

Lucideon Group Pension Scheme

Statement of Investment Principles – 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' Statement of Investment Principles (SIP) dated 15 December 2022 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 January 2024 to 31 December 2024.

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 are set out on page 2 of the 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 target a limit of exposure to downside equity-like risk of around 25% of the Scheme's assets.
- To target a level of hedging of 100% of the risk to funding associated with the impact of changes in long-term interest rates and future inflation expectations, on the Scheme's Technical Provisions, assuming the Scheme to be fully funded.
- Where future opportunities arise to reduce risks in such a way that it does not invalidate the Trustees' funding plan, the Trustees will consider steps to further reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the SFO.

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

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 SIP

The SIP was last reviewed in December 2022. The Trustees updated the SIP to reflect changes in the Scheme's investment strategy that were made over the year to 31 December 2022.

Prior to this, the SIP had last been updated in October 2019 to take account of new investment regulations in relation to Environmental, Social and Governance (ESG) considerations.

The Trustees have a policy on financially material considerations relating to 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' SIP. The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated during the year.

Investment managers and funds in use

The Trustees' investment strategy during the year was as shown in the below table, which is reflected in the Trustees' SIP:

Asset Class	Fund	Target Asset Allocation
Multi-asset funds	LGIM Dynamic Diversified Fund	24.0%
	Baillie Gifford Diversified Growth Fund	16.0%
Private markets	The Partners Fund	10.0%
Investment grade corporate bonds	LGIM Maturing Buy & Maintain Credit Funds	20.0%
Liability Driven Investment ('LDI') solution	LGIM Absolute Return Bond Fund	30.0%
	LGIM Matching Core Funds	
Total		100.0%

There have been no changes to either the Investment Managers used or the Target Asset Allocation for the Scheme's invested assets over the year.

Investment governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits 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 Trustees' primary objective is to meet the benefits of the Scheme as they fall due, and the current investment strategy in place is intended to meet this objective. In addition, the Trustees note that 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 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 on 2 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 Investment Managers (as detailed below), the Trustees receive performance reports on a quarterly basis from Baillie Gifford and LGIM, together with performance reports from Broadstone on a quarterly basis to ensure the investment objectives set out in their SIP are being met.

Trustees' policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<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 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.</p> <p>The Trustees may 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.</p> <p>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.</p>	No deviation from this policy over the year to 31 December 2024.
Balance of Investments	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting the Scheme's 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 to 31 December 2024.</p> <p>The Trustees' target investment strategy allocations during the year are reflected in the SIP.</p>
Delegation to Investment Managers	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.	No deviation from this policy over the year to 31 December 2024.
Realising Investments	The Trustees make disinvestments from the Investment Managers with the assistance of their administrator, Broadstone, as necessary, to meet the Scheme's cashflow requirements.	No deviation from this policy over the year to 31 December 2024.

Requirement	Policy	Implementation of Policy
Maintaining the Target Asset Allocation and Target Hedging Ratios	<p>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 on a regular basis with the assistance of their investment adviser, Broadstone, and will consider switching assets between funds should the characteristics of the strategy move significantly away from that intended.</p>	<p>No deviation from this policy over the year to 31 December 2024.</p> <p>Whilst the hedging levels provided by the assets were broadly in line with target as at the year end, the overall asset allocation had deviated somewhat from its target. However, given the level of deviation, there was no immediate need to undertake a rebalancing exercise.</p>
Performance Benchmarks and Objectives	<p>The multi-asset, private markets, and absolute return bond funds 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 'maturing buy and maintain' corporate bond funds used during the year are actively managed, and have an objective to capture the yield on a diversified portfolio of predominantly investment grade corporate bonds, whilst minimising the risk of default losses and holding the underlying bonds to maturity. The funds do not have a formal benchmark.</p> <p>The leveraged LDI funds have an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate risk and inflation risk. The practical method of implementing this level of hedging is delegated to the LDI manager, with the expectation that LGIM will choose the most cost-effective method.</p>	<p>The funds' performance benchmarks and objectives were reviewed on a quarterly basis over the year to 31 December 2024.</p> <p>There were no changes to the funds' performance benchmarks and objectives over the year to 31 December 2024.</p>
Investment Management Charges	<p>The annual investment management charges of the funds used during the Scheme year are set out on page 6 of the SIP and are as follows:</p> <ul style="list-style-type: none"> • LGIM Dynamic Diversified Fund: 0.35% • Baillie Gifford Diversified Growth Fund: 0.55% • The Partners Fund: 1.50%* • LGIM Maturing Buy & Maintain Credit Funds: 0.15% • LGIM Absolute Return Bond Fund: 0.25% • LGIM Matching Core Funds: 0.24% <p>*A performance fee is also payable for The Partners Fund of 12.5% of growth above the previous highest net asset value for the fund.</p> <p>In addition, LGIM make a flat administration charge of £1,000 per annum.</p>	<p>There were no changes to the funds' investment management charges over the year to 31 December 2024.</p>

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	The Trustees' policy on financially and non-financially material considerations is set out on page 9 of the SIP and in full below.	No deviation from this policy over the year to 31 December 2024 (see below).
Engagement and Voting Rights	<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>	No deviation from this policy over the year to 31 December 2024 (see below).
Additional Voluntary Contributions ('AVCs')	<p>Members are not currently permitted to make AVCs to the Scheme.</p> <p>AVCs previously paid by members are invested with Prudential Assurance Company Limited. These arrangements will be reviewed by the Trustees from time to time to ensure that they continue to remain appropriate.</p>	No change to the AVC arrangements over the year to 31 December 2024.

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 and will 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.

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 request 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.

The Trustees' views on how ESG issues are taken account of in each asset class used is set out below:

Asset Class	Active/Passive	Trustees' Views
Multi-asset 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 the 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.
Private markets	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect their Investment Manager to engage with the investee companies, where possible, to improve matters surrounding ESG.
Investment grade corporate bonds and absolute return bonds	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the Investment Manager to use its discretion to generate higher risk-adjusted returns. The Trustees also expect the Investment Manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.
LDI funds	Active	The underlying assets of the LDI funds consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, 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.

Voting rights

The Trustees currently invest in pooled investment funds with the Investment Managers, and they acknowledge that this limits 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 periodically meet with their 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, the LGIM Dynamic Diversified Fund and Baillie Gifford Diversified Growth Fund contain publicly listed equity holdings. These funds have voting rights attached to the underlying equities held within the funds, and the Trustees have delegated these voting rights to the managers, where each manager sets its own voting policy.

A summary of the votes made by the managers from 1 January 2024 to 31 December 2024 on behalf of the Trustees for each fund used by the Scheme during the year that includes voting rights was requested from the managers. It was requested that the managers provide voting data broken down into Environmental, Social, and Governance categories. However, the managers 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.

Manager	Fund	Resolutions Voted On	Resolutions Voted:		
			For	Against	Abstained
LGIM	Dynamic Diversified Fund	102,726	77%	22%	1%
Baillie Gifford	Diversified Growth Fund	751	96%	3%	1%

All of the Scheme's assets are invested in pooled funds. Information regarding proxy voting, for managers where the Scheme invests in a fund which has voting rights, is detailed below:

- LGIM do not use a proxy voting service to determine their voting policy, which is formed in-house. LGIM do, however, use Institutional Shareholders' Service's (ISS's) Proxy Exchange voting platform to vote on resolutions electronically.
- Baillie Gifford do not use a proxy voting service to determine their voting policy, which is formed in-house. However, Baillie Gifford do use research provided by ISS and Glass Lewis to help inform their voting decisions.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by each manager of a fund in which the Scheme invests which has voting rights. In determining significant votes, each 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 we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Votes linked to any manager engagement campaign, for example in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following are the most significant votes undertaken on their behalf over the Scheme year:

SIGNIFICANT VOTE 1	
Investment Manager	LGIM
Company	Shell Plc
Date of vote	21 May 2024
Percentage of portfolio invested in Company at date of vote	LGIM Dynamic Diversified Fund: 0.30%
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
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

SIGNIFICANT VOTE 2	
Investment Manager	Baillie Gifford
Company	JLEN Environmental Assets Group Limited
Date of vote	13 September 2024
Percentage of portfolio invested in Company at date of vote	Baillie Gifford Diversified Growth Fund: 1.21%
Resolution	Approve Discontinuation of the Company
Why significant	Baillie Gifford have determined this resolution to be significant as it received more than 20% opposition from shareholders.
Voting decision	Voted Against
Manager comments	<i>"A resolution concerning the discontinuation of the company received [around 93%] opposition. Baillie Gifford were comfortable opposing this resolution, in line with the Board's recommendation, because Baillie Gifford believe value is most likely to be generated through a continuation of the company."</i>
Vote outcome	Resolution Failed

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:

- **LGIM** 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. LGIM 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.

LGIM 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. LGIM 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. LGIM note that, overall, the company meets their minimum expectations on deforestation management.

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

LGIM 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. LGIM will also look to further discuss the company's work on mapping and addressing deforestation risks in their supply chain.

- **Baillie Gifford** met with Canadian-regulated electricity transmission and distribution utility firm Hydro One Limited, to follow up on questions they had previously been posed regarding wildfire risk exposure and efforts to mitigate physical (i.e., non-policy-based) climate risks.

Given the company's focus in Ontario, Canada, Hydro One has exposure to extreme weather risks, most prominently arising from snowstorms and ice storms, which can significantly impact electrical infrastructure. Baillie Gifford note that relative to North American peers, Hydro One is forthcoming regarding its disclosure of exposure to extreme climate risks and its mitigation efforts.

Baillie Gifford learned that the company had recently been undertaking stress testing exercises, and planned to publish their results in a Climate Adaptation Report outlining strategy, scope, and scale of actions to mitigate the effects of extreme climate risk. Baillie Gifford noted the company's intention to use this report, and the additional costs disclosed within it, to present a case to their regulator for increasing utility rates, which may act as a notable driver of earnings growth.

Baillie Gifford intend to engage with the company further, following publish of their climate report, to learn more about exposure and management of extreme climate risks.

- **The Partners Group** continued their long-term engagement with Pharmathen, a leading developer of drug-delivery technologies for pharmaceutical products. Since Partners' investment, Pharmathen has shown strong organic growth within the existing portfolio and through the launch of new products including various new long acting injectables.

In 2023, the company fostered its talent development program by implementing feedback received during employee engagement surveys which included enhancing health and safety training, and enrolling more employees in the company's employee engagement program. This program aims to improve talent retention and aligns monetary incentives for all stakeholders involved in the investment. Partners note that, in 2023, Pharmathen also received a 'Business Extroversion' award for playing a major role in supporting the Greek economy.

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 Lucideon Group Pension Scheme