LV= Employee Pension Scheme
Statement of Investment Principles ("SIP") Implementation Statement

1. Introduction

This SIP Implementation Statement ("the Statement") has been prepared by The LV= Pension Trustee Limited ("the Trustee") in relation to the LV= Employee Pension Scheme ("the Scheme").

This Statement:

	Section
• Describes how the Trustee's policies on exercising voting rights and engagements have been followed over the year;	2
• Describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and states any use of the services of a proxy voter during that year; and	3
• Describes the engagement activity in respect of the Scheme's investments during the year.	4

This Implementation Statement covers the period 1 April 2023 to 31 March 2024, the Scheme's reporting year, in line with regulations.

In preparing this Statement, the Trustee has had regard to the Department for Work and Pensions' ("DWP's") 'Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance'.

2. How the Trustee's policies on exercising voting rights and engagements have been followed over the Scheme year

As set out in the *Voting: expectations and process* section of the SIP, the Trustee expect their managers to use as appropriate all the tools arising from their investments, including the rights and responsibilities associated with the instruments or other assets in which they invest. Since the scheme does not currently have any direct equity investments, no votes were cast on behalf of the Trustee.

As set out in the *Engagement: expectations and process* section of the SIP, active engagement with companies in which the Scheme is invested is delegated to the Scheme's investment managers. The Trustee expects its investment managers to actively engage with companies to preserve and improve the long-term value of investments while minimising adverse effects on the environment and society. Examples of how managers have engaged with underlying companies on the Trustee's behalf are outlined below in Section 4 of this statement.

Being cognisant of the DWP's updated guidance emphasising the need for asset owners to be more "active" in their approach to stewardship, Redington provided the Trustee with stewardship and engagement training during the scheme year. A recommendation from this training was that the Trustee draft a stewardship policy to be included in the SIP, this was subsequently added in June 2023.

3. Voting behaviour

The Scheme fully disinvested from its holdings with Columbia Threadneedle (June 2022) and Aberdeen Standard Investments (September 2022) – both of which contained some direct equity investments - and therefore did not hold an equity portfolio during the Scheme year in question. No votes were cast on behalf of the Trustee during the 2023/4 Scheme year.

4. Engagement examples from the Scheme's managers over the year

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 the Trustee's agreed theme of climate change.

Schroders – Direct Engagement

Background: Since 2021, the manager has had ongoing engagement with a North American bank to support its transition to Net Zero. These engagements took place both bilaterally and collaboratively with other institutional investors via the Institutional Investors Group on Climate Change (IIGCC). Schroders engagement encouraged the setting of emissions reduction targets, development of lending policies for high-emitting sectors, and climate reporting and disclosure.

Action: In January 2023, Schroders engaged with the bank to discuss their next wave of sector-based climate targets and their approach to physical risk assessment. The discussions focused on the credibility of the company's climate commitments, particularly regarding the funding of new fossil fuel projects. During this engagement, Schroders asked the company to publish a comprehensive client engagement report, outlining efforts the bank is taking to engage and support clients to decarbonise their businesses. They followed up the discussion by email with examples of best practice reporting from other banks. In April 2023, Schroders held a call with the Board Chair to discuss Schroders' approach to voting at the company's Annual General Meeting (AGM), including Schroders' views on shareholder resolutions relating to financing policy guidelines for sensitive sectors, e.g., on climate votes, and transition planning.

Outcome: Schroders felt encouraged by the company's progress on target setting and measurement of financed emissions. The bank had also set out its client engagement strategy and goals. Nevertheless, Schroders took the opportunity to encourage further progress on the bank's fossil fuel lending policy and absolute emissions targets.

Schroders – Direct Engagement

Background: Schroders has been engaging a British utility company on climate issues since 2010 to understand the challenges in managing electricity flows in the UK and how this can impact carbon emissions.

Action: In 2023, Schroders held technical and high-level discussions on the decarbonisation and efficiency of the British electricity grid network. In April, Schroders secured a site tour with the CEO at one of the company's substations which connected with an interconnector to Denmark – allowing for the import (largely wind) and export of power between both countries. The discussion delved into the use of SF6 gasses for circuit breakers, concerns around the use of the gas in circuit breakers, and the EU regulatory landscape. Schroders asked the company to evaluate alternative gasses and technologies for use in high voltage circuit breakers. In July, Schroders spoke with the Board Chair regarding the company's governance strategy, industry association participation, and renewable energy initiatives. The Chair detailed how they are reviewing trade associations and considering changes to business operations, such as the potential disposal of US gas grids, the value added through additional capacity installation, and their interest in the onshore and offshore transmission business. The discussion covered progress with the Accelerated Strategic Transmission Investment (ASTI) framework, including the implications of potential changes in energy policy and the integration of batteries for better grid management.

Outcome: In November, Schroders reconvened with the CEO to clarify the company's net zero strategy. The CEO reiterated their commitment to achieving net zero emissions by 2050 and highlighted that detailed transition plans are released every five years, with the current plan released extending to 2026. During this time, Schroders also became a contributing investor to a working group convened by the Institutional Investors Group on Climate Change (IIGCC). Schroders collaborated on planning for 2024 engagements with the company, covering the just transition, community benefits, grid connections, lobbying, and the new transition plan. Schroders discussed the company again during the broader IIGCC utilities working group in December. Schroders will continue to monitor the company's progress towards their environmental commitments and look forward to additional dialogue on driving efficiencies and reducing emissions in the UK electricity network.

Insight – Direct Engagement

Background: Insight engaged with a multinational drink and brewing company, which produces, distributes and sells beer and beverages. Insight previously engaged with the company on its low Prime governance rating of 4. The sub-factors that caused the poor governance rating were ethics and tax issues, which were driven mainly by controversies and disclosure issues.

Action: MSCI penalised the issuer for several issues around labour management. Firstly, on apparent evidence of limited collective agreements on working conditions, the issuer responded it does not disclose its collective agreement statistic, so MSCI's <25% statistic is not accurate. It further stated that collective agreement information is contained in its Form 20F and gave Insight some approximate statistics around the percentage of employees in several markets that are part of collective agreements. Secondly, on a perceived lack of labour standards in its supply chain, the issuer stated that it has a responsible sourcing policy in place, working closely with procurement teams to oversee the successful implementation of this policy. On ethics, Insight recommended that the issuer discloses the specific frequency of its ethics audits and extends ethics training to all employees. The issuer responded it does intend to publish the frequency of its audits and plans to increase ethics training. Insight also asked about how its policy on ethics had changed over the previous 24 months, given its Insight Prime governance rating had improved. Insight specifically asked around tax given it was a key issue at the last engagement. The issuer indicated that while there remains a disclosure gap around tax, it had increased its tax disclosures, whereby the company now publishes a tax report.

Outcome: The company's Insight Prime governance rating has improved from 4 to 3 over the last 18 months, driven by its improvement in ethics and specifically tax policy, especially with regard to disclosures. The remaining issue around labour management, which Insight Prime rates the issuer as 4.5, is partly due to a disclosure gap on collective agreements. However, the firm is planning to disclose this information via corporate social responsibility disclosures. Insight will continue to monitor progress on this front and on its KPIs.

Insight – Direct Engagement

Background: Insight engaged with a large company in the medical device industry. Insight engaged with the issuer because its overall ESG score suffers from weak scores for product safety and quality which is a material topic for the company. This has been caused by several product recalls which MSCI regards as severe controversies. Insight discussed the issuer's internal changes to ensure better product quality and safety and how it engages with ESG ratings agencies.

Action: On its product quality and safety, the issuer has initiated a quality transformation programme to improve the quality function and strengthen the company's performance. For example, following a controversy related to one of the issuer's product recalls, the issuer has significantly revamped its complaint handling and quality system. Regarding its engagements with ESG rating agencies the issuer engages with MSCI, DJSI and Sustainalytics.

Outcome: Insight will continue to monitor the changes the company is implementing to its product research and development programme; however, Insight does not expect any material changes to the company's ESG score in the short-term. The changes the issuer is implementing will need some time to take hold and produce results.

Signed: Huw Evans

Chair of the Trustee Board of the LV= Employee Pension Scheme

Dated: 24 September 2024