

Lithgows Limited Pension Scheme Implementation Statement for the year ended 5th April 2025

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Lithgows Limited Pension Scheme (the "Scheme") have followed their policies in relation to the exercising of ownership rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 5 April 2025 ("the reporting year").

The Trustees' responsible investment policies

The Trustees' policies in relationship to the responsible investment of the Scheme's assets are documented in the Statement of Investment Principles. The latest version of this document is dated August 2024.

The Trustees believe there can be financially material risks relating to ESG and climate change. Reflecting this, the Trustees have delegated the ongoing monitoring and management of ESG risks to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take into consideration ESG factors and climate change risks within their decision-making recognising that how they do this will be dependent on the asset class characteristics.

The Trustees will take their views on ESG factors and climate change into account in any future investment manager selection exercises for the underlying investments that the Scheme makes. Further to this, the Trustees will monitor the ESG integration practices of the managers they are invested in to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Manager selection exercises during the year

One of the main ways in which the Trustees' responsible investment policies are expressed is via manager selection exercises. When appointing a new investment manager or fund the Trustees seek advice from XPS on the extent to which the investment fund is aligned with the Trustees' responsible investment policies.

During the reporting year, the Trustees made new investments in the aberdeen Deposit & Treasury Fund and the aberdeen Liability Aware Nominal Unleveraged Profile Fund. Whilst it was acknowledged by the Trustees that the manager's restricted remit for these funds (investment in cash and gilts) offered practically no scope to incorporate responsible investment practices, it was nonetheless noted that aberdeen as an organisation were considered by XPS to have credible ESG capabilities.

Ongoing governance

The Trustees, with the assistance of XPS Investment, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in the SIP. Further, the Trustees have set XPS Investment the objective of ensuring that any selected managers reflect the Trustees' responsible investment policies.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on factors including developments within the industry. In particular, whilst the Trustees have not (to date) introduced specific stewardship priorities, they may monitor the results of those votes deemed by the managers to be most significant in order to determine whether specific priorities should be introduced and communicated to the managers.

Adherence to the Statement of Investment Principles

During the reporting year, the Trustees are satisfied that they followed their policy on the exercise of asset ownership rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where investment managers have voting rights is listed equities. The Scheme has exposure to listed equities through two abrdn equity-linked LDI funds, however the exposure to listed equities within these funds is through a futures contract on an equity index and therefore the Scheme does not physically own the equity shares in individual companies (and therefore has no associated voting rights). The Scheme's current investment manager, aberdeen, therefore did not engage in any voting activity on behalf of the Scheme over the reporting year. At the start of the reporting year, the Trustees held c15% of the Scheme's assets in the Bailie Gifford Diversified Growth Fund, which invests in listed equities as part of a diversified range of asset classes. This fund was disinvested in July 2024, during the reporting year, and so the Trustees have not included a summary of voting behaviour or significant votes in this Implementation Statement.