IMPLEMENTATION STATEMENT – VOTING AND ENGAGEMENT

1 January 2023 – 31 December 2023

London Stock Exchange Group Pension Scheme

Introduction

Under regulatory requirements, the Trustee is required to produce an annual Implementation Statement (the "Statement") setting out how voting and engagement policies in the Statement of Investment Principles (the "SIP") have been implemented.

This document has been prepared by the Trustee of the London Stock Exchange Group Pension Scheme ('the Scheme'), covering the period 1 January 2023 to 31 December 2023. Although this Statement covers the 2023 Scheme year, both the LSE Section and LCH Section of the Scheme entered into bulk annuity insurance contracts on 18 May 2023. To fund the purchase of these contracts, both Sections' liquid assets were fully disinvested in March 2023, and the LSE Section's illiquid assets were sold on the 29 September 2023. As a result, this statement only discloses the voting and engagement of managers over the period in which they were responsible for investing the Scheme's assets, i.e. from 1 January 2023 until the Scheme disinvested.

- The LCH Section has entered into a bulk annuity insurance contract to cover all members, which is expected to provide an exact match for all of the Section's accrued liabilities and is intended to provide an income to the Scheme matching the ongoing benefits due to the LCH Section's members (e.g. pension payments) over the life of the Scheme. Most of the remaining assets have been invested in a Sterling liquidity fund to meet any balancing premium payments, and some cash has also been retained in the Trustee bank account to meet ongoing expenses.
- The LSE Section has entered into two bulk annuity insurance contracts. Together, these policies cover all members of the LSE Section. In combination, these bulk annuity insurance contracts are expected to provide an exact match for the majority of the Section's accrued liabilities and are intended to provide an income to the Scheme matching the ongoing benefits due to the LSE Section's members (e.g. pension payments) over the life of the Scheme. The residual cash holdings of the LSE Section have been retained in the Trustee bank account to meet ongoing expenses.

This Statement has been produced in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended, and the guidance published by the Pensions Regulator.

The document looks to set out at a high level how the Trustee's policy on stewardship and engagement has been implemented. Where relevant, the document describes the areas of the portfolio where the stewardship and engagement are most likely to be financially material. Disclosed is also the Trustee's opinion on the outcomes of voting and engagement activity for managers that held listed equities.

From 1 October 2022, further Department of Work and Pensions ("DWP") guidance on the reporting of stewardship activities through Implementation Statements came into effect. This Statement aligns with the latest guidance and with the DWP's updated stewardship expectations, for the relevant period given the context of the bulk annuity insurance contracts purchase in May 2023.

Changes to the SIP over the period

The latest update to the SIP was in October 2023. The key changes to the SIP in 2023 were:

- Updating the SIP to capture the bulk annuity insurance contracts.
- Updating the SIP to reflect that the LSE Section no longer holds illiquid assets.

The previous SIP dated September 2022 was in force until the latest SIP was adopted in October 2023. A copy of the September 2022 SIP can be found here.

The Trustee's policies on voting and engagement

The SIP clearly details that the Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long-term. This is relevant for the period of the Scheme year where assets were held with asset managers. Once the assets were sold, the Trustee was no longer able to monitor engagement and voting activities other than in relation to the period during the year for which investments were held.

ESG considerations were used as a factor in the selection of a bulk annuity insurer and as part of the wider insurer due diligence prior to the bulk annuity purchases.

As of 31 December 2023, the LSE Section and the LCH Section of the Scheme do not invest in any assets with associated voting rights. Due to the short-term nature of the cash held in the Trustee Bank Account and Sterling liquidity fund assets, the ability to practice good stewardship is limited.

Across both Sections, as of 31 December 2023, the only investment manager is Schroders, who is a signatory of the UK Stewardship Code. The Code sets out a clear benchmark for stewardship as the responsible allocation, management, and oversight of capital to create long-term value.

The Trustee proposed its own definition of what it considers to be a significant vote which has been used in this iteration of the Statement, similar to the Implementation Statement for the 2022 Scheme year. The Trustee has asked the managers to provide significant votes in line with this definition over the period where these investments were held. The managers voting statistics are summarised in the next section.

Concluding remarks

The Trustee is comfortable that the voting and engagement policies in the SIP have all been adequately followed over the Scheme year, noting a number of recent changes to regulations in this area. The Trustee is satisfied that the implementation of the Trustee's policies for both Sections is consistent with the Statement of Investment Principles and is appropriate for the circumstances of the Scheme.

Summary of voting over the year

The use of voting rights is most likely to be financially material in the parts of the portfolios where physical equities are held. Financially material considerations include (but are not limited to) those arising from Environmental, Social and Governance considerations, including climate change. Voting was therefore only relevant to the Man Progressive Diversified Risk Premia Fund, the Ruffer Absolute

Return Fund and the LSE Section's investment in the Oaktree Opportunities Fund IX. As these investments are made via pooled funds, where the investment manager is responsible for voting and engagement on the underlying assets rather than the Trustee, the Trustee's ability to influence voting activities undertaken is limited.

Over the Scheme year, voting activities by Man, Ruffer and Oaktree were on a fund wide basis and in accordance with the voting procedures set out in each manager's voting policy. The Trustee is not aware of any material departures from the managers' stated voting policies.

Given the nature of these mandates and the fact that voting activities were undertaken in line with the managers' policies, the Trustee is satisfied that the voting policies have all been adequately followed over the Scheme year, over each of the respective time periods of investment.

A summary of the voting carried out by the investment managers in the Man Progressive Diversified Risk Premia Fund, the Ruffer Absolute Return Fund and the Oaktree Opportunities IX Fund on behalf of the Scheme over the relevant time period is provided in the tables below:

Voting Criteria	**Ruffer** (1 Jan 2023 – 15 March 2023)	**Man** (1 Jan 2023 – 21 March 2023)	**Oaktree** (1 Jan 2023 – 29 Sept 2023)
Value of assets as at date of sale - LSE Section & LCH Section combined	£10.6m	£9.7m	£7.2m
No of meetings eligible to vote during the period	2	34	10
No of resolutions eligible to vote during the period	42	318	78
% of resolutions voted on of which eligible	100.0%	100.0%	98.7%
% of resolutions voted with management	97.6%	81.3%	98.7%
% of resolutions voted against management	2.4%	17.4%	0.0%
% of resolutions abstained	0.0%	1.0%	1.0%
% of meetings with at least one vote against management	50.0%	58.8%	0.0%
% of resolutions where manager voted contrary to recommendation of proxy adviser?	0.0%	9.2%	N/A
Any use of proxy voting services during the period	Yes (ISS)	Yes (Glass Lewis)	No

Note: Figures may not sum to 100% due to rounding.

Summary of significant votes over the period:

Further to the summary above, the Trustee is required to disclose additional information on the 'most significant' votes. The Trustee has considered a significant vote based on the following criteria across the Scheme's managers to show what the Trustee has proposed to be significant, rather than what managers deem significant.

Any votes that are applicable to at least one of the following are considered as significant to the Trustee:

- A vote which either relates to:
  i. A company that is one of the fund's largest carbon emitters, or

    ii. A company that is one of the 170 CA100+ companies which might provide a reasonable proxy.

- Those resolutions with large votes against (a 50% vote against the company recommendation is clearly significant, but 20% against is usually deemed a high level; but in some markets on some issues less than this can be significant).
- Companies facing campaigns: campaigns include but are not limited to activist action, attention from industry groupings and/or shareholder resolutions. That would certainly include climate shareholder resolutions (not least those flagged by The Institutional Investors Group on Climate Change 'IIGCC' and its equivalents around the world).
- A vote that has a positive steer on climate change or other ESG factors.

The Trustee has requested votes that meet this definition from the Scheme's managers, for the holding period of these investments. One vote meeting this definition from managers with voting rights, as previously defined, is shown in the table below for Man. This vote is deemed "most significant" as it aligns with the Trustee's definition of a significant vote. Ruffer has confirmed that no significant votes matching the Trustee definition were reported for the respective investment period of 1 January 2023 to 15 March 2023. Oaktree has confirmed it does not currently take any "significant voting criteria" into consideration as part of its proxy voting process, as such they were unable to provide this information upon request, similar to the previous Statement.

The significant vote for Man is shown below:

	Man (1 Jan 2023 – 21 March 2023)
Approximate size of fund's holding as % of portfolio	Not provided
Summary of resolution	Company A Governance - Shareholder Proposal Regarding Severance Approval Policy
Managers Vote	For
Rationale of decision	"Shareholders should be consulted before the Company enters into severance agreements that provide benefits exceeding 2.99 times salary and bonus. "
Explanation of how this meets Trustee definition of a significant vote	A vote that has a positive steer on ESG factors.

Summary of engagement from the Scheme's managers over the year

As per the Scheme's SIP, The Trustee expects its investment managers to practice good stewardship. This includes monitoring and engaging with issuers of debt or equity on relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and environmental, social or governance considerations, and using voting rights to effect the best possible long-term outcomes.

With this in mind, the Trustee has requested its relevant investment managers to provide examples of how they have engaged with underlying companies on the Trustee's behalf, for the holding period of these investments. The managers provided an overview of engagement activity and the Trustee selected examples for each manager that they have considered noteworthy for the respective time periods.

To focus the engagement examples to those that are most relevant to the Trustee, the engagement examples from managers were collected with a focus on ESG or Stewardship themes.

Ruffer – Engagement Example:

Company: BP Plc

Background: We met with BP at the beginning of February, primarily to discuss the previous quarter's performance and full year results for 2022. However, when the company announced its results, it also gave an update on strategic progress that garnered a lot of negative media attention. Reports claimed that the announcement represented a row back on renewables and a shift towards oil and gas production, casting doubt over whether the company was really committed to moving towards a low-carbon world.

Action: As long-term shareholders of this energy major, we felt obliged to learn more about the seemingly mixed messages on BP's strategy and the role renewable energy will have to play. We spoke to BP's chief financial officer and the newly appointed executive vice president of gas and low carbon energy. They confirmed that the company is aiming to marginally extend the life of its existing oil and gas assets to meet demand triggered by Russia's invasion of Ukraine but is doing so in a resource and energy efficient manner by using existing machinery and fields, rather than investing in intensive new projects.

Overall, the announcements suggest to us that BP is taking a pragmatic and flexible approach to achieving its reiterated goal of a Net Zero transition. The transition will require a significant amount of energy, much of which will unavoidably be fossil fuel based, and the flexibility to react to external events and adjust accordingly will be crucial to delivering a value accretive, and therefore sustainable, transition. We think the events of the past year have highlighted how important such characteristics will be to achieving decarbonisation in an increasingly volatile world.

Royal London Asset Management – Engagement Example:

Company: Legal and General and EDF

Background: As part of the Net Zero Asset Managers initiative (NZAM), our primary engagement objective is to evaluate and influence companies, which represent at least 70% of Royal London Asset Management's financed emissions by 2030, to adopt emissions reduction targets and climate transition plans that are reinforced by credible science-based methodologies. We have developed 12 indicators to help assess companies' climate transition plans. Through this approach, we expect to influence real-economy decarbonisation that will in turn support Royal London Asset Management's target of a 50% reduction in emissions by 2030.

Action: As part of the Net Zero Engagement Initiative (NZEI), a collaborative engagement initiative by the Institutional Investor Group on Climate Change (IIGCC), Royal London Asset Management sent letters to 107 companies. The letters asked companies to have credible net zero transition plans. This is in line with the Net Zero Investment Framework and Royal London Asset Management's own 12 indicator approach. The key transition plan requests set out in the letter were: 1) a comprehensive net zero commitment; 2) aligned GHG targets; 3) emissions performance tracked; and 4) credible decarbonisation strategy. Companies have until 28 April to respond to the letter and the response will inform subsequent engagement steps.

- **Legal and General (L&G):** We met L&G to give feedback on its climate transition plan before its AGM vote. This meeting follows one in December 2022, where we provided preliminary input. During our Q1 meeting, we provided further feedback on the plan. This discussion excluded the company's plans on just transition and adaptation which were still under consideration. During this last meeting, the company confirmed that footnotes would be added for target clarification and to provide insights into the SBTi verifications status for the different targets/ segments.
- **EDF**: As a co-lead in the Climate Action 100+, our Responsible Investment team reached out to EDF during the quarter to engage on the topic of corporate lobbying. We identified potential discrepancies between the respective responses of EDF's Italian subsidiary Edison and EDF's Group to a couple of EU consultations. We expressed concerns that Edison's position could undermine the delivery of the Paris Agreement goals. EDF clarified Edison's position, which was to invite EU policymakers to focus on a few specific Italian policy options rather than showing an opposition to a number of packages and directives, including on hydrogen, gas decarbonisation or buildings energy performance. EDF also noted that while it coordinates advocacy efforts with Edison, market-specific considerations may sometimes result in slightly different approaches being taken. We plan to meet EDF and Edison on 13 April to discuss this issue further. Considering the company's nationalisation and our role as bondholders, we are keen on continuing to engage on climate and broader ESG issues.

Payden & Rygel – Anonymised Engagement Example:

Background: The objective of the engagement was to gain a greater understanding of the issuer's plan to address climate change. In addition, the engagement aligned with our commitment under NZAM as well as climate mitigation initiatives as part of our SFDR Article 8 and SFDR Principal Adverse Impacts.

Action: Members of our economics, strategy, portfolio management, and ESG teams met with the country's national treasury through its debt management office (DMO). During the meeting, the DMO shared that it has increased its focus on climate initiatives, under the current administration, by establishing a Climate Hub. This is a new office that is intended to focus on climate as a risk. The DMO also explained that it has considered green bond issuance, however, it has refrained given the concern that its issuance size may crowd out other sovereign issuers globally.

Another concern with this type of issuance is that the DMO is not structured to track the use of proceeds, which could open the government to greenwashing accusations. The country's national treasury's primary role in the market is to provide stability through steady and predictable issuance. Given that, the DMO's focus is to continue traditional issuance means as it remains the most efficient channel to raise capital, in which it can provide financing to government initiatives focused on climate. We view recent developments and conversations on climate and the establishment of a climate office as important steps in the DMO's recognition that climate is a risk to be assessed.