

# Implementation Statement as at 5 April 2024

## Nynas UK Pension Scheme

### Purpose of this statement

This implementation statement has been produced by the Trustees of the Nynas UK Pension Scheme ("the Scheme") to set out the following information over the year to 5 April 2024:

- how the Trustees' policies on exercising rights (including voting rights) and engagement activities have been followed over the year; and
- the voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

The voting behaviour is not given over the Scheme year end to 5 April 2024 because investment managers only report on this data quarterly. We have therefore given the information over the year to 31 March 2024.

### Stewardship policy

The Trustees' Statement of Investment Principles (SIP) in force at 5 April 2024 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in November 2023 and has been made available online here:

<https://schemedocs.com/download/nynas-statement-investment-principles.pdf>

The Trustees' stewardship policy is set out in the Scheme's policies on voting and engagement, which forms part of the Statement of Investment Principles. Following training sessions and consideration of data and trends, the Trustees have agreed that the impact of climate may be financially material for the Scheme and have designated climate change as a stewardship priority for the Scheme. In addition, the Trustees expect their relevant asset managers to be able to evidence their stewardship activity in this area which the Trustees will monitor annually. For example, by considering the voting and engagement activity of the asset managers. Therefore, this is also an area which the Trustees believe they can meaningfully monitor progress and engage with their asset managers over time.

### How voting and engagement/stewardship policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's investment managers.
- At the February 2024 Trustee meeting, the Trustees undertook their annual review of each of the Scheme's investment managers' approaches to voting and engagement, and of the activities carried out by the managers over the preceding year. The Trustees were satisfied that their policies and the activities

undertaken by the investment managers on their behalf have been in the members' best interests. The Trustees will continue to assess the managers as part of their next annual review.

- Having reviewed their managers stewardship activities in accordance with their policies, the Trustees are comfortable the actions of the investment managers are in alignment with the Scheme's stewardship policies.
- The Trustees regularly review the ESG capabilities of the funds used as part of the annual monitoring process. As part of this process, the Trustees use ESG ratings provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues.
- The Trustees received training on Stewardship priorities at the September 2023 Trustee meeting, in response to recent guidance from The Pensions Regulator.
- The Scheme's investment managers attended the November 2023 Trustee meeting where they gave an update on their approach to ESG and Stewardship. The Trustees were satisfied with their comments and no follow ups were deemed necessary.
- The Scheme assesses the investment managers' signatory status to the UN PRI and UK Stewardship Code as part of their annual monitoring process.
- The Trustees are satisfied that their investment managers' voting behaviours were broadly aligned with the Scheme's stewardship priorities over the year.

**Prepared by the Trustees of the Nynas UK Pension Scheme  
July 2024**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Scheme's Portfolio on behalf of the Trustees over the year to 31 March 2024. The cash, bond, credit funds and Liability Driven Investment (LDI) funds with LGIM have no voting rights, so have been excluded from this section. The cash and LDI funds also have limited ability to engage with key stakeholders given the nature of the mandate.

Manager	Baillie Gifford	Columbia Threadneedle
<b>Fund name</b>	Diversified Growth Fund	Threadneedle Dynamic Real Return Fund
<b>Structure</b>	Pooled	Pooled
<b>Ability to influence voting behaviour of manager</b>	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.	
<b>No. of eligible meetings</b>	66	344
<b>No. of eligible votes</b>	690	4,988
<b>% of resolutions voted</b>	94.1%	99.9%
<b>% of resolutions abstained<sup>1</sup></b>	0.5%	1.1%
<b>% of resolutions voted with management<sup>1</sup></b>	96.8%	88.8%
<b>% of resolutions voted against management<sup>1</sup></b>	2.8%	10.1%
<b>Proxy voting advisor employed</b>	Baillie Gifford employ ISS and Glasshouse Lewis to provide voting recommendations but vote in line with their in-house policy and not with the proxy voting providers' policies.	Columbia Threadneedle employ ISS, IVIS and Glass Lewis as well as MSCI ESG Research to assist with research. Proxy voting is undertaken via ISS. However, Columbia Threadneedle votes in line with their in-house policy and not with the proxy voting providers' policies
<b>% of resolutions voted against proxy voter recommendation</b>	N/A	N/A

<sup>1</sup> As a percentage of the total number of resolutions voted on

## Significant votes

The change in Investment and Disclosure Regulations that came into force from October 2020 requires information on significant votes carried out on behalf of the Trustee over the year to be set out. The guidance does not currently define what constitutes a “significant” vote. However, recent guidance states that a significant vote is likely to be one that is linked to one or more of a scheme’s stewardship priorities / themes.

Baillie Gifford and Columbia Threadneedle have provided a selection of 10 votes which they believe to be significant. The Trustees selected the 3 most significant votes for each fund which relate to the stewardship priorities of the Scheme.

A summary of the significant votes provided is set out below.

### Baillie Gifford, Diversified Growth Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	American Tower Corporation	Prysmian S.P.A.	Prologis, Inc.
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.23%	0.59%	0.63%
<b>Resolution category</b>	Appoint/Pay Auditors	Remuneration	Remuneration
<b>How the manager voted</b>	Against	Against	Against
<b>Further information on resolution and rationale for the voting decision</b>	Baillie Gifford opposed the ratification of the auditor because of the length of tenure. Baillie Gifford believe it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls.	Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase the long-term incentive award. Baillie Gifford believe the use of discretion should be carefully evaluated and used to support and prioritise the long-term prospects of the business. Baillie Gifford are not convinced that this use of discretion meets that bar.	Baillie Gifford opposed executive compensation because they do not believe the performance conditions for the long-term incentive plan are sufficiently stretching.
<b>Outcome of the vote</b>	Pass	Pass	Fail
<b>Implications of the outcome</b>	Although not a regulatory requirement in the U.S., Baillie Gifford consider it best practice for the auditor to rotate at least every 20 years in order to maintain independence. Baillie Gifford asked about plans to tender last year but did not receive a response. This year they decided to escalate their voting action to oppose the auditor and will continue to share their expectations with the company.	Baillie Gifford will communicate their rationale for voting against the remuneration report. Baillie Gifford supported the forward-looking remuneration policy at the meeting, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.	Baillie Gifford will re-iterate their expectation to the Company and monitor the evolution of pay going forward.

	Vote 1	Vote 2	Vote 3
<b>Criteria on which the vote is considered "significant"</b>	In the absence of votes relating to the Scheme's stewardship priorities provided by the manager, the Trustees have selected this vote as the size of the holding in the company is significant.		

## Columbia Threadneedle, Threadneedle Dynamic Real Return Fund

	Vote 1	Vote 2	Vote 3
<b>Company name</b>	TotalEnergies SE	Amazon.com, Inc.	Shell Plc
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.3%	1.2%	0.5%
<b>Summary of the resolution</b>	Align Targets for Indirect Scope 3 Emissions with the Paris Climate Agreement (Advisory)	Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement
<b>How the manager voted</b>	For	For	Abstain
<b>Rationale for the voting decision</b>	Columbia Threadneedle is supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy. To meet the ambition of the Paris Agreement and avoid massive risk to shareholder value, corporations should demonstrate the nexus between their climate aspirations and business strategy via disclosure of credible Paris- or 1.5 degree-aligned emissions reduction targets. The manager believes that the current disclosure does not sufficiently provide investors such information.	Columbia Threadneedle believe that shareholders would benefit from more disclosure on whether and how the company considers human capital management and community relations issues related to the transition to a low-carbon economy as part of its climate strategy. Columbia Threadneedle are supportive of requests to enhance disclosure and transparency concerning climate risk so long as the resolution does not directly circumvent management discretion or seek to entirely redefine the company's existing business strategy.	Whilst Columbia Threadneedle appreciate the progress made by the company and engagement to date, they feel abstaining is the best option to recognise this progress whilst retaining their position that they would prefer to see greater movement towards full Paris alignment in the coming years.
<b>Outcome of the vote</b>	Fail	Fail	Fail
<b>Implications of the outcome</b>	Columbia Threadneedle did not provide comment on this.		
<b>Criteria on which the vote is considered "significant"</b>	The topic of the vote is linked to climate change, which the Trustees have identified as a stewardship priority.		

## Fund level engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's LDI funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

Manager	Baillie Gifford		LGIM		Columbia Threadneedle	
Fund name	Diversified Growth Fund	Absolute Return Bond Fund	Maturing Buy and Maintain Credit Fund (2025-2029)	Sterling Liquidity Fund	Buy and Maintain Credit Fund	Dynamic Real Return Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	41	156	152	25*	177	325
Number of entities engaged on behalf of the holdings in this fund in the year	25	75	72	13*	83	168
Number of engagements undertaken at a firm level in the year	748		2,144			1,513

\*Data as at 31 December 2023 given availability of information at point of issue.

## Examples of engagement activity undertaken over the year to 31 March 2024

### **Columbia Threadneedle, Dynamic Real Return Fund**

Columbia Threadneedle engaged with CoStar Group Inc, a US-based professional services company, due to concerns over board composition and governance, particularly the excessive tenure of board members, and a shareholder proposal on adopting GHG emissions reduction targets aligned with the Paris Agreement Goals. The engagement started ahead of CoStar's AGM, with multiple meetings and written communications conducted primarily with C-suite executives and investor relations. Columbia Threadneedle emphasized the need for new directors and updating the mandates of the Governance Committee.

Two days after the engagement, CoStar signed a public commitment letter to set science-based greenhouse gas emission reduction targets in accordance with the Science Based Targets Initiative (SBTi). This demonstrated CoStar's receptivity to Columbia Threadneedle's feedback on climate risk disclosure. Subsequently, Columbia Threadneedle voted against two heavily tenured directors at the AGM, reinforcing the need for board refreshment. Moving forward, Columbia Threadneedle will continue to monitor the evolution of CoStar's board composition and the mandates of the Governance Committee to ensure ongoing improvements in governance and sustainability practices. Additionally, they will track the company's progress in meeting its GHG reduction targets and provide further support and engagement as needed.

### **Baillie Gifford, Diversified Growth Fund**

Baillie Gifford's climate proxy voting guidelines state that any company with fossil fuel activities representing more than 10 per cent of revenues should be disclosing methane emissions as a specific data point and that failure to disclose methane emissions may result in a vote against the responsible director(s). Baillie Gifford met with RWE's Head of ESG and Head of Investor Relations, seeking to understand the importance attached to methane emissions reductions internally and to better assess the appropriateness of the related management arrangements.

They discussed that, after carbon dioxide, all other greenhouse gases collectively account for less than 1.5 per cent of RWE's footprint, so methane is neither a driver of emissions nor a driver for the company's emission reduction activities. As a regulated utility the company has no control over external drivers for short-term power consumption demand (e.g. the unique backdrop of the war in Ukraine and the need for short-term European energy security), and it is not permitted to restrict this; what it does have control over, however, is reshaping its portfolio away from carbon-intensive power generation assets to renewable ones.

Baillie Gifford will not be taking voting action but since they believe the company should be showing leadership, and they wrote to the company to restate their position encouraging increased transparency.

### **LGIM, Fixed Income**

LGIM engaged with APA, Australia's largest energy infrastructure business. Under their Climate Impact Pledge campaign, they have been engaging with the client directly since 2022 because they believe it has the scale and influence to have positive reverberations beyond its direct corporate sphere.

In LGIM's engagements with APA, which are guided by LGIM's qualitative assessment criteria as set out in their multi-utilities sector guide, in terms of 'red lines' the company was identified as lagging LGIM's expectations on climate-related lobbying activities.

In early 2022 LGIM set out expectations for the company to introduce credible transition plans, consistent with the Paris goals of limiting global average temperature increase to 1.5 degrees. The company produced a climate transition plan, but this did not include Scope 3 targets.

After meeting in early 2024 with APA, they have confirmed that they will include a proposed Scope 3 goal in the 2025 refresh of their Climate Transition Plan.