



Abbey Life

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

**Implementation Statement
For the year to 31st March 2024**

IMPLEMENTATION STATEMENT

Introduction

The purpose of the Implementation Statement is for us, the Trustee of the Scheme, to explain what we have done during the year ending 31st March 2024 to achieve the objectives and to implement the policies 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 that 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, and the activities completed by abrdrn aligns with our stewardship expectations. We believe that our voting rights have been implemented effectively on our behalf.

Changes to the SIP during the year

We reviewed the SIP during the year and updated it in August 2023.

The changes made included:

- 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/?tab=2023>

How the policies in the SIP have been followed – DB Investments

Below, we set out what we have done during the year to meet the policies in the SIP.

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 Adviser. 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.

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IMPLEMENTATION STATEMENT (continued)

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

The Investment 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 Scheme 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 AIL, 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 the 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 March 2024 Trustee meeting, it was noted that abrdn were undertaking a transformation project, but it was highlighted that there were no changes to be implemented within the portfolio management team supporting the Scheme and that the main focus is around operations and the group support division.

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IMPLEMENTATION STATEMENT (continued)

abrdrn also explained that there will be a reconsideration of their suppliers with an expected c.30% reduction in costs, but there would be no reduction in the technology available to the team. Innovation in areas such as Artificial Intelligence is also expected to enhance access to and the ability to manipulate data, such as the information contained within reports and accounts, which would provide better access to company ESG information.

In the reporting year, Aon also presented abrdrn's carbon metrics to the Trustee, and will continue to do so annually.

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.

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 abrdrn on how ESG is incorporated in the investment decision making process.

The Trustee has instructed abrdrn to align exclusions with the parent company's, (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 for 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 collect 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 Adviser, and is comfortable with, the voting and engagement practises of abrdrn.

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.

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IMPLEMENTATION STATEMENT (continued)

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.

Our Engagement Action Plan

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

1. To request that abrdn keeps the pressure on counterparties and issuers to provide carbon data and to follow industry guidance when published/agreed;
2. To request that abrdn keeps the Trustee informed of actions it is taking to improve the data quality of its disclosures and developments which will improve reporting in its private credit and LDI portfolios; and
3. That Aon collects the metrics data annually from abrdn for the Trustee.

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

Objectives in respect of the default arrangement

In the table below we set out what we have done during the year to meet the policies in the SIP.

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 2023 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.

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IMPLEMENTATION STATEMENT (continued)

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')

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 2023, as the Trustee is limited insofar that ESG can be considered as part of a money market instrument.

The Standard Life and Scottish Widows policies provide an ESG fund option, however no Members have chosen to invest in this fund.

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, £1.34m 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.

Arrangements with investment managers

The Trustee, with support from its Investment Advisor, carried out a review on the Scheme's AVC arrangements in 2023. 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 2023 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.

As part of the review, we recommended that the Trustee provides a high-level summary of the results of the review to AVC Members. This is expected to be done post year end and will be reported on within the 2024/2025 Implementation Statement.

Our Engagement Action Plan

In order to continue to meet the policies as set out in the SIP, we have decided to take the following steps over the next 12 months:

The Trustee is due to provide a high-level summary of the results of the latest AVC review to AVC Members.

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IMPLEMENTATION STATEMENT (continued)

The exercise of our voting rights and wider stewardship policy

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. We believe that good stewardship is in the Members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. 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 managers to responsibly exercise their voting rights.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which Environmental Social Governance ("ESG") issues to focus on, engaging with investees/issuers, and exercising voting rights.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

Voting statistics

The table below shows the voting statistics for the Scheme's material funds with voting rights for the year to 31st March 2024.

The AVC section's default arrangement (the Standard Life Deposit and Treasury Fund) invests in cash-like instruments and therefore has no direct or indirect voting rights attached to it. 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 Growth & Income Fund a 'material fund' due to its size and meaningful proportion of the fund with voting rights attached.

Section	Fund	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
DB	abrDN Diversified Income Fund	8,546	97.3%	12.7%	0.5%
AVC	SW Abbey Retirement Fund ¹	15,652	94.8%	18.1%	0.5%

Source: abrDN.

Please note that the 'abstain' votes noted above are a specific category of vote that has been cast, and are distinct from a non-vote.

1. This fund invests fully in the abrDN - AL Pensions Managed Accumulator Fund

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IMPLEMENTATION STATEMENT (continued)

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

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 adviser.

Manager	Description of use of proxy voting adviser <i>(in the managers' own words)</i>
abr dn	We utilize the services of Institutional Shareholder Services ("ISS") for all of our voting requirements.

Source: abr dn

Significant voting examples

To illustrate the voting activity being carried out on our behalf, we asked the Scheme's investment manager to provide a selection of what they consider 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 on the next page shows some of the engagement activity carried out by the Scheme's material investment manager. The manager has provided information for the most recent calendar year available.

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	abrdn - Segregated Credit Mandate	147		Climate; Environment; Human Right & Stakeholder; Corporate Governance; Corporate Behaviour.
	abrdn - Diversified Growth & Income Fund	592		Corporate Governance; Environment; Climate; Labour Management; Corporate Behaviour.
DB				Environment - Climate change, Natural resource use/impact, Pollution, Waste.
	abrdn - Real Estate Debt Segregated Mandate	7		Social - Conduct, culture and ethics.
			2,008	Governance - Board effectiveness - Independence or Oversight.
				Strategy, Financial and Reporting - Capital allocation, Financial performance.
				Environment - Climate, environment, GHG emissions, air quality, energy management, waste water management, ecological impacts.
AVC	SW Abbey Retirement Fund ¹	761		Social - labour management, human rights and stakeholders, labour practice, employee engagement and diversity and inclusion, human rights, and community relations, customer privacy and data security, product quality and safety.
				Other - corporate behaviour, corporate governance, controversies, policies and practices, board issues, remuneration, ownership and control, accounting and audit, disclosures.

Source: abrdn.

1. This fund invests fully in the abrdn - AL Pensions Managed Accumulator Fund

Data limitations

We note that not all of the information requested in relation to significant votes cast was provided by the managers. We will continue to engage with our managers to obtain this information for future reports.

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 17th October 2024**

**ORIGINAL SIGNED ON BEHALF OF THE TRUSTEE BY
Neil C H Tointon
Chairman of the Trustee Board
Abbey Life Trust Securities Limited
17th October 2024**

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Appendix – Significant Voting Examples

In the table below, are some significant vote examples provided by the Scheme’s material investment manager. 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:

abrdn Diversified Growth & Income Fund	Company name	Apple Inc.
	Date of vote	28-Feb-2024
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.6
	Summary of the resolution	Report on Median Gender/Racial Pay Gap
	How you voted?	Votes supporting resolution
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	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.
	Rationale for the voting decision	Abrdn supported a similar resolution at Apple's 2023 annual meeting. While we appreciate Apple's current disclosure on pay equity and representation data, including its release of EEO-1 data, we believe that providing a median pay gap report on gender and diversity would enhance transparency, allowing investors to assess the company's diversity, equity, and inclusion efforts using a standardized and comparable metric.
	Outcome of the vote	Fail
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	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.
	On which criteria have you assessed this vote to be significant?	<i>Not provided</i>

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Appendix – Significant Voting Examples (continued)

SW Abbey Retirement Fund ¹	Company name	Microsoft Corporation
	Date of vote	07-Dec-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.1
	Summary of the resolution	Report on Climate Risk in Retirement Plan Options
	How you voted?	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	<p>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.</p>
	Rationale for the voting decision	<p>SV2: Microsoft offers a diverse range of funds and offers the option to pursue individual retirement objectives, based on risk tolerance and ESG considerations. Microsoft's 401(k) plan is overseen by a management-level fiduciary committee, which already accounts for risks related to climate change. The group also implements a near term net zero target by 2030 and is approved by the Science-Based Targets Initiative. Microsoft has a diverse investment retirement range, has oversight for climate risks in retirement options, and has company-wide commitments to mitigate its impact on climate change. A vote against is therefore warranted.</p>
	Outcome of the vote	<i>Not Approved</i>
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<p>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.</p>
	On which criteria have you assessed this vote to be significant?	<p>Significant Vote Category 2 ('SV2'): Shareholder and Environmental & Social (E&S) Resolutions</p> <ul style="list-style-type: none"> • Votes on shareholder E&S proposals where we have engaged with the proponent or company on the resolution • Votes on management-presented E&S proposals • Focus on shareholder proposals where we have voted contrary to management recommendations

Source: abrdn

1. This fund invests fully in the abrdn - AL Pensions Managed Accumulator Fund