

ING UK Pension Fund: Defined Contribution Section

Annual Implementation Statement for the year ended 31 March 2023

June 2023

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 2023, 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 alongside the Fund’s SIP.

2 Review of, and changes to, the SIP

The Fund’s SIP was updated over the Fund Year in December 2022.

This update documented the change in the equity fund used within the lifecycle strategies from the LGIM Global Equity (30:70) Index Fund to the LGIM MSCI ACWI Adaptive Capped ESG Index Fund (50% hedged). Additionally some wording was amended to update the commentary, and to expand on the usage of the Pre-Retirement Inflation Sensitive Fund within the lifecycle strategies.

The December 2022 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 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 Defined Contribution 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.

The Trustees did however make a change to the underlying equity fund used in the lifecycle strategies. This was in order to meet the following aims:

- Reduce the high exposure to UK equity in favour of a more diversified global equity approach
- Limit the exposure to large market capitalisation stocks to reduce concentration risk
- Introduce an ESG tilt to improve sustainability of the fund

The Trustees opted to replace the 30:70 Global Equity fund with the LGIM MSCI ACWI Adaptive Cap ESG Index fund. This transition was carried out as at 10 June 2022.

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 largely 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.

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 managers, a key feature of which is an evaluation of each investment manager's sustainable investment capabilities.

Consideration of sustainable investment and ESG factors forms part of the Trustees' decision-making process. Most recently this was included in the strategy review and manager selection work over the year. In that instance the decision was to change the equity fund utilised in the lifecycle strategies to one which explicitly incorporates an ESG tilt.

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. The Trustees have opted to contact the remaining 43 members in the legacy AVC arrangements to remind them of these benefits, and to offer them the option of transferring into the DC Section or (where the member has retired) taking the benefits.

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 managers is presented below, including a description of those votes considered significant by the investment managers. 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. LGIM's criteria for defining significant votes is more 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 one of the Trustees' major priorities 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	76,499	99.88%	80.73%	18.22%	1.05%

UK Equity Index Fund	10,780	99.94%	94.46%	5.54%	0.00%
World (ex UK) Equity Index Fund	36,202	99.83%	77.58%	21.67%	0.75%
North America Equity Index Fund	8,543	99.41%	65.40%	34.55%	0.06%
Europe (ex UK) Equity Index Fund	10,931	99.93%	80.99%	18.53%	0.48%
Japan Equity Index Fund	6,267	100.00%	88.75%	11.25%	0.00%
Asia Pacific (ex Japan) Developed Equity Index Fund	3,590	100.00%	70.84%	29.16%	0.00%
World Emerging Markets Equity Index Fund	36,506	99.92%	79.53%	18.41%	2.06%
MSCI ACWI Adaptive Capped ESG Index Fund	38,231	99.83%	77.87%	20.74%	1.39%
Diversified Fund	99,252	99.82%	77.36%	21.94%	0.70%

Summary of significant votes

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

Company: Meta Platforms Inc

Meeting Date: 25 May 2022

Resolution:

Require independent board chair

Company Management Recommendation: Against

How the manager voted:

LGIM voted in favour of the shareholder resolution

Rationale:

A vote in favour is applied as LGIM expects companies to establish the role of independent Board Chair. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board

Fund(s): Diversified Fund, UK Equity Index Fund, Global Equity Market Weights (30:70) Index Fund

Company: Royal Dutch Shell Plc

Meeting Date: 24 May 2022

Resolution:

Approve the Shell Energy Transition Progress Update

Company Management Recommendation: Approve

How the manager voted:

LGIM voted against the motion

Rationale:

A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, we remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

Fund(s): MSCI ACWI Adaptive Capped ESG Index Fund, Diversified Fund, Europe (ex UK) Equity Index Fund, Global Equity Market Weights (30:70) Index Fund, World (ex UK) Equity Index Fund

Company: TotalEnergies SE

Meeting Date: 25 May 2022

Resolution:

Approve Company's Sustainability and Climate Transition Plan

Company Management Recommendation: Approve

How the manager voted:

LGIM voted against the resolution

Rationale:

We recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, we remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.

Fund(s): MSCI ACWI Adaptive Capped ESG Index Fund, Diversified Fund, Global Equity Market Weights (30:70) Index Fund, Japan Equity Index Fund, World (ex UK) Equity Index Fund

Company: Shin-Etsu Chemical Co., Ltd.

Meeting Date: 29 June 2022

Resolution:

Elect Director Chihiro Kanagawa

Company Management Recommendation: Approve

How the manager voted:

LGIM voted against electing Chihiro Kanagawa

Rationale:

The vote against was applied for a few reasons relating to the composition of the board. Namely diversity (the lack of meaningful diversity on the board), accountability (the Company has not provided disclosure surrounding the use of former CEO as Advisor to the Board) and independence (the lack of independent directors on the board).

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

<p><u>Company:</u> Twitter Inc <u>Meeting Date:</u> 13 September 2022 <u>Resolution:</u> Advisory Vote on Golden Parachutes <u>Company Management Recommendation:</u> Approve <u>How the manager voted:</u> LGIM voted against the use of golden parachutes <u>Rationale:</u> A vote against is applied as LGIM does not support the use of golden parachutes. As a long-term and engaged investor, we entrust the board to ensure executive directors' pay is fair, balanced and aligned with the strategy and long-term growth and performance of the business, where this is not the case we will use our vote.</p>
<p><u>Fund(s):</u> MSCI ACWI Adaptive Capped ESG Index Fund, Asia Pacific (ex Japan) Developed Equity Index Fund, Diversified Fund, Global Equity Market Weights (30:70) Index Fund, World (ex UK) Equity Index Fund <u>Company:</u> KT&G Corp <u>Meeting Date:</u> 28 March 2023 <u>Resolution:</u> Elect Kim Myeong-cheol as Outside Director <u>Company Management Recommendation:</u> For <u>How the manager voted:</u> LGIM voted against the appointment <u>Rationale:</u> A vote against is applied as the company is deemed to not meet minimum standards with regard to LGIM's deforestation policy</p>

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.