

## Implementation statement

The Trustee of the Stena (2016) Retirement Benefits Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

### 1. Introduction

The voting and engagement policies in the SIP were reviewed and updated to reflect the Trustee’s adoption of three stewardship priorities following receipt of training on stewardship and the new legislative requirements relating to this. The revised SIP was subsequently agreed and finalised in April 2024. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year.

### 2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. The corporate governance and responsible investing policy for L&G (the Scheme’s equity manager) is available [here](#).

However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations), as well as their approaches to voting and engagement.

During the Scheme Year, the Trustee reviewed LCP’s responsible investment (RI) scores for the Scheme’s existing funds on an ongoing basis in the quarterly investment monitoring reports provided by LCP. These scores cover the managers’ approach to ESG factors, voting and engagement. The fund scores are based on LCP’s ongoing manager research programme, and these, along with LCP’s qualitative RI assessments, directly affect LCP’s manager and fund recommendations.

LCP meets with the Scheme’s managers as part of its ongoing manager research programme, and provides regular updates to the Trustee on its funds and managers, an aspect of which often includes an update on managers’ responsible investment practices, in their quarterly investment monitoring reports and at Investment Sub-Committee meetings.

Additionally, the Trustee receives quarterly updates on ESG and stewardship related issues from LCP.

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Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus engagement with their investment managers on specific ESG factors. The Trustee has agreed the following stewardship priorities for the Scheme:

- Climate change;
- Diversity, equity and inclusion; and
- Board remuneration.

These priorities were selected because they represent one priority each from environmental, social and governance areas and remained in place over the Scheme Year ending 31 December 2024.

The Trustee aims to appoint managers that have strong responsible investment skills and processes, and therefore favours managers who are signatories to the Principles for Responsible Investment and UK Stewardship Code. This view was communicated to the Scheme's managers in writing in February 2023. This communication also set out the Trustee's expectation for the Scheme's managers to:

- take account of financially material factors (including climate change and other ESG factors) when investing the Scheme's assets, and to improve their ESG practices over time, within the parameters of their mandates;
- undertake voting and engagement on the Trustee's behalf in line with their stewardship policies, considering the long-term financial interests of the Trustee; and
- provide information on their stewardship policies, activities and outcomes, as requested by LCP from time to time.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

In November 2024, the Trustee was provided with an assessment of the investment managers RI practices from LCP's 2024 Responsible Investment Survey. The survey results provided LCP's assessment of the Scheme's asset managers across five key areas relating to RI: ESG foundations, net zero, engagement, systemic stewardship, and voting. Following receipt of the RI survey results, The Trustee reviewed the results and wrote directly to the investment managers, setting out areas it would like to see improvement in, and asking for written responses on how the managers plan to work towards these improvements.

### 3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities were within pooled funds managed by L&G over the Scheme Year and the Trustee has delegated the exercise of voting rights within these funds to L&G. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee monitors L&G's voting and engagement behaviour on an annual basis and challenges L&G where its activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- L&G Low Carbon Transition Developed Markets Equity Index Fund; and
- L&G Low Carbon Transition Global Equity Index Fund.

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The Trustee fully disinvested from the Low Carbon Transition Developed Markets Equity Index Fund on 16 October 2024 and from the Scheme fully disinvested from the Low Carbon Transition Global Equity Index Fund on 2 December 2024. We asked L&G to provide voting data for the two equity funds for the periods during which the Scheme was invested during the Scheme Year.

However, L&G is not able to provide part-period data and we have therefore including data covering the full year to 31 December 2024.

In addition to the above, the Trustee contacted the Scheme's asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Commentary provided from these managers is set out in Section 3.4.

### 3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its equity manager, L&G, has in place. The Trustee is comfortable that the policies are aligned with the Trustee's views.

All decisions are made by L&G's Investment Stewardship team and in accordance with their [Corporate Governance & Responsible Investment](#) and [Conflicts of Interest](#) policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures its stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

L&G's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by L&G and they do not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its 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 it receives from ISS for UK companies when making specific voting decisions.

Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it continues to develop its voting and engagement policies and define strategic priorities in the years ahead. L&G also takes into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

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### 3.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

Manager name	Legal & General Investment Management	Legal & General Investment Management
Fund name	Low Carbon Transition Developed Markets Equity Index Fund	Low Carbon Transition Global Equity Index Fund
Total size of fund at end of the Scheme Year	£1,965m	£1,688m
Value of Scheme assets at date of disinvestment*	£12.4m	£4.3m
Number of equity holdings at end of the Scheme Year	1,341	2,719
Number of meetings eligible to vote	1,538	4,786
Number of resolutions eligible to vote	21,734	47,788
% of resolutions voted	99.5%	99.8%
Of the resolutions on which voted, % voted with management	78.3%	79.5%
Of the resolutions on which voted, % voted against management	21.2%	19.5%
Of the resolutions on which voted, % abstained from voting	0.5%	1.0%
Of the meetings in which the manager voted, % with at least one vote against management	79.3%	62.2%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15.8%	11.1%

\*Low Carbon Transition Developed Markets Equity Index Fund was fully redeemed on 16 October 2024 and Low Carbon Transition Global Equity Index Fund was fully redeemed on 2 December 2024. Data shown is for 12 months to 31 December 2024 as L&G were unable to provide part-period data covering 1 January 2024 to dates of disinvestments. Figures may not sum due to rounding, or other reasons such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted different ways, or a vote of 'Abstain' is also considered a vote against management.

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### 3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year from L&G is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period, and thus did not inform L&G which votes it considered to be most significant in advance of those votes being taken. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting L&G provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the manager could use the PLSA's criteria for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has reported on a subset of these significant votes (three in total, which applied to both L&G equity funds the Scheme was invested in during the Scheme Year) as the most significant votes from the longlists provided by L&G. The Trustee has endeavoured to select significant votes which align with its stewardship priorities and show a variety of voting rationale. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee. Please note for 'approx size of holding at the date of the vote' we have shown the size of the holding for the Low Carbon Transition Global Equity Index Fund (the broader of the two funds).

L&G outlined a range of voting situations that it considers to be significant. These include: high profile votes which have such a degree of controversy that there is high client and/or public scrutiny; votes where there is significant client interest for a vote which has been directly communicated by clients to L&G's Investment Stewardship team; sanction votes as a result of direct or collaborative engagement; and votes linked to an L&G engagement campaign in line with its 5-year ESG priority engagement themes.

#### Low Carbon Transition Developed Markets Equity Index Fund and Low Carbon Transition Global Equity Index Fund

##### Apple Inc., February 2024

- **Summary of resolution:** Report on risks of omitting viewpoint and ideological diversity from EEO policy
- **Relevant stewardship priority:** Diversity, equity & inclusion
- **Approx size of the holding at the date of the vote:** 4.9%
- **Why this vote is considered to be most significant:** Potential impact on stewardship outcomes. L&G's decision on how to vote and its rationale has implications for Diversity, equity and inclusion, a stewardship priority set by the Trustee. L&G considers this vote as significant as it views diversity as a financially material issue for its clients, with implications for the assets L&G manage on their behalf.
- **Company management recommendation:** Against **Fund manager vote:** Against
- **Rationale:** L&G voted against this resolution, as in its view the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** Against. The Trustee does not intend to escalate this with L&G, noting that the Scheme fully disinvested before the end of the Scheme Year end.

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### Tesla, Inc., June 2024

- **Summary of resolution:** Advisory vote to ratify Named Executive Officers' compensation
- **Relevant stewardship priority:** Board remuneration
- **Approx size of the holding at the date of the vote:** 1.3%
- **Why this vote is considered to be most significant:** Potential impact on stewardship outcomes. L&G's decision on how to vote and its rationale has implications for board remuneration, a stewardship priority set by the Trustee. L&G considers this resolution to be significant considered as it pertains to one of its key stewardship 'sub-themes', executive pay, and was a high profile resolution.
- **Company management recommendation:** For **Fund manager vote:** Against
- **Rationale:** L&G voted against the resolution as it believes that the approved remuneration policy should be sufficient to retain and motivate executives. Additionally, while most Named Executive Officers received modest or no compensation for Financial Year 2023, one executive was granted an outsized, time-based stock option award upon his promotion, the magnitude and design for which are not adequately explained in L&G's view. L&G believes the grant does not require the achievement of pre-set performance criteria in order to vest and the value is considered to be excessive.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** For. The Trustee does not intend to escalate this with L&G, noting that the Scheme fully disinvested before the end of the Scheme Year end.

### Unilever Plc, May 2024

- **Summary of resolution:** Approve climate transition action plan
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 0.2%
- **Why this vote is considered to be most significant:** Potential impact on stewardship outcomes. L&G's decision on how to vote and its rationale has implications for climate change, a stewardship priority set by the Trustee. L&G views this vote as significant as it is publicly supportive of so called "Say on Climate" votes. L&G expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. L&G deems such votes to be significant given the high-profile nature.
- **Company management recommendation:** For **Fund manager vote:** For
- **Rationale:** L&G voted for the resolution as it believes it meets its minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 greenhouse gas emissions and short, medium and long-term greenhouse gas emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, L&G notes that the company has recently submitted near term 1.5°C aligned scope 3 targets to the SBTi for validation and therefore at this stage believes the company's ambition to be adequate. L&G therefore remains supportive of the net zero trajectory of the company.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps:** For. The Trustee does not intend to escalate this with L&G, noting that the Scheme fully disinvested before the end of the Scheme Year end.



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### 3.4 Votes in relation to assets other than listed equity

For the Scheme's funds which don't hold listed equities but invest in assets that had voting and/or engagement opportunities during the Scheme Year, the managers provided the commentary below.

#### Janus Henderson – Multi Asset Credit Fund

With regards to voting, as creditors Janus Henderson is occasionally asked to vote on operational matters. Over the Scheme Year, there were two resolutions on which Janus Henderson was eligible to vote. For both resolutions, Janus Henderson voted with management.

Janus Henderson engages with credit issuers and provided the following example of an engagement related to the Multi-Asset Credit Fund which took place in 2024.

- **VW Financial Services**

**Summary of engagement:** ESG – data reporting

**Rationale and actions taken:** As part of Janus Henderson's ongoing ESG engagement process it has engaged with the issuer several times over the past year as part of deal roadshows when they have been bringing a transaction to the market. However, Janus Henderson's discussions about ESG data reporting in the context of deal roadshows has always been fairly brief and, given the issuer's laggard status, Janus Henderson decided to escalate its engagement activity. Janus Henderson requested a face-to-face meeting and met with VW Financial Services in Munich in Q1 2024 to discuss its ESG data reporting. Janus Henderson has held several engagements with this issuer over the past few years and identified them as a laggard within the European auto ABS space given the inability of VW Financial Services to provide Janus Henderson with CO2 emissions data at loan level for securitised portfolios, which is becoming market standard in European and Australian ABS.

**Outcome of the engagement and next steps:** Janus Henderson states that the face-to-face meeting gave VW an opportunity to provide it with greater detail on the challenges it is facing and status of its ongoing ESG data reporting project. As a result, Janus Henderson now has a much better understanding of why VW is unable to deliver the required data, which includes complexities around building integrated data reporting systems, data quality and availability particularly for non-group brands. Janus Henderson believes being in a face-to-face meeting with a specific objective enabled it to engage more effectively, question the issuer on the details and express that it would like to continue to see progress in this regard. Janus Henderson therefore maintain its "yellow" ESG rating and will continue to engage with VW.

#### Aegon - European ABS Fund

With regards to voting for the European ABS Fund, Aegon informed us that voting is very rare and in principle always related to technical adjustments of the transaction documentation, such as cash flows or trigger dates or necessary language to comply with changing regulation. Aegon's policy is to vote in line with the mandate restrictions and in the best economic interest on the client. Investment decisions within the limits of the mandate restrictions are not consulted with clients beforehand. Aegon confirmed there were 9 resolutions that it was eligible to vote on over the Scheme Year. All were voted in line with management.

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Aegon provided the following example of an engagement related to the European ABS Fund which took place in 2024.

- **Various Residential Mortgage backed securities and ABS issuers**

**Summary of engagement:** Climate change

**Rationale and actions taken:** During engagements with originators, Aegon expresses its preference for financing products which contribute to a better 'green' or 'social' environment. Aegon state that these products are incentive-based, encouraging people to buy energy-efficient properties, or making their current property more energy efficient. The incentive could be a favourable interest rate on residential mortgages for the financing or improvement of energy-efficient properties or, in a case of consumer loans, by offering the borrowers a discount if the loan purpose has an environmental impact. Aegon started with sending the ABS issuers its ESG questionnaire specific for the ABS sector. After receiving the answers, Aegon had several meetings with C-suite personnel to discuss the answers to the questionnaire, its ESG goals and areas in which Aegon would like to see improvement/development or more ESG awareness. The engagements were led by the portfolio managers.

**Outcome of the engagement and next steps:** Aegon states that during its engagements it has received positive feedback on the ideas and over the last year it has seen the number of originators offering these mortgages and consumer loans grow substantially. Aegon believes that, as a large investor in ABS, its influence has helped to drive the growth in ESG-friendly mortgage products.