

# The LacPatrick Artigarvan Creamery Pension Scheme – Implementation Statement for the year ended 31 August 2023

## 1. Purpose

This Implementation Statement has been prepared by the Trustees of the LacPatrick Artigarvan Creamery Pension Scheme (the “Scheme”). It reports on how, and the extent to which, the policies as set out in the Scheme’s Statement of Investment Principles (“SIP”) have been complied with during the year ended 31 August 2023. In preparing this statement, voting and stewardship policies, conflicts of interest and engagement

## 2. have been reviewed. Background

This Statement has been prepared by the Trustees, with the assistance of its Investment Adviser (Quantum Advisory), in line with the regulatory guidance that was in place at the Scheme year end.

References herein to the actions, review work or determinations of the Trustees refer to activity that has been carried out by either the Trustees, or the Investment Adviser on the Trustees’ behalf.

## 3. Executive summary

Over the Scheme year, the Trustees:

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- The Trustees’ Investment Adviser has reviewed the voting and engagement activity of the funds that invest in equities. The Trustees are generally content with their Investment Adviser’s conclusion that the Scheme’s investment managers have appropriately carried out their stewardship duties.
- The Trustees are of the opinion that they have complied with the relevant policies and procedures as identified in the SIP. The SIP was last reviewed in 2022 as a result of changes to the Scheme’s investment strategy in the previous Scheme year.
- The Trustees have remained aware of the relevant policies and procedures as identified in the SIP and received input from their Investment Adviser to aid ongoing compliance.

The voting activities for funds that do not hold equities have not been reviewed as part of this exercise, as the Trustees believe there is less scope to influence the practices within such arrangements. However, the general stewardship practices of non-equity managers have been reviewed to ensure that they actively engage with their investments.

## 4. Implementation of policies contained within the Scheme’s SIP

This section sets out the various policies within the Scheme’s SIP (that was in place as at 31 August 2023 – i.e. the end of the reporting period) and the actions that the Trustees have undertaken in respect of them over the year to this date. Relevant actions that were taken following the Scheme’s year-end have been noted (where relevant).

SIP policy	Comments
<b>1. Investment policies and governance structure</b>	
<p>It is the policy of the Trustees, after taking appropriate written advice from their Investment Consultant, and in consultation with the Sponsoring Employer, to set the investment strategy for the Scheme, following a consideration of their objectives and other related matters. The Trustees review their objectives and investments at regular intervals and amend them accordingly.</p> <p>When deciding whether or not to make any new investments, the Trustees will obtain written advice from the Scheme’s investment adviser. Written advice considers the relevant regulatory requirements.</p>	<p>Quantum is the Investment Consultant for the Scheme and advises on investment matters.</p> <p>Quantum is able to provide professional advice to the Trustees because it has the necessary knowledge and experience. Strategic objectives were set for the Investment Consultant in March 2022.</p> <p>The Trustees’ key objective, of providing a range of investment strategies that are suitable for meeting members’ long- and short-term investment needs, did not change over the period.</p> <p>There was no change to the investment strategy during the Scheme year. The Scheme invests in a number of investment funds with Aegon. These are:</p> <ul style="list-style-type: none"> <li>• Aegon Balanced Lifestyle Fund (The default strategy)</li> <li>• Aegon Cash Fund</li> <li>• Aegon Mixed Fund</li> <li>• Aegon Retirement Fund</li> <li>• Aegon High Equity with Profits Fund</li> <li>• Aegon with Profits Growth Fund</li> <li>• Aegon with Profits Cautious Fund</li> </ul>

<p>Prior to the appointment of an investment manager, the Trustees seek appropriate advice from their Investment Consultant, and may, in certain circumstances, feel it necessary to undertake a manager selection exercise to better inform any decision. The Trustees consider fees and charges associated with each investment before investing. In the Scheme’s SIP, the Trustees have also set out a list of initial criteria that must be met prior to the selection of an investment manager.</p> <p>The Trustees will assess “value for members” periodically.</p> <p>The Trustees monitor the performance of each investment strategy against its target or benchmark on a quarterly basis.</p> <p>The Trustees consider any potential and actual conflicts of interest (subject to reasonable levels of materiality) at the start of each Trustees’ meeting and document these in the minutes. Investment managers report on potential and actual conflicts of interest annually.</p> <p>The Trustees receive an annual report from the investment managers setting out portfolio turnover and the associated costs. The Trustees have not set a specific portfolio turnover target for each investment manager and recognise that portfolio turnover and costs may vary with market conditions. Each manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives. The Trustees will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager’s process and philosophy remain consistent.</p>	<p>There were no new investments managers considered and/or selected during the Scheme year.</p> <p>The Trustee concluded that the Scheme does not provide good value relative to other alternatives in the market and therefore has determined to move the members to a master trust arrangement and wind-up the Scheme.</p> <p>The Trustees continued to download fund factsheets for the invested funds each quarter in order to monitor their performance.</p> <p>At the start of each Trustees’ meeting, conflicts of interest were declared and recorded in the minutes. These are set out in the annual Chair’s Statement. The conflicts of the Scheme’s investment manager (Aegon) are discussed in section 8 of this Statement.</p> <p>The Trustees have reviewed the transaction costs incurred over the reporting year in the annual Chair’s Statement. The Chair’s Statement incorporates annual reviews of: (i) transaction costs; (ii) conflicts of interest; (iii) investment management charges.</p>
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## 2. Responsible Investment

### Financially material considerations

With specific regard to ESG factors, the Trustees consider how these are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers. The Trustees periodically consider publicly available ESG related publications pertaining to the investment managers the Scheme uses.

The Trustees expect the investment manager to vote and engage with the companies invested in on ESG matters. The appointed investment managers have full discretion concerning the evaluation of ESG factors.

### Stewardship

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) reviewing existing investment managers. The appointed investment managers have full discretion concerning the stewardship of investments.

### Non-financial matters

The Trustees will consider non-financially material risk factors when considering their investment offering as and when raised by the Scheme's members.

### Financially material considerations

The Trustees have not selected any new funds for the Scheme and have therefore not undertaken a new review of ESG factors. The Trustees are aware that Aegon produces an annual responsible investment report.

The voting activities of the investment manager have also been assessed by the Trustees with regards to financially material considerations and they are satisfied with the activities undertaken by Aegon.

### Stewardship

The Trustees acknowledge that the voting practices of their investment managers will not necessarily reflect their views, or those of the members, and that they have limited scope to influence investment managers' voting practices. However, the Trustees will make their views known to the investment manager if it is felt appropriate to do so, and, in the event of frequent disagreement, will review the suitability of retaining the investment manager in question.

As part of this process, the Trustees have reviewed the Voting activities of the invested funds which hold equities. Following this review, the Trustees are satisfied with the activities that were undertaken over the Scheme year.

### Non-financial matters

No members expressed any views over the Scheme year.

<b>3. Risk management</b>	
<p>The Trustees have identified a range of risks within the SIP and have a policy to manage these using the following mechanisms on an ongoing basis:</p> <ul style="list-style-type: none"> <li>• Keeping the objectives of the Scheme and its membership under review to ensure investment choices remain appropriate.</li> <li>• Monitoring the characteristics and performance of invested funds through investment manager reports and advice as needed.</li> <li>• Taking investment advice as needed to improve the process of appointment of new managers and funds and monitoring their investments.</li> <li>• Ensuring member communications are reviewed by an investment professional where appropriate.</li> </ul>	<p>The Trustees have reviewed the performance of the Scheme’s investments during the course of their meetings and through Aegon’s fund factsheets. As at the end of the Scheme year, the Trustees are satisfied with the performance delivered by the funds considering the market conditions.</p> <p>The Trustees consider the prevalence of any potential or actual conflicts of interest and records these in the minutes of Trustee meetings.</p> <p>The Trustees will also review the investment strategy at least every three years, when reviewing the SIP. This will be done to ensure that the Scheme’s strategy aligns with their objectives and those of the members.</p>

## 5. Investment managers' voting and stewardship policies and activities

### Trustees' voting and stewardship policies

The Trustees consider how stewardship factors are integrated into the investment processes when: (i) appointing new investment managers; and (ii) monitoring existing investment managers.

The Trustees are unable to direct how votes are exercised and have not used proxy voting services over the year. The Trustees have given the investment managers full discretion concerning voting and engagement decisions. As part of this exercise, the Trustees, with the assistance of their Investment Adviser, have reviewed the voting activities and stewardship policies of the funds.

The Trustees do not currently have any stewardship priorities in place. However, the Trustees have sought to review the voting activity of the investment manager, with a specific focus on equity funds where they can improve underlying companies' practices. This is to ensure that the investment manager is engaging in stewardship and voting behaviour that is consistent with the Scheme's stewardship policies as set out in the SIP.

The following funds have been agreed for review:

- Aegon Balanced Lifestyle Fund (The default strategy)
- Aegon Mixed Fund
- Aegon High Equity with Profits Fund
- Aegon with Profits Growth Fund
- Aegon with Profits Cautious Fund

These funds are made up of multiple funds, with the principal equity funds being:

- Aegon Mixed
- Scottish Equitable Far East Equity
- Scottish Equitable (With Profits) UK Equity

The voting activities of the principal equity funds have been reviewed. The general stewardship policies of Aegon have also been reviewed during the Scheme year.

### Manager's voting and stewardship policies and procedures

Details of the managers' voting and stewardship policies can be found in Appendix 1. In this Statement, Quantum Advisory has noted the investment managers stewardship policies and the extent to which the investment managers make use of any proxy advisory and voting services. The Trustees are satisfied that the voting and policies/procedures of the investment manager are reasonable and consistent with industry practice (see appendix 1).

## Voting statistics

The table below summarises the key voting activities of the Scheme's investment manager over the Scheme year. Due to availability, the below information is provided for the 12-month period ending 30 September 2023.

	Aegon Mixed	Scottish Equitable Far East Equity	Scottish Equitable (With Profits) UK Equity
Number of equity holdings	Not provided.	Not provided.	Not provided.
Meetings eligible to vote at	488	74	134
Resolutions eligible to vote on	6,198	989	2,351
Resolutions voted on for which fund manager was eligible (%)	57.3	27.2	99.8
Votes with management (%)	94.8	85.5	97.4
Votes against management (%)	4.1	14.2	1.8
Votes abstained from (%)	1.1	0.4	0.9
Meetings where at least one vote was against management (%)	15.0	14.9	16.4
Votes contrary to the recommendation of the proxy (%)	4.1	8.4	2.3

Source: Aegon. Totals may not sum due to rounding.

The Trustees are satisfied with the voting activity that has been undertaken within the invested funds during the Scheme year.

## Significant votes

Quantum Advisory has reviewed the most significant votes cast by the investment managers on behalf of the Trustees and, as a whole, are satisfied that these meet expectations.

The Trustee has interpreted the most significant votes to mean its choice of votes from an extended list of significant votes provided by each of the investment managers in accordance with the PLSA guidance.

The significant votes provided by investment managers are determined by the stewardship policies they have in place. As the Scheme has not set any stewardship priorities at the end of the Scheme year, significant votes will be classified according to these manager policies. However, the Trustee has reviewed and is satisfied with the managers' classifications of significant votes during the Scheme year.

A cross section of the most significant votes cast is contained in Appendix 2.

## 6. Conflicts of interest

This section reviews whether the managers are affected by the following conflicts of interest, and how these are managed. These conflicts are not specific to the scheme and relate to the general conflicts of interest within the investment managers.

1. The asset management firm overall having an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;
2. Senior staff at the asset management firm holding roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings;
3. The asset management firm's stewardship staff having a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding;
4. A situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer; and
5. Differences between the stewardship policies of managers and their clients.

### Aegon

Aegon have refrained from directly commenting on which conflicts of interest, detailed above, they are impacted by. Aegon instead directed the Trustees to its website and stewardship documents (links to these can be found below).

Within these, Aegon highlighted the potential areas of conflict summarised below:

- Gifts from suppliers/ service providers.
- Aegon is aware of potential conflicts of interest as a result of operating within the Aegon group and aims to mitigate the potential of favourable treatment towards entities within and external to the group.
- Investee companies may also be company clients or prospects. This could create conflicts in terms of the services provided to the client or Aegon's voting activity with respect to the conflicted entity.

To minimise these conflicts, Aegon highlighted the main mitigation factors:

- A strict stewardship policy on the acceptance of gifts is in place to minimise potential conflicts.
- Identification and declaration requirements for members of the investment team.
- Training is provided to members of the investment team in regards to conflicts of interest.
- An investment manager's activity will be escalated to an oversight team if their stewardship activities present a risk to the company or clients.
- Business areas involved in client relationship management are segregated from engagement or voting decisions.



- Annual reports on potential conflicts and how they were managed.

Aegon's stewardship report is available here:

<https://www.aegon.co.uk/content/dam/common/documents/aegon-uk-stewardship-framework.pdf>

Aegon's conflict of interest policy is available here:

<https://retiready.co.uk/public/support/faq/understanding-our-service/General-servicing/what-is-your-conflicts-of-interest-policy.html>

## Appendix 1 – Investment manager voting policies and process

### Aegon

Aegon’s responsible investing approach includes: incorporating ESG factor analysis in decision making, using negative screens on certain sectors or activities, using positive screens on companies with strong or improving ESG characteristics, looking for companies that produce financial returns whilst incorporating beneficial ESG impacts, and finally, focusing on specific ESG factors.

As some of Aegon’s assets are managed by external managers, Aegon consistently evaluates its external managers in line with five responsible investment criteria. Aegon also expects them to commit to net zero by 2050, sign up to the UK Stewardship Code, and meet Aegon’s minimum requirements in terms of its responsible investment activities.

These minimum expectations are summarised below:

1. Responsible investment governance processes are robust and adequate
2. Actively voting and engaging with its investment based on material sustainability matters
3. Supporting Aegon’s climate goals and commitments to net zero
4. Driving systematic sustainable changes in the economy
5. Strengthening representation within its investments to improve decision making.

Aegon use the services of a Proxy Voting provider, Institutional Shareholder Services’ (“ISS”) and Institutional Voting Information Service (“IVS”) as part of their ESG research and analysis process. Aegon do not follow the direct recommendations of ISS and IVS but instead use their research as a reference point in making their voting decisions.

Aegon’s responsible investment framework is available here:

<https://www.aegon.co.uk/content/dam/common/documents/our-responsible-investment-framework.pdf>

Aegon holds a number of the invested equity funds with Scottish Equitable. We have not detailed an assessment of Scottish Equitable policies as these are assessed by Aegon as part of their investment policies.

## Appendix 2 – Most significant votes

The tables below set out a cross section of significant votes undertaken by the investment managers of the funds held by the Scheme. Information on further significant votes undertaken by the Scheme’s investment managers have been reviewed by the Trustees.

### Significant vote definitions - Aegon

In determining significant votes, Aegon’s Investment Stewardship team considers following criteria:

- Votes against management recommendations
- Shareholder resolutions
- Resolution’s on environmental and social issues
- Where there was a significant level of opposition at the AGM

### Significant votes

#### Aegon Mixed

Company Name	ANTA Sports Products Limited	Zurich Insurance Group AG
<b>Date of Vote</b>	May-23	April-23
<b>Summary of the resolution</b>	Approve Executive Share Option Plan	Advisory Vote to Ratify Named Executive Officers' Compensation
<b>Size of the holding (% of portfolio)</b>	Not Provided	Not Provided
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	The vote was against management and was communicated beforehand by a letter.	The vote was against management and was communicated beforehand by a letter.
<b>On which criteria has the vote been deemed as ‘significant’?</b>	Aegon consider this vote significant as it is against management recommendations. Aegon are concerned that the company has not disclosed performance targets for the options, limits on individual amounts and lengths of the vesting periods.	Aegon consider this vote significant as it is against management recommendations. Aegon are concerned at the company’s bonus and payment structure, specifically that could result in a disconnect between executive pay and performance.
<b>Outcome of the vote</b>	Pass	Pass
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	Aegon will continue to monitor and engage on this topic.	Aegon will continue to monitor and engage on this topic.

Source: Investment Manager.

Note: Voting information relates to the year ended 30 September 2023. Information to the 31 August 2023 was not available at the time of writing.

### Scottish Equitable Far East Equity

Company Name	Tongcheng Travel Holdings Limited	Atlas Copco AB
Date of Vote	May-23	April-23
Summary of the resolution	Elect Directors	Approval of the Remuneration Report
Size of the holding (% of portfolio)	0.4	0.6
How the firm voted	Against	Against
Was the vote against management and was this communicated beforehand?	The vote was against management and was communicated beforehand	The vote was against management and was communicated beforehand
On which criteria has the vote been deemed as 'significant'?	Aegon consider this vote significant as it is against management recommendations. Aegon have applied a vote against the election of 2 company directors within the audit committee due to a lack of independence and qualifications.	Aegon consider this vote significant as it is against management recommendations. Aegon are concerned at the company's inability to provide any detail of performance targets that govern the vesting of variable elements of remuneration.
Outcome of the vote	Pass	Pass
Does the trustee/ asset manager intend to escalate stewardship efforts?	Aegon will continue to monitor and engage on this topic.	Aegon will continue to monitor and engage on this topic.

Source: Investment Manager.

Note: Voting information relates to the year ended 30 September 2023. Information to the 31 August 2023 was not available at the time of writing.

## Scottish Equitable UK Equity

Company Name	Burberry Group Plc	GB Group Plc
<b>Date of Vote</b>	July-23	July-23
<b>Summary of the resolution</b>	Approve Remuneration Policy	Advisory Vote to Ratify Named Executive Officers Compensation
<b>Size of the holding (% of portfolio)</b>	0.6	0.3
<b>How the firm voted</b>	Against	Against
<b>Was the vote against management and was this communicated beforehand?</b>	The vote was against management and was communicated beforehand.	The vote was against management and was communicated beforehand.
<b>On which criteria has the vote been deemed as 'significant'?</b>	<p>Aegon consider this vote significant, as they have ongoing remuneration concerns against the company.</p> <p>Specifically, Burberry wish to move away from a conventional performance share plan and replace it with a restricted share plan. Under this plan, vesting of awards is not subject to the achievement of pre-determined performance targets. Further, the proposed systems to managing the associated risks with this method are unspecific.</p>	<p>Aegon consider this vote significant, as they have ongoing remuneration concerns against the company.</p> <p>Aegon have expressed concern regarding the payment practices of company directors as they are not in line with best practise. In addition to this, Aegon have concerns regarding CB Groups lack of progress in aligning pension contributions of directors with the wider employee workforce.</p>
<b>Outcome of the vote</b>	Pass	Fail
<b>Does the trustee/ asset manager intend to escalate stewardship efforts?</b>	Aegon will continue to monitor and engage on this topic.	Aegon will continue to monitor and engage on this topic.

Source: Investment Manager.

Note: Voting information relates to the year ended 30 September 2023. Information to the 31 August 2023 was not available at the time of writing.