaching to investments to the investment managers. When considering the appointment of new managers, and reviewing existing managers, the Trustees, together with their investment consultant, look to take account of the approach taken by managers with respect to sustainable investing including voting policies and engagement, where relevant.

Further information on the voting and engagement activities of the DC Section's investment manager, currently LGIM, is presented below, including a description of those votes considered significant by the investment manager. The Fund's investment manager has its own voting policies, which determine their approach to voting, and the principles they follow when voting on investors' behalf. LGIM's criteria for defining significant votes is complex and involves an assessment of each vote outcome to determine significance and is considered across each of the largest stocks in the underlying portfolios. Whilst a large proportion of the significant votes provided by LGIM are in relation to board composition, diversity and the separation of the Chair and CEO role, it has also extracted some key climate-related votes to align the examples provided with the Trustees' discussions on ESG factors over the past 12 months, alongside key votes on some of the portfolio's largest holdings.

We have only included details for funds for which voting data is relevant (i.e. equity funds or multi-asset funds with a material underlying equity allocation), where assets were held at the end of the reporting period. LGIM's rationale for its voting behaviour for those votes it has deemed significant has been included in the information presented in the tables below, and where references to "we" or "our" are made these refer to LGIM, not the Trustees.

### Voting record

Fund	Number of votes eligible to cast	Percentage of eligible votes cast	Percentage of votes with management	Percentage of votes against management	Percentage of votes abstained from
Global Equity Market Weights (30:70) Index Fund - GBP 75% Ccy Hgd	72,933	99.9%	81.0%	18.5%	0.5%
UK Equity Index Fund	10,157	99.8%	94.2%	5.8%	0.0%
World (ex UK) Equity Index Fund	35,367	99.9%	77.8%	22.1%	0.1%

North America Equity Index Fund	8,760	99.7%	65.5%	34.5%	0.0%
Europe (ex UK) Equity Index Fund	9,955	99.9%	80.3%	19.3%	0.4%
Japan Equity Index Fund	6,098	100.0%	88.0%	12.0%	0.0%
Asia Pacific (ex Japan) Developed Equity Index Fund	4,578	100.0%	77.4%	22.6%	0.0%
World Emerging Markets Equity Index Fund	34,029	99.9%	80.5%	18.6%	0.9%
MSCI ACWI Adaptive Capped ESG Index Fund	36,736	99.9%	78.1%	21.4%	0.5%
Diversified Fund	94,401	99.8%	76.3%	23.4%	0.3%

### Summary of significant votes

**Fund(s):** World (ex UK) Equity Index, Global Equity (30:70), Diversified, Adaptive Capped ESG

**Company:** Toyota

**Meeting Date:** 14 June 2023

**Approximate holding at date of vote:** 0.14% of DC Section

**Resolution:** Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement

**Company Management Recommendation:** Against

**How the manager voted:** LGIM voted in favour

**Result:** Fail (15%)

**Rationale:** 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. We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe 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, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe 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.

**Fund(s):** World (ex UK) Equity Index, Global Equity (30:70), Diversified, Adaptive Capped ESG

**Company:** Royal Dutch Shell Plc

**Meeting Date:** 23 May 2023

**Approximate holding at date of vote:** 0.70% of DC Section

**Resolution:** Approve the Shell Energy Transition Progress

**Company Management Recommendation:** Approve

**How the manager voted:** LGIM voted against the motion

**Result:** Pass (80%)

**Rationale:** Climate change: A vote against is applied, though not without reservations. We acknowledge 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, we remain concerned by the lack of disclosure surrounding future oil 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.

**Fund(s):** World (ex UK) Equity Index, Global Equity (30:70), Diversified, Adaptive Capped ESG

**Company:** Schneider Electric SE

**Approximate holding at date of vote:** 0.10% of DC Section

**Meeting Date:** 4 May 2023

**Resolution:** Approve Company's Climate Transition Plan

**Company Management Recommendation:** Approve

**How the manager voted:** LGIM voted against the resolution

**Result:** Pass (98%)

**Rationale:** Climate change: A vote against is 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-term GHG emissions reduction targets consistent with the 1.5°C goal.

**Fund(s):** World (ex UK) Equity Index, Global Equity (30:70), Diversified, Adaptive Capped ESG, North America

**Company:** Amazon.com, Inc.

**Meeting Date:** 24 May 2023

**Approximate holding at date of vote:** 0.38% of DC Section

**Resolution:** Report on Median and Adjusted Gender/Racial Pay Gaps

**Company Management Recommendation:** Against

**How the manager voted:** LGIM voted for the resolution

**Result:** Fail (29%)

**Rationale:** A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.

**Fund(s):** World (ex UK) Equity Index, Global Equity (30:70), Diversified, Adaptive Capped ESG, North America

**Company:** NVIDIA Corporation

**Meeting Date:** 12 June 2023

**Approximate holding at date of vote:** 0.39% of DC Section

**Resolution:** Elect Director Stephen C. Neal

**Company Management Recommendation:** Approve

**How the manager voted:** LGIM voted against the election of Mr Neal

**Result:** Pass (76%)

**Rationale:** Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

In respect of the use of proxy voting, LGIM has confirmed the below:

*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. Our use of ISS recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting 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. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.*

*We retain the ability in all markets to override any vote decisions, which are based on our 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 us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.*

## 5 Conclusion

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