



**Abbey Life**

**Abbey Life Trust Securities Limited  
Trustee of the Abbey Life Assurance Company Limited  
Staff Pension Scheme**

**Implementation Statement  
For the year to 31<sup>st</sup> March 2023**

## IMPLEMENTATION STATEMENT

### Introduction

The purpose of the Implementation Statement is for us, the Trustee of the Abbey Life Assurance Company Limited Staff Pension Scheme, to explain what we have done during the year ending 31<sup>st</sup> March 2023 to achieve certain policies and objectives as set out in the Statement of Investment Principles (“SIP”). It includes:

1. A summary of any review and changes made to the SIP over the year;
2. How our policies in the SIP have been followed during the year; and
3. How we have exercised our voting rights or how these rights have been exercised on our behalf, including the use of any proxy voting advisory services.

### Our conclusion

Based on the activity we have undertaken during the year; we believe that the policies set out in the SIP have been implemented effectively.

In our view, Aberdeen Asset Investments Limited (“abrdrn”) was able to disclose good evidence of voting and engagement activity, that the activities completed by abrdrn aligns with our stewardship priorities, and that our voting policy has been implemented effectively in practice.

We will further meet with abrdrn to better understand its ongoing voting and engagement practices and discuss any areas that appear to be behind those of its peers. Whenever we meet with an Investment Manager, we will discuss voting and engagement policies and how these are implemented in practice.

### Changes to the SIP during the year

We reviewed the SIP during the year and no changes were made.

Post year-end, the following changes were made to the SIP:

- Update to the Stewardship – Voting and Engagement section to reflect guidance from the Department for Work and Pensions (DWP).
- Update to Appendix A following changes in the reference portfolio, strategic allocations and target return.
- Inclusion of a collateral adequacy section within Appendix A following volatility in gilt markets.

The Scheme’s latest SIP can be found here: <https://www.thephoenixgroup.com/site-services/abbey-life-staff-pension-scheme/>

### How the policies in the SIP have been followed – DB Investment

#### Objectives, responsibility for the Scheme’s investment strategy and asset allocation

The Trustee started a review of the investment strategy in 2022, which was concluded in 2023, with assistance from Aon Investments Limited (“AIL”), its Investment Advisor. The Trustee agreed to set its Investment Manager, abrdrn, risk and return objectives and a reference asset allocation to achieve its primary objectives set out in the SIP. The day-to-day management of the Scheme’s assets has been delegated to abrdrn.

The Trustee set abrdrn an objective to outperform a proxy of the Scheme’s Technical Provision liabilities by 2.1% (reducing to 1.8% per annum in summer 2023) with volatility (risk) similar to the reference asset allocation. The Trustee receives quarterly investment reports from AIL and abrdrn. The Trustee reviews the performance and risk of the asset allocation to ensure that it is in line with the objectives set out.

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The Investment Sub-Committee held a meeting in June 2023, in which the current investment strategy, the progression of the funding level against target, and the long-term objective was discussed. The Trustee agreed that the long-term objective was eventual buyout. Discussion on the path to buyout and associated matters continued after year end.

## Choosing investments

The Trustee appointed abrdn as its Investment Manager and has delegated investment management responsibility to abrdn within the investment guidelines set out by the Trustee.

## Risk, monitoring and arrangements with the manager

The Trustee receives quarterly investment reports from ALL, which include:

- Fund performance, both absolute and relative to their benchmarks over the quarter, one-year and three-year periods;
- Overall Scheme performance, both absolute and relative to the liability proxy over the quarter and one-year periods;
- Asset allocation relative to the reference portfolio;
- Monitoring of the funding level progression against target;
- Attribution of the changes in funding level;
- Monitoring of the expected return against the required return;
- Value at Risk analysis;
- Monitoring of abrdn's forward looking implementation metrics against its risk and return objectives;
- Monitoring of the LDI portfolio and liability proxy, including sensitivity to changes in interest rates and inflation expectations and scenario stress testing;
- Monitoring of the collateral position including headroom to yield rises in the LDI portfolio and including additional liquid assets; and
- Monitoring of the funding level against the Trustee's long-term objective of buyout.

The Trustee regularly receives presentations from abrdn regarding the market background, performance, market outlook, positioning and ESG integration in the investment philosophy. This includes monitoring the extent to which abrdn has made decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and how they have engaged with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee believes that having appropriate governing documentation, setting clear expectations to abrdn, and regular monitoring of abrdn's performance and investment strategy, has been sufficient to incentivise abrdn to make decisions that align with the Trustee's policies. The Trustee has engaged regularly with abrdn on its portfolio.

In the summer of 2023, the Trustee has revised its policy regarding monitoring, and the actions required by the Investment Manager, with respect to the LDI portfolio.

## Realisation of investments

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds), although a meaningful proportion of assets are to be invested in private loans that are illiquid in nature.

The Trustee reviews the liquidity of the Scheme's investments regularly.

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## **Environmental, social and governance**

The Trustee recognises that environmental, social and governance ("ESG") risk factors, including climate change, may negatively impact the value of investments held if not fully understood and evaluated.

The Trustee regularly receives updates from abrdn on how ESG is incorporated in the investment decision making process.

The Trustee has instructed abrdn to align exclusions with the parent company, Phoenix Group's exclusions. This includes exclusions to controversial weapons and companies that earn more than 20% of revenue from; thermal coal, oil sands and arctic drilling, and tobacco, from its direct investments. This is achieved by the periodic submission of an exclusions list supplied by Phoenix Group. These exclusions have been prioritised due to their likely financial materiality to the Scheme, to ensure alignment with the sponsor, and alignment with some of the United Nations Global Compact principles.

Whilst not under the TCFD regulation, the Trustee collated a range of carbon metrics covering the portfolio including Total GHG emissions, carbon footprint, weighted average carbon intensity and data coverage. The Trustee agreed to collate this data annually.

## **Stewardship – Voting and Engagement**

The Trustee has a policy related to the regular review of its Investment Manager's stewardship activities. The Trustee has assessed, with the help of its Investment Advisor, and is comfortable with, the voting and engagement practises of abrdn.

The Trustee has included additional wording on stewardship following guidance from the Department for Work and Pensions (DWP). This includes accepting responsibility on how its Investment Manager stewards assets on its behalf and an escalation policy should the Trustee find that its Investment Managers' voting and engagement is not aligned with the Trustee's expectations.

## **Members' views and non-financial factors**

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme Members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

## **Cost monitoring**

The Trustee gathers cost information on their DB investments annually to provide a consolidated summary of all the investment costs incurred. The cost report includes a breakdown of the costs into their various component parts, including the costs of buying and selling assets (transaction costs) incurred by the underlying managers.

## **Governance**

During the year, the Trustee met quarterly to discuss the investments as outlined above.

## How the policies in the SIP have been followed – AVC investments

### Objectives in respect of the default arrangement

The Trustee's primary objectives for the default arrangement is to invest the assets held in respect of Members of the Scheme for and from whom there is no current investment instruction in an investment vehicle which has as its aims:

1. As far as possible to preserve capital value; and
2. To provide a return on investment similar to that which might be achieved on cash deposits in a bank or building society or money market funds.

The default arrangement is the Standard Life Deposit and Treasury Fund, and the fund's primary aim is to 'maintain capital and provide returns before charges in line with short-term money market instruments'.

The Trustee, with assistance from its Investment Advisor, reviewed the default Fund during 2020 and concluded that it continues to meet the specific objectives as set and that it remains appropriate for the Scheme's membership. Over the course of the year, the Trustee had no concern over the appropriateness of the default fund. The next default fund review is due to be undertaken later in 2023.

The Trustee's policy remains to remind Members invested to consider whether the fund is appropriate for their personal circumstances, particularly given long-term expectations of cash returns relative to inflation. Over the Scheme year, no Members were invested in the default fund, and so no action was taken by the Trustee in this regard.

### Environmental, Social and Governance considerations ('ESG')

The Trustee is aware of the risks that ESG (including climate change) pose and have attended training throughout the year on the importance of ESG and ESG developments.

Due to the limitations that exist in implementing ESG in the short-term instruments held within cash funds, the Trustee did not explicitly consider ESG factors in its assessment of the implementation vehicle as part of the review undertaken during 2020, as the Trustee is limited insofar that ESG can be considered as part of a money market instrument.

### Stewardship – Voting and Engagement

The Trustee has assessed, with the help of its Investment Advisor, and is comfortable with, the voting and engagement practises of the underlying Investment Managers responsible for the Scheme's AVC assets. More information can be found in the Voting and Engagement activity section of this document.

The Trustee, with support from its Investment Advisor, have concluded that the Scottish Widows Abbey Retirement Fund is the only material fund within the AVC section with voting rights due to the fund having the most members invested and assets under management at the end of the reporting period (70 members, £1.33m invested). No members were invested in the Scheme's default fund during the reporting period, nor does the fund have any direct or indirect voting rights attached to it.

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## Arrangements with investment managers

The Trustee, with support from its Investment Advisor, carried out a review on the Scheme's AVC arrangements in 2020. This review included the following:

- Background information on each provider, covering their financial strength, charges, quality of administration, quality of fund options and liquidity; and
- An assessment of each Fund option available to Members including performance analysis and total expense ratios.

The 2020 review concluded that the range of funds remains appropriate for the Scheme's membership and the Trustee was broadly comfortable with the performance of each of its investment managers. The Trustee has continued to monitor fund performance and charges over the scheme year with the support of its Investment Advisor and are comfortable that the funds remain appropriate.

The Trustee is committed to carrying out a full review of the Scheme's AVC arrangements in 2023.

## Our Engagement Action Plan

Based on the work we have done for the Implementation Statement, we have decided to take the following steps over the next 12 months:

1. When we invite abrdn to a meeting, we will discuss voting and engagement practices and how these are implemented in practice.
2. The Trustee is committed to carrying out a full review of the Scheme's AVC arrangements in 2023.

## Our manager's voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. Understanding and monitoring the stewardship that Investment Managers practice in relation to the Scheme's investments, is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Scheme's equity-owning Investment Manager, abrdn, to responsibly exercise its voting rights.

## Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 March 2023.

The AVC section's default arrangement (the Standard Life Deposit and Treasury Fund) invest in cash-like instruments and therefore has no direct or indirect voting rights attached to them. As a result, no votes were monitored by the Trustee over the reporting period.

The Trustee, with support from its Investment Advisor, therefore decided to obtain voting statistics for the most popular fund within the AVC section – the Scottish Widows Abbey Retirement Fund.

Within the DB Section, the Trustee has deemed the Diversified Income Fund a 'material fund' due to its size and meaningful proportion of the fund with voting rights attached.

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Section		Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	abr dn - Diversified Income Fund	12,146	93.1%	12.3%	0.7%
AVC	SW Abbey Retirement Fund <sup>1</sup>	15,466	92.8%	17.8%	0.6%

Source: abr dn

1. This fund invests fully in the abr dn - AL Pensions Managed Accumulator Fund)

## Use of proxy voting adviser

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

The table below describes how the Scheme's manager, abr dn, uses proxy voting advisers.

	Description of use of proxy voting adviser
abr dn	We utilise the services of Institutional Shareholder Services (ISS) for all our voting requirements. We have a bespoke policy in place with them.

Source: abr dn

## Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked abr dn to provide a selection of what it considers to be the most significant votes in relation to the Scheme's funds. A sample of these significant votes can be found in the appendix.

## Our manager's engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies, and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by abr dn. abr dn has provided information for the most recent calendar year available. Some of the information provided is at a firm level i.e. is not necessarily specific to the fund invested in by the Scheme.

We have not considered the engagement activities in relation to the Scheme's AVCs due to the relatively small proportion of assets held as AVCs.

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Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
DB	abrdrn - Diversified Income Fund	648	2,484	Environment - Climate change Social - Labour Management, Human Rights & Stakeholders Governance - Corporate Behaviour, Corporate Governance
	abrdrn - Corporate Bond Fund	102	2,484	Environment - Climate change Social - Labour Management, Human Rights & Stakeholders Governance - Corporate Behaviour, Corporate Governance Strategy, Financial and Reporting - Capital allocation, Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)

Source: abrdrn

Section	Funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
DB	abrdrn - Real Estate Debt Segregated Mandate	4	2,484	Environment - Climate change, Pollution, Waste Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying) Governance - Board effectiveness – Independence or Oversight, Leadership – Chair/CEO Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose
	abrdrn - Absolute Return Global Bonds Strategy	125	2,484	Environment - Climate change Social - Labour Management, Human Rights & Stakeholders Governance - Corporate Behaviour, Corporate Governance Strategy, Financial and Reporting - Capital allocation, Financial performance, Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)

Source: abrdrn

## Data limitations

This report does not include commentary on the Scheme's liability driven investments/gilts or cash because of the limited materiality of stewardship to these asset classes.

**Approved by the Trustee Board, Abbey Life Trust Securities Limited,  
Trustee of the Abbey Life Assurance Company Limited Staff Pension Scheme, on 29<sup>th</sup> September 2023**

**ORIGINAL SIGNED ON BEHALF OF THE TRUSTEE BY**

**Neil C H Tointon**

**Chairman of the Trustee Board**

**Abbey Life Trust Securities Limited**

**29<sup>th</sup> September 2023**



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## Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme’s manager, abrdn. We consider a significant vote to be one which the manager considers significant. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below.

<b>abrdn - Diversified Income Fund</b>	<b>Company name</b>	Glencore Plc
	<b>Date of vote</b>	28-Apr-2022
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.01%
	<b>Summary of the resolution</b>	Approve Climate Progress Report (Management Climate-Related Proposal)
	<b>How you voted</b>	Against
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	We do not track the specific votes where we communicated our intent prior to voting. To enhance our analysis, we will often engage with companies held in our active portfolios prior to voting to understand additional context and explanations, particularly where there are concerns related to an agenda. We endeavour to communicate voting intentions and rationale for votes against or abstention to encourage change and maintain a dialogue on matters of concern. Given the concentration of Annual General Meetings (AGM), we may not always be able to communicate intentions and rationale ahead of a vote. We may therefore follow up after a vote to encourage improvement where it is needed in advance of future general meetings.
<b>Rationale for the voting decision</b>	We have had positive ongoing engagement with Glencore on its climate approach and note improved transparency on its targets and strategy. However, improvement is still needed to increase the robustness of climate linked remuneration and the clarity of targets for the depletion of the company’s thermal coal assets. We recognise that the company has undergone a recent transition period in relation to its Board, executive team and senior management and believe that it is now well positioned to oversee more robust measures.	
<b>Outcome of the vote</b>	Pass	
<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Due to the concentration of votes that we conduct, we do not track specific next steps/implications for each vote. We will assess each company and the voting outcomes on a case-by-case basis. Where necessary we may follow up after a vote to encourage improvement where it is needed in advance of future general meetings. We will continue to monitor the company to ensure sufficient progress against any material issue(s) is being made. If we have serious concerns around a company’s approach to certain issues we can and may deploy a number of other escalation strategies.	
<b>On which criteria have you assessed this vote to be "most significant"?</b>	<p>Significant Vote Category 1 ('SV1'): High Profile Votes</p> <ul style="list-style-type: none"> <li>• Focus on votes which received public and press interest with a focus on our large, active holdings</li> <li>• Focus on votes which reflect significant governance concerns regarding the company</li> <li>• Resolutions proposed by abrdn</li> </ul>	

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abrdrn - AL Pensions Managed Accumulator Fund	<b>Company name</b>	Danske Bank A/S
	<b>Date of vote</b>	16-Mar-2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.01%
	<b>Summary of the resolution</b>	Climate Action Plan: Direct lending (Restriction of Fossil Fuel Financing)
	<b>How you voted</b>	Against
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	We do not track the specific votes where we communicated our intent prior to voting. To enhance our analysis, we will often engage with companies held in our active portfolios prior to voting to understand additional context and explanations, particularly where there are concerns related to an agenda. We endeavour to communicate voting intentions and rationale for votes against or abstention to encourage change and maintain a dialogue on matters of concern. Given the concentration of AGMs, we may not always be able to communicate intentions and rationale ahead of a vote. We may therefore follow up after a vote to encourage improvement where it is needed in advance of future general meetings.
	<b>Rationale for the voting decision</b>	In 2023 the bank launched an exclusion and restriction list for lending linked to GHG reduction goals by 2030. The bank's asset management has committed to engaging with its top 100 largest emitters by 2025. The bank has evidenced the application of such policies by excluding Exxon from its investment universe. In light of the steps taken to date, it is not appropriate to support this resolution, which is overly prescriptive. It should be noted that the bank could improve its public disclosures of these areas.
<b>Outcome of the vote</b>	Fail	
<b>Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?</b>	Due to the concentration of votes that we conduct, we do not track specific next steps/implications for each vote. We will assess each company and the voting outcomes on a case-by-case basis. Where necessary we may follow up after a vote to encourage improvement where it is needed in advance of future general meetings. We will continue to monitor the company to ensure sufficient progress against any material issue(s) is being made. If we have serious concerns around a company's approach to certain issues we can and may deploy a number of other escalation strategies.	
<b>On which criteria have you assessed this vote to be "most significant"?</b>	<p>Significant Vote Category 2 ('SV2'): Shareholder and Environmental &amp; Social (E&amp;S) Resolutions</p> <ul style="list-style-type: none"> <li>• Votes on shareholder E&amp;S proposals where we have engaged with the proponent or company on the resolution</li> <li>• Votes on management-presented E&amp;S proposals</li> <li>• Focus on shareholder proposals where we have voted contrary to management recommendations</li> </ul>	

Source: abrdrn