

Scania Staff Pension Plan Implementation Statement for the year ended 30 April 2024

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Scania Staff Pension Plan (“the Plan”) have followed their policy in relation to the exercising of rights (including voting rights) attached to the Plan’s investments, and engagement activities during the year ended 30 April 2024 (“the reporting year”). In addition, the statement provides a summary of the voting behaviour and most significant votes cast by investment managers on behalf of the Plan during the reporting year.

Background

The Trustees have previously received training on Environmental, Social and Governance (“ESG”) issues from their Investment Adviser, XPS Investment (“XPS”), and discussed their beliefs around those issues. This enabled the Trustees to consider how to determine their policy in relation to ESG and voting issues.

Additionally, the Trustees have received further information on new requirements for the Plan’s Statement of Investment Principles (“SIP”). This included the need to address stewardship in more detail, and the need to explain the incentives the Trustees use to encourage the investment managers engaged by the Plan to align their investment strategy with the Trustees’ policies and to ensure that decisions are based on long-term performance. The Trustees’ latest policies in these areas have been included in an updated draft version of the SIP. This version includes updates to reflect the strategic decisions made by the Trustees in relation to the Plan’s investment portfolio and additional stewardship requirements following guidance for the Department of Work and Pensions (“DWP”).

The Trustees’ policies on ESG and stewardship

The Trustees have determined their approach to financially material considerations over the Plan’s long-term funding horizon – including environmental, social and corporate governance (“ESG”) factors - by acknowledging that there can be risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan’s investment managers. The Trustees require the Plan’s investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will 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 this Statement.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their investment managers to discuss engagement which has taken place. The Trustees will also expect their Investment Adviser to engage with the managers from time to time as needed and report back to the Trustees on the stewardship credentials of their managers. The Trustees will then discuss the findings with the Investment Adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustees recognise the Code as an indication of a manager’s compliance with best practice stewardship standards.

Manager selection exercises

One of the main ways in which the updated policies are expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. There were no manager selection exercises during the period.

Ongoing governance

The Trustees, with the assistance of XPS, 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 Statement of Investment Principles. Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

In 2023, the Trustees commissioned a report from XPS on the extent to which ESG considerations are incorporated into the investment processes of the investment manager organisations appointed to the Plan. The Trustees recognise that the level of ESG integration within the investment processes is dependent on the asset class in question.

One of the areas considered by the report was stewardship, which relates to influencing a company in which the Plan is ultimately invested via the funds held within the Plan's portfolio. Companies can be influenced through meaningful engagement and using voting rights to drive long term positive change in their policies and practices. The report rated each investment manager organisation in this area and on ESG matters overall. The Trustees concluded that the ESG and stewardship capabilities of the investment managers were satisfactory for the Plan overall.

ESG issues will be kept under review as part of the monitoring process and the Trustees will communicate any concerns with the relevant investment manager organisations when, for example, they present at meetings.

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 will 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 rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. During the reporting year the Plan had exposure to public equities through its allocations to a diversified growth fund. A summary of the voting behaviour and most significant votes cast by Legal and General Investment Management ("LGIM") is shown below.

Whilst the Trustees have not, to date, introduced specific stewardship priorities, they will 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 manager.

As the Plan invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the investment managers.

The Trustees have confirmed this approach to be appropriate for the Plan's investments. The information below is the investment managers' activity in relation to voting.

This voting information has been provided by the investment managers. The Trustees consider votes to be significant on the basis they are linked to key ESG issues including, but not limited to: climate change; other climate issues such as natural capital; executive remuneration; governance; independence; modern slavery or other factors such as the size of the holding.

Where the manager has provided a selection of significant votes, the Trustees have reviewed the rationale for significant votes provided by the managers and are comfortable with the rationale provided, and that it is consistent with their policy. The Trustees, with the help of XPS, have considered the information the investment managers have been able to provide on significant voting, and have deemed the below information as most relevant.

Disclaimer: Neither XPS nor the Trustees have vetted these votes. These summaries have been provided by the investment manager(s) and any reference to "our", "we" etc. is from the investment manager's perspective.

Legal and General Investment Management Dynamic Diversified Fund

LGIM Dynamic Diversified Fund
The manager voted on 99.8% of resolutions of which they were eligible out of 98900 eligible votes.
Investment Manager Client Consultation Policy on Voting
<p>LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients.</p> <p>Every year, LGIM 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 we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.</p>
Investment Manager Process to determine how to Vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant 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 our 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.
How does this manager determine what constitutes a 'Significant' Vote?

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information.

In determining significant votes, LGIM'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 vote which has 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 LGIM'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;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

Does the manager utilise a Proxy Voting System? If so, please detail

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS recommendations is purely to augment our 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 we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider.

This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period

Company	Date of Vote	Size of fund holdings	Voting subject	How did the Investment Manager Vote	Outcome
Toyota Motor Corp.	2023-06-14	0.2%	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	For (Against Management Recommendation)	15.1% (Fail)
<p>Why the vote was deemed significant: Pre-declaration and Thematic - Lobbying: LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.</p>					
<p>Where voted against the company, was this communicated: LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.</p>					
<p>Rationale: LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. We acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. We believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.</p>					
<p>Implication: LGIM will continue to engage with the company and monitor progress.</p>					
Apple Inc.	2024-02-28	0.5%	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Against	Fail

<p>Why the vote was deemed significant: Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p>					
<p>Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics</p>					
<p>Rationale: Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as 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.</p>					
<p>Implication: LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>					
Tencent Holdings Limited	2023-05-17	0.2%	Resolution 3a - Elect Jacobus Petrus (Koos) Bekker as Director	Against (against management recommendation)	88.4% (Pass)
<p>Why the vote was deemed significant: Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors. More information on LGIM's Climate Impact Pledge can be found here: https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/</p>					
<p>Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</p>					
<p>Rationale: Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.</p>					
<p>Implication: LGIM will continue to engage with the company and monitor progress.</p>					
Shell Plc	2023-05-23	0.3%	Resolution 25 - Approve the Shell Energy Transition Progress	Against (against management recommendation)	80% (Pass)

<p>Why the vote was deemed significant: Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</p>					
<p>Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</p>					
<p>Rationale: Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.</p>					
<p>Implication: LGIM continues to undertake extensive engagement with Shell on its climate transition plans</p>					
Public Storage	2023-05-02	0.2%	Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For (against management recommendation)	34.7% (Fail)
<p>Why the vote was deemed significant: High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.</p>					
<p>Where voted against the company, was this communicated: LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.</p>					
<p>Rationale: Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.</p>					
<p>Implication: LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.</p>					

(1) Voting information as at 31 March 2024

(2) Source: Legal & General Investment Management

Signed: Richard Gray, Chair of Trustees

Date: 13 08 2024