

# CARE UK LG PENSION SCHEME

## 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' Statements of Investment Principles (SIPs) dated September 2020 and November 2024, which reflects the Scheme's investment strategy in place as at the end of the Scheme year, 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 and 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 Trustees' objectives for setting the investment strategy of the Scheme have been set broadly with regard to the Scheme's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives as at the Scheme year end are set out on page 4 of the November 2024 SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due.
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice.
- To use the investment strategy to constrain volatility in the Scheme's funding position, subject to meeting the above return objective.
- Where future opportunities arise, to increase protection against key risks in such a way that does not invalidate the Trustees' funding plan, the Trustees will consider steps to reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the self sufficiency funding basis.

These objectives differ from the objectives in place as at the start of the Scheme year, reflected in the September 2020 SIP, due to improvements in the funding level and change of investment strategy.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

### Review of the SIPs

The SIP was last reviewed in November 2024. The Trustees updated the SIP to reflect changes in the Scheme's investment strategy that were made during the current and previous Scheme year.

Prior to this, the SIP had last been updated in September 2020 to take account of updated investment regulations.

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 Trustees' latest SIP.

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## IMPLEMENTATION STATEMENT (continued)

### Review of the SIPs (continued)

The Trustees' policy on financially material considerations was updated in the revised SIP coming into force during the year, including the Trustees' views on how ESG considerations should be accounted for in different asset classes to reflect the asset classes used at the Scheme year end. The Trustees' policies on non-financially material considerations, as well as engagement and voting activities, were updated in the revised SIP that came into force during the year and are shown later in this Statement.

### Investment managers and funds in use

The Trustees' investment strategy for the Scheme as at the start of the year was as shown in the below table, which is different to the investment strategy in the September 2020 SIP, due to the Trustees beginning to restructure the Scheme's assets.

Asset Class	Fund	Target Allocation	Asset
Diversified funds	L&G Dynamic Diversified Fund	25.5%	
LDI solution	Insight Partially Funded Gilts Funds	74.5%	
	Insight Partially Funded Index-linked Gilts Funds		
	Insight Funded Gilts Funds		
	Insight Bonds Plus Fund		
	Insight Liquidity Plus Holding Fund		
	Cash in Trustees' bank account		
Total		100.0%	

During the year, the Trustees revised the Scheme's investment strategy to fully implement the new long-term investment strategy from the interim strategy.

The Trustees' investment strategy in place as at the end of the year is as shown in the table overleaf, and is reflected in the November 2024 SIP. However, the November 2024 SIP does refer to Legal & General Investment Management (LGIM), which rebranded to Legal & General – Asset Management (L&G) after the end of the Scheme year.

Asset Class	Fund	Target Allocation	Asset
Diversified funds	L&G Dynamic Diversified Fund	30.0%	
LDI solution	Insight Fully Funded Gilts Funds	70.0%	
	Insight Partially Funded Gilts Funds		
	Insight Fully Funded Index-linked Gilts Funds		
	Insight Partially Funded Index-linked Gilts Funds		
	Insight Bonds Plus Fund		
	Insight Liquidity Plus Holding Fund		
Total		100.0%	

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## **IMPLEMENTATION STATEMENT (continued)**

### **Investment governance**

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Pensions 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 Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were last reviewed by the Trustees in December 2022. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance, and service standards.

### **Monitoring of investment arrangements**

In addition to any reviews of Investment Managers or approaches, and direct engagement with the Investment Managers (as detailed below), the Trustees receive regular updates from their investment consultant on the performance of the Scheme's assets and investment strategy to ensure the investment objectives set out in their SIP is being met.

# CARE UK LG PENSION SCHEME

## IMPLEMENTATION STATEMENT (continued)

### Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's September 2020 SIP, in force at the start of the year, and November 2024 SIP, reflecting the Scheme's investment strategy as at the year end, as applicable, have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>September 2020 SIP:</p> <p>The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash-flow requirements, the funding level of the Scheme and the Trustees' objectives.</p> <p>In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes. The issue of asset allocation has been delegated to the investment managers appointed by the Trustees.</p> <p>November 2024 SIP:</p> <p>The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property, and alternative asset classes, such as hedge funds, private equity, and infrastructure.</p> <p>The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.</p> <p>The Trustees may:</p> <ul style="list-style-type: none"> <li>invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.</li> <li>Hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part, or all, of the future liabilities due from it.</li> <li>Hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</li> </ul>	<p>No deviation from either policy in force over the year to 31 March 2025.</p>
Balance of Investments	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Principal Employer's covenant, the nature of the Scheme's liabilities, or relevant regulations governing pension scheme investment.</p>	<p>No deviation from this policy over the year since coming into force in the November 2024 SIP to 31 March 2025.</p> <p>The Trustees' target investment strategy allocations as at the year end are reflected in the November 2024 SIP.</p>

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## IMPLEMENTATION STATEMENT (continued)

Requirement	Policy	Implementation of Policy
Delegation to Investment Managers	<p>September 2020 SIP:</p> <p>The day-to-day management of the Scheme's assets has been delegated to investment managers authorised and regulated by the Financial Conduct Authority.</p> <p>November 2024 SIP:</p> <p>The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.</p>	No deviation from either policy in force over the year to 31 March 2025.
Maintaining the Target Asset Allocation and Target Hedging Ratios	The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation and hedging ratios on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets between funds should these move significantly away from target.	<p>No deviation from this policy over the year since coming into force in the November 2024 SIP to 31 March 2025.</p> <p>The asset allocation and level of hedging exposure provided by the assets at the year end were broadly in line with their targets and are reflected in the November 2024 SIP.</p>
Realising Investments	<p>September 2020 SIP:</p> <p>The Trustees make disinvestments from the Investment Manager with the assistance of Broadstone, the Scheme's investment advisers, as necessary, to meet the Scheme's cashflow requirements.</p> <p>The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. All of the Scheme's investments are held in pooled funds which are realisable at short notice with the exception of holdings in property on which the fund manager can impose a temporary deferment on redemption.</p> <p>November 2024 SIP:</p> <p>The assets are held in a combination of pooled funds and are fully and readily realisable.</p> <p>The Trustees make disinvestments from the Investment Managers with the assistance of their administrators, XPS Administration Limited, and investment adviser, Broadstone, as necessary, to meet the Scheme's cashflow requirements.</p> <p>Investments or disinvestments required in connection with the Scheme's cashflow management will be made to maintain the Target Asset Allocation and Target Hedging Ratios, as far as possible.</p>	<p>During the previous year, the Trustees fully redeemed the property fund holdings.</p> <p>No deviation from this policy over the year since coming into force in the November 2024 SIP to 31 March 2025.</p>

# CARE UK LG PENSION SCHEME

## IMPLEMENTATION STATEMENT (continued)

Requirement	Policy	Implementation of Policy
Performance Benchmarks and Objectives	<p>September 2020 SIP:</p> <p>The LDI Solution has an objective to provide a prescribed level of hedging against changes in the value of the liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to the Investment Manager, with the expectation that the Investment Manager will choose the most cost-effective method.</p> <p>November 2024 SIP:</p> <p>The L&amp;G Dynamic Diversified Fund, Insight Bonds Plus Fund, and the Insight Liquidity Plus Holding Fund used during the year are actively managed, and the Investment Managers have been set performance objectives to achieve returns in line with, or in excess of, a market benchmark.</p>	<p>The funds' performance benchmarks and objectives were reviewed on an ad hoc basis over the year to 31 March 2025.</p> <p>There were no changes to the funds' performance benchmarks and objectives over the year.</p>
Investment Management Charges	<p>The annual investment management charges of the funds used during the Scheme year are set out in the Appendices to the November 2024 and are as follows:</p> <ul style="list-style-type: none"> <li>• L&amp;G Dynamic Diversified Fund: 0.40%*</li> <li>• Insight Fully Funded Gilts Funds: 0.05%</li> <li>• Insight Partially Funded Gilts Funds**: 0.06%</li> <li>• Insight Fully Funded Index-Linked Gilts Funds: 0.05%</li> <li>• Insight Partially Funded Index-Linked Gilts Funds**: 0.06%</li> <li>• Insight Bond Plus Fund: 0.50%</li> <li>• Insight Liquidity Plus Holding Fund: 0.10%</li> </ul> <p>In addition, LGIM charge a flat administration fee of £1,500 per annum.</p> <p>*Discounted from 0.50% p.a.</p> <p>**The Annual Management Charge of the Insight Partially Funded Gilts Funds and Insight Partially Funded Index-Linked Gilts Funds apply to the overall market exposure that these funds provide. For example, where the leverage of the funds is 2x, £100 invested would provide £200 of market exposure, and thus the effective Annual Management Charge would be 0.12% of the £100 invested (or 0.06% of the £200 exposure).</p>	<p>There were no changes to the funds' investment management charges over the year to 31 March 2025.</p> <p>The Scheme's charges as at the year-end were in line with the SIP dated November 2024.</p>
Financially and Non-Financially Material Considerations	<p>The Trustees' policy on financially and non-financially material considerations is set out on page 3 of the September 2020 SIP and page 8 of the November 2024 SIP, and in full below.</p>	<p>No deviation from either policy in force over the year to 31 March 2025 (see below).</p>

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## IMPLEMENTATION STATEMENT (continued)

Requirement	Policy	Implementation of Policy
Engagement and Voting Rights	<p>September 2020 SIP:</p> <p>Responsibility for engagement with the issuers of the Scheme’s underlying investment holdings and the use of voting rights is delegated to the Investment Managers. The Trustees can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Managers provide information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Managers.</p> <p>November 2024 SIP:</p> <p>The Trustees’ voting and engagement policy is to use their investments to improve the ESG behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members’ best interests.</p> <p>The Trustees will aim to monitor the actions taken by the Investment Managers on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the Investment Manager(s).</p>	No deviation from either policy whilst in force over the year to 31 March 2025 (see below).

### Financially and non-financially material considerations

The Trustees recognise that Environmental, Social, and Governance (ESG) issues can and will have a material impact on the companies, governments, and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Managers. The Trustees have an expectation that the Investment Managers will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme’s underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

# CARE UK LG PENSION SCHEME

## IMPLEMENTATION STATEMENT (continued)

### Financially and non-financially material considerations (continued)

The Trustees' views on how ESG issues are taken account of in each asset class used during the Scheme year are set out below.

Asset	Class	Active/Passive	Trustees' Views
Diversified growth funds and absolute return bond funds		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 managers to use their 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.
LDI funds and cash funds		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.

The Trustees do not currently impose any specific restrictions on the Investment Managers with regard to ESG issues but will review this position from time to time. The Trustees receive information from the Investment Managers on their approach to selecting investments and engaging with issuers with reference to ESG issues.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

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 the 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.

### Voting rights

During the year, the Trustees invested in pooled investment funds with the Investment Managers, and they acknowledge that this limited their ability to directly influence the Investment Managers. In particular, all voting activities have been delegated to the Investment Managers, as the Trustees are unable to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

However, the Trustees and their investment consultant periodically meet with the Trustees' Investment Managers to engage with them on how they have taken ESG issues and voting rights into account for the investment approaches they manage on behalf of the Trustees. As part of this, the Trustees will seek to challenge their Investment Managers on these matters where they think this is in the best interests of members.

Out of the funds held by the Trustees over the year, only the L&G Dynamic Diversified Fund contains publicly listed equity holdings. The fund has voting rights attached to the underlying equities held within the fund, and the Trustees have delegated these voting rights to the manager, where the manager sets its own voting policy.

A summary of the votes made by the manager from 1 April 2024 to 31 March 2025 on behalf of the Trustees for the fund used by the Scheme during the year that includes voting rights was requested from the manager. It was requested that the manager provides voting data broken down into Environmental, Social, and Governance categories. However, the manager advised that the data is not yet available in this format. The breakdown of this data will continue to be requested in future periods. The data in the table below is therefore provided at total fund level.

# CARE UK LG PENSION SCHEME

## IMPLEMENTATION STATEMENT (continued)

### Voting rights (continued)

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
L&G	Dynamic Diversified Fund	101,822	77%	22%	1%

At the year end, all of the Scheme's assets were invested in pooled funds. Regarding proxy voting, L&G do not use a proxy voting service to determine their voting policy, which is formed in-house. L&G do, however, use Institutional Shareholders' Service's (ISS's) Proxy Exchange voting platform to vote on resolutions electronically.

### Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the manager of the fund the Scheme invested in that has voting rights. In determining significant votes, the manager's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile votes which have such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at the manager's annual Stakeholder roundtable event, or where the manager notes a significant increase in requests from clients on a particular vote;
- Sanction votes as a result of a direct or collaborative engagement;
- Votes linked to any manager engagement campaign, for example in line with L&G Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following is the most significant vote undertaken on their behalf over the Scheme year:

SIGNIFICANT VOTE	
Investment Manager	LGIM
Company	Shell Plc
Date of vote	21 May 2024
Percentage of portfolio invested in Company at date of vote	L&G Dynamic Diversified Fund: 0.3%
Resolution	Approve the Shell Energy Transition Strategy
Why significant	LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C temperature increase scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
Voting decision	Voted Against

# CARE UK LG PENSION SCHEME

## IMPLEMENTATION STATEMENT (continued)

SIGNIFICANT VOTE	
Manager comments	<p><i>"LGIM acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025.</i></p> <p><i>Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and [Liquified Natural Gas] business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. LGIM seeks more clarity regarding the expected lifespan of the assets Shell is looking to further develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation.</i></p> <p><i>Additionally, LGIM would benefit from further transparency regarding lobbying activities in regions where hydrocarbon production is expected to play a significant role, guidance on capital expenditure allocated to low carbon beyond 2025 and the application of responsible divestment principles involved in asset sales, given portfolio changes form a material lever in the company's decarbonisation strategy."</i></p>
Vote outcome	Resolution Passed

### Engagement activities

The Trustees have also delegated engagement activities to the Investment Managers. A notable engagement activity of each Investment Manager the Scheme invested with during the year is provided below:

- Insight engaged with Duke Energy in 2024, one of America's largest energy holding companies, who are planning to achieve net zero methane emissions by 2030 and net zero carbon emissions from electricity generation by 2050, to support the clean energy transition. Insight note that Duke Energy are investing in major electric grid upgrades and more environmentally-friendly power generation processes, including expanded energy storage, renewables, natural gas, and nuclear.

Insight note that Duke Energy's transition plan relies heavily on natural gas and coal being phased-out by 2035, whilst a recent sale of their renewables business has led to the percentage of energy generated from renewables falling to 3%, making their 18% by 2030 target more challenging to meet. Duke Energy has also refreshed their human rights policy to extend coverage to access to water and data privacy, alongside more community engagement, and have increased disclosure regarding the skills and training of their Board of Directors, to strengthen governance.

Insight note that Duke Energy has been receptive to engagement and keen to understand Insight's recommendations. Insight will continue to monitor Duke Energy's progress with regard to its renewables targets.

- L&G engaged with Colgate-Palmolive, an American multinational consumer products company, focusing on the company's deforestation approach as well as challenges and opportunities in meeting their deforestation management commitments. L&G met with the company's Chief Sustainability Officer, and explored how the company is ensuring supplier compliance and increased traceability across commodities in their supply chain, as well as the suitability of the company's escalation procedures for non-compliance.

L&G also sought to encourage increased oversight from the Board of Directors, and prioritisation of the issue of deforestation within the company's risk management agenda. L&G noted that the company have demonstrated progress in appreciating responsible sourcing as a critical issue, whilst building relationships and furthering engagement with their suppliers and ending relationships with those found to be non-compliant. L&G note that, overall, the company meets their minimum expectations on deforestation management.

L&G note that Colgate-Palmolive have introduced satellite imaging for monitoring purposes, and are undertaking the complex process of mapping palm oil derivatives. L&G also note that the frequency of Board -level updates on deforestation has increased.

# CARE UK LG PENSION SCHEME

## **IMPLEMENTATION STATEMENT (continued)**

### **Engagement activities (continued)**

L&G will further engage with the company in 2025, with a focus on traceability progress across key commodities, along with collaborative efforts with their peers to eliminate net deforestation. L&G will also look to further discuss the company's work on mapping and addressing deforestation risks in their supply chain.

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

**Signed:**

**Date:**

**On behalf of the Trustees of the Care UK LG Pension Scheme**