

Volvo Construction Equipment Pension & Life Assurance Plan (“the Plan”) – Implementation Statement for the year ending 31 March 2024

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and subsequent amending legislation, and those of the Pensions Regulator’s General Code of Practice. It sets out how the Trustee has complied with the Volvo Construction Equipment Pension & Life Assurance Plan Stewardship Policy and Statement of Investment Principles during the period 31 March 2023 to 31 March 2024.

Overall, the Trustee is satisfied that:

- The Plan’s investments have been managed in accordance with the Plan’s Stewardship Policy during the period;
- The Plan’s investments have been managed in accordance with the remainder of the Plan’s Statement of Investment Principles; and
- The provisions of the Statement of Investment Principles remained suitable for the Plan’s members over the last Plan Year.

Statement of Investment Principles

The Statement of Investment Principles sets out the principles and practices the Trustee follows when governing the Plan’s investments. It describes the rationale for selecting the investment strategy and explains the risks and expected returns of the funds used, as well as the Trustee’s approach to responsible investing (including climate change).

No changes were made to the Statement of Investment Principles during the period. The Statement was last reviewed after the Plan Year-End, in September 2024.

The Trustee has prepared this Implementation Statement on the basis of the Statement of Investment Principles in force at 31 March 2024, with reporting within this document in line with the Statement of Investment Principles applicable at the relevant time.

The Plan’s Statement of Investment Principles can be consulted online at <https://schemes.vidett.com/wp-content/uploads/VCE-SIP-September-2020.pdf> .

Investments governance

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee also offered members the opportunity to make additional contributions which are now invest in a range of vehicles at the members’ discretion. The Trustee holds these assets separately from the Defined Benefit section of the Plan to secure benefits on a money purchase basis for those members who elected to pay Additional Voluntary Contributions.

The Trustee has overall responsibility for how the Plan’s investments are governed and managed, in accordance with the Plan’s Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

Over the year, the Trustee has elected to delegate some investment decisions to a fiduciary manager and the investment managers.

Following its appointment in November 2023, the Trustee set objectives for the Plan's investment adviser designed to align with the Trustee's own objectives and investment strategy as set out in the Statement of Investment Principles.

The Trustee is scheduled to carry out an evidence-based review of the investment adviser's performance against these objectives in Q4 2024. The objectives themselves will be reviewed by no later than November 2026.

The investment risks relating to the Plan are described in the Statement of Investment Principles. Further details regarding the investment strategy, including the expected return on the assets, are set out in a separate Investment Policy Implementation Document maintained by the Trustee.

The Trustee's views on the expected levels of investment risk and return inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Plan invests in over the longer term), and the style of management adopted by the Plan.

The Trustee has conflicts of interest policies in place covering its service providers, including the fiduciary manager (until termination in May 2024), asset managers and investment adviser. The Trustee formally asks service providers to confirm any conflicts of interest when the Trustee meets with them. The service providers in scope have not disclosed any potential or actual conflict over the period.

Stewardship Policy

The Trustee's Stewardship Policy sets out how the Trustee will behave as an active owner of the Plan's assets. It includes the Trustee's approach to:

- The exercise of voting rights attached to assets; and
- Undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and other stakeholders.

The Plan's Stewardship Policy can be found within the Plan's Statement of Investment Principles at the link provided above.

The Plan's Stewardship Policy is reviewed in line with the Plan's Statement of Investment Principles, which was reviewed in September 2024.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Plan's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings (where relevant) and engaging with management on issues which affect a company's financial performance.

Over the last year, the Trustee's own engagement activity was focused on its dialogue with its fiduciary manager who in turn was expected to provide reporting on policies and processes adopted by the underlying investment managers.

The Trustee also monitors its compliance with the Stewardship Policy on a regular basis and is satisfied that it has complied with the Plan's Stewardship Policy over the last Plan Year.

Voting activity

The Trustee seeks to ensure that managers are exercising voting rights and, where appropriate, monitors managers' voting patterns. The Trustee may also monitor votes cast by managers on particular companies or issues that affect more than one company.

Over the year, the Trustee invested in listed equities through several mandates managed by Mercer. The investment manager has reported on how votes were cast in each of these mandates as set out below (data for the year to 31 March 2024).

Fund	Proportion of Plan's assets	Total proposals		Meetings	
		Eligible	Proposals voted on	No.	Against
MGI Eurozone Equity Fund	1.4%	4,415	4,223	255	54%
MGI UK Equity Fund	1.1%	2,132	2,126	97	28%
Mercer Multi-Asset Credit Fund ⁽¹⁾	3.0%	15	15	5	0%
Mercer Passive Emerging Markets Equity Fund	2.9%	22,915	21,686	2,808	52%
Mercer Passive Low Volatility Equity UCITS CCF	0.2%	4,032	3,954	282	75%
Mercer Passive Global Small Cap Equity UCITS CCF	1.1%	47,441	45,370	4,441	70%
Mercer Passive Global REITS UCITS CCF	3.3%	3,208	3,084	332	68%
Mercer Passive Climate Transition Infrastructure Equity UCITS CCF	1.6%	3,239	3,059	295	72%
Mercer Passive Sustainable Global Equity UCITS CCF	2.0%	17,113	16,467	1,180	82%
Mercer China Equity Fund	1.4%	4,909	4,806	489	44%

Fund	Vote Decisions					For / Against Mgmt	
	For	Against	Abstain	No Action	Other	For	Against
MGI Eurozone Equity Fund	84%	12%	1%	4%	0%	88%	12%
MGI UK Equity Fund	98%	2%	0%	0%	0%	98%	2%
Mercer Multi-Asset Credit Fund ⁽¹⁾	100%	0%	0%	0%	0%	100%	0%
Mercer Passive Emerging Markets Equity Fund	79%	16%	1%	4%	0%	82%	18%
Mercer Passive Low Volatility Equity UCITS CCF	82%	13%	0%	2%	3%	85%	15%
Mercer Passive Global Small Cap Equity UCITS CCF	81%	13%	0%	4%	2%	85%	15%
Mercer Passive Global REITS UCITS CCF	75%	19%	0%	4%	2%	78%	22%
Mercer Passive Climate Transition Infrastructure Equity UCITS CCF	69%	24%	2%	3%	1%	74%	26%
Mercer Passive Sustainable Global Equity UCITS CCF	75%	19%	1%	3%	2%	78%	22%
Mercer China Equity Fund	86%	12%	2%	1%	0%	87%	13%

(1) Voting Activity figures for the Mercer Multi-Asset Credit fund relate to a small number of equity holdings within the fund's underlying segregated mandates. Please note this does not include voting activity from any underlying pooled strategies within the fund over the period.

- "Eligible Proposals" reflect all proposals of which managers were eligible to vote on over the period
- "Proposals Voted On" reflect the proposals managers have voted on over the period (including votes For and Against, and any frequency votes encompassed in the "Other" category)"
- Vote Decision may not sum to 100 due to rounding. "No Action" reflects instances where managers have not actioned a vote. Mercer may follow up with managers to understand the reasoning behind these decisions, and to assess the systems managers have in place to ensure voting rights are being used meaningfully.

- "Other" refers to proposals in which the decision is frequency related (e.g. 1 year or 3 year votes regarding the frequency of future say-on-pay).
- "Meetings No." refers to the number of meetings the managers were eligible to vote at.
- "Meetings Against" refers to the no. of meetings where the managers voted at least once against management, reported as a % of the total eligible meetings.

The Trustee is pleased to see that the vast majority of eligible votes have been enacted and there is a healthy proportion of votes against management demonstrating good engagement.

Where relevant, the Trustee has also asked its manager to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. The Trustee has based the definition of significant votes in line with the requirements of the Shareholder Rights Directive (SRD) II and on Mercer's Global Engagement Priority themes. SRD was introduced by the European Commission in 2007 to improve shareholder engagement and transparency, specifically in relation to the exercising of shareholder rights. The most significant proposals reported below relate to the companies with the largest weight in each fund (relative to other companies in the full list of significant proposals).

MGI Eurozone Equity Fund

Key theme: Environmental

TotalEnergies SE., 26 May 2023. Opinion on 2023 Sustainability and Climate Progress Report

The underlying managers supported the proposal to approve the opinion, noting the company's progress and responsiveness to investor engagement. They were satisfied with the commitment to reduce Scope 3 GHG emissions from oil production by 30% by 2030 and to disclose absolute GHG targets and environmental impact details, although they acknowledged room for improvement. The proposal received 86% support and passed. The holding represented 1.1% of the portfolio.

MGI UK Equity Fund

Key theme: Environmental

Shell Plc., 23 May 2023. Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement

Given the company's existing GHG reduction goals and extensive disclosure on its environmental impact mitigation efforts, the manager did not believe that adopting this proposal would provide additional benefits to the company or its shareholders. The proposal received 19% support and did not pass. The holding represented 4.7% of the portfolio.

Mercer Passive Low Volatility Equity UCITS CCF

Key theme: Social

Microsoft Corporation., 7 December 2023. Shareholder Proposal Regarding EEO Policy Risk Report

The manager did not support this as the company's existing policies already prohibit discrimination based on political affiliations and include measures to enhance diversity and inclusion. The company reports on its efforts to increase diverse hiring and promotes a culture of equal opportunity. Given this proposal is covered by the existing policies, it was deemed redundant. The proposal received 1% support and did not pass. The holding represented 1.6% of the portfolio.

Mercer Passive Global Small Cap Equity UCITS CCF

Key theme: Governance

Casey's General Stores, Inc., 6 September 2023. Shareholder Proposal Regarding Disclosure of Supplier Code of Conduct

The manager supported this proposal, noting that additional clarity on the company's responsible sourcing practices or a timeline for releasing a Supplier Handbook containing the information outlined in its sustainability report, is warranted. The proposal received 18% support and did not pass. The holding represented 0.2% of the portfolio.

Mercer Passive Global REITS UCITS CCF

Key theme: Environmental

Public Storage, 2 May 2023. Shareholder Proposal Regarding GHG Targets and Alignment with Paris Agreement

The manager supported this proposal, expecting companies to develop credible transition plans aligned with the Paris Agreement's goal of limiting global temperature increase to 1.5°C. This includes disclosing scope 1, 2, and material scope 3 GHG emissions, as well as setting short-, medium-, and long-term GHG reduction targets consistent with the 1.5°C objective. The proposal received 35% support and did not pass. The manager will continue to engage with investee companies, advocate publicly on this issue, and monitor company and market-level progress. The holding represented 3.1% of the portfolio.

Mercer Passive Climate Transition Infrastructure Equity UCITS CCF

Key theme: Environmental

EDP-Energias DE Portugal S.A., 12 April 2023. Assessment of 2030 Climate Change Commitment

The manager supported the proposal, believing that current disclosures sufficiently allow shareholders to understand and evaluate how the company intends to meet its climate objectives. The company has adopted a net zero ambition and has set reduction targets for its Scope 1, 2, and 3 emissions. The company also provides reporting aligned with the TCFD and information concerning its scenario analysis. The proposal passed with 100% support. The manager will continue to engage with investee companies, advocate publicly on this issue, and monitor company and market-level progress. The holding represented 1.3% of the portfolio.

Mercer Passive Sustainable Global Equity UCITS CCF

Key theme: Governance

Apple Inc, 28 February 2024. Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report

The manager supported this proposal, expecting companies to disclose meaningful information on their gender pay gap and the initiatives they are implementing to address any disparities. The proposal received nearly 31% support and did not pass. The manager will continue to engage with investee companies, advocate publicly on this issue, and monitor company and market-level progress. The manager has engaged with Apple multiple times in recent years and will keep track of their response to shareholder concerns on these matters. The holding represented 5.5% of the portfolio.

Over the last year, the Plan's investment manager has made use of the services of Glass Lewis, a leading provider of governance and proxy voting services.

Engagement activity

Over the last year the Trustee has been meeting regularly with its fiduciary manager. The manager provided the Trustee with an update on the underlying investment managers' engagement activity during the year. Engagement activities are also discussed in more detail in Mercer's [2023 Stewardship Report](#) shared with the Trustee. For example, the report confirms that Mercer Investment Solutions Global adopted the following engagement priorities: climate change; biodiversity and natural capital; human rights and labour practices; diversity, equity and inclusion.

Policy review

The Trustee has committed to reviewing investment managers' Responsible Investment policies on an annual basis. A review was undertaken by the Trustee in June 2023. At the time of the review, the Trustee was satisfied that the responsible investment policies and, where appropriate, the voting policies of the Plan's manager were suitable for the Plan. The next review was carried out in September 2024 and considered the Plan's new investment managers appointed following termination of the fiduciary management contract.

Prepared by:

Trustee of the Volvo Construction Equipment Pension & Life Assurance Plan, September 2024