

Implementation Statement (“IS”)

Combined Nuclear Pension Plan (the “Plan”)

Plan Year End – 31 March 2023

The purpose of the Implementation Statement is for us, the Trustee of the Combined Nuclear Pension Plan, to explain what we have done during the year ending 31 March 2023 to achieve policies and objectives 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, most of the Plan's material investment managers were able to disclose good evidence of voting and/or engagement activity, the activities completed by our managers align with our stewardship priorities and that our voting policy has been implemented effectively in practice.

Some investment managers did not provide us with the data as per the required guidance. There are areas where we would like to see some additional details, as set out in the engagement action plan. We will engage with the managers, through our appointed investment advisors, to encourage them to provide detailed and meaningful disclosures about their engagement activities and better understand their engagement practices at a fund and firm level.

Changes to the SIP during the year

We reviewed the SIP during the year and updated it in December 2022.

The changes made included removal of the CIP Hedging Fund following the transfer out of the Plan by two Sections.

The Plan's latest SIP can be found here: [Document Library](#) | [Combined Nuclear Pension Plan \(cnpp.org.uk\)](#)

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 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: An introduction to responsible investment: stewardship | Introductory guide | PRI (unpri.org)

How the policies in the SIP have been followed

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

Plan Objective: The primary objective of the DB structure 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.	<p>The Trustee, with the support of its investment advisor, undertook a detailed strategy review alongside the 2019 Actuarial Valuation. Over the 12-months to 31 March 2023 the Trustee continued to make the implementation changes required to implement the agreed strategy at a CIP Fund and Section level.</p> <p>The Investment Sub Committee ("ISC") has begun the process of reviewing the investment strategy of each Section alongside the 2022 Actuarial Valuation, focusing on the long-term funding plan for each Section, and will look to complete these reviews over the remainder of 2023 and share the outcome with the Trustee to obtain sign off.</p> <p>The ISC adopted and reviewed the implementation of a formal cashflow policy that outlines the process for meeting Section cashflow requirements as well as cashflow requirements from the Plan's illiquid managers.</p>
Risk Management: The Trustee has identified a number of key risks which it monitors in a number of different ways.	<p>The Trustee considered the investment risk that each Section is exposed to, including</p> <ul style="list-style-type: none">▪ Maturity and cashflow profile of the Section,▪ Strength and longevity of the sponsoring employers,▪ Variation in interest rates and inflation expectations,▪ Environmental, Social and Governance ("ESG") issues, including climate change, and▪ Capital market risk and the benefits of diversification. <p>The Trustee and ISC take account of these risks when adopting and monitoring the chosen investment strategy for each Section and within the CIP Funds.</p> <p>The Trustee maintains a risk register setting out the specific risks faced by the Plan and measures in place to monitor and mitigate these risks. The Trustee meets each quarter and reviews the risk register to ensure ongoing management of the risks faced by the Plan.</p>

	<p>The Trustee also reports on the risks associated with its investments annually in the investment risk disclosure report included in the Plan's Annual Report. The IS covers the action taken by the Trustee to monitor the risks associated within the DB Sections of the Plan, considering separately market risks, credit risk, interest rate risk, inflation risk and other price risk.</p>
<p>Implementing the strategy: The Trustee has delegated specific powers to the ISC around the implementation and monitoring of the investment strategy within agreed parameters.</p>	<p>The Trustee and ISC implement a diversified investment strategy for each Section across a wide range of assets and markets, with the investments held through the CIP to reduce the governance burden of implementing each Section's strategy.</p> <p>The ISC undertake a quarterly review of the asset performance and alignment of the asset allocation with the strategic target, taking advice from their investment advisors on an ongoing basis in relation to their asset arrangements. The ISC have also adopted a formal rebalancing policy and monitoring report that is produced monthly by their investment advisors, who report to the ISC any positions requiring action.</p> <p>The ISC undertake a more detailed review of each managers performance on an annual basis against its benchmark and target, focussing on those mandates that have underperformed relative to these measures.</p>
<p>Responsible Investment, including climate risk</p>	<p>The Trustee expects the active investment managers to consider all financially material factors, including climate change, in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.</p> <p>In passive mandates the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the investment manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee has considered a range of market benchmarks for the equity allocation and chosen one that explicitly takes into consideration ESG factors.</p> <p>The Plan has met the requirements as set out as part of the Taskforce on Climate-related Financial Disclosures ("TCFD") and is completing its second-year submission. The TCFD establishes a set of eleven clear, comparable and consistent recommended disclosures about the risks and opportunities presented by climate change. The increased transparency encouraged through the TCFD recommendations is intended to lead to decision-useful information and therefore better-informed decision-making on climate-related financial risks. The requirements are oriented around four pillars that represent the core elements of how organisations operate.</p>
<p>Stewardship and Engagement</p>	<p>The Trustee sets out, in its voting and engagement policy within the SIP, that it recognises the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies in which it invests.</p> <p>The investment manager's voting and engagement policies (and any amendments) were reviewed on the Trustee's behalf by their investment advisor as part of the production of this implementation statement.</p> <p>Further details relating to the voting and engagement behaviour of the investment managers are included in this statement.</p>
<p>Arrangements with Asset Managers</p>	<p>The Trustee has delegated responsibility for the selection, retention and realisation of investments to the Plan's appointed investment managers.</p> <p>The Trustee regularly monitors the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustee's policies, including those on non-financial matters.</p>

The Trustee has received quarterly reports and updates from its investment advisor and reviewed engagement information on an annual basis. As part of this, the Trustee focuses on the longer-term performance when considering suitability of managers, which is in line with its investment objectives.

Before appointment of a new investment manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee's policies. Where possible, the Trustee will seek to amend that documentation to achieve more alignment.

Cost monitoring

The Trustee is aware of the importance of monitoring their investment managers' total costs and the impact these costs have on the overall value of the Plan's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.

The Trustee has collected annual cost transparency reports covering all of their investments in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what they are paying their investment managers, and challenge where necessary.

Our Engagement Action Plan

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

1. While LGIM provided a comprehensive list of fund-level engagement, which we find encouraging, these examples did not give as much detail as required by the Investment Consultants Sustainability Working Group ("ICSWG") industry standard. It also did not provide firm-level engagement information.

Our investment advisor, Aon will engage with LGIM to better understand its engagement practices and discuss the areas which are behind those of its peers.

2. Barings and Insight did not provide fund-level engagement examples. We recognise that fixed income managers have significant capacity for engagement with issuers of debt. Whilst upside potential may be limited in comparison to equities, the downside risk mitigation and credit quality are critical parts of investment decision-making.

Our investment advisor, Aon, will engage with managers to better understand its engagement practices and discuss the areas which are behind those of its peers.

3. For the illiquid and private market investments held by the Plan: Threadneedle and ASI did not provide fund-level engagement information. Blackstone and HPS did not provide any engagement themes (at the fund or firm level). Whilst the opportunities for engagement with illiquid investments, such as property funds, are not as extensive as they are for other investments, such as equity and corporate bonds, we would still expect our investment managers of these funds to demonstrate and report on some level of engagement; for example, by engaging with tenants and the local community to address potential issues and drive change.

4. CVC stated that the nature of the request and strategy is out of its scope of reporting and hence was not able to provide the data.

Our investment advisor, Aon, will engage with CVC to better understand its engagement practices and encourage better disclosure in the future.

Our manager's voting and engagement 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 Plan's investments is an important factor in deciding whether a manager remains the right choice for the Plan.

The Plan is invested entirely in pooled funds, and so the responsibility for voting and engagement is delegated to the Plan's investment managers, which is in line with our policy. We reviewed the voting and engagement activity of the material investment managers carried out over the Plan year and in our view, most of the investment managers were able to disclose reasonable evidence of voting and engagement activity.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. We expect the Plan's equity-owning investment managers to responsibly exercise their voting rights.

Voting statistics

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

	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Legal and General Investment Management ("LGIM") - Future World Global Equity Index Fund	54,368	99.9%	18.6%	1.0%

Source: Manager.

Use of proxy voting advisers

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.

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

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

The table below describes how the Plan's manager uses a proxy voting adviser.

Description of use of proxy voting adviser	
LGIM	LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. To ensure its proxy provider votes in accordance with its position on ESG, it has put in place a custom voting policy with specific voting instructions.

Source: Manager.

Significant voting examples

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

Our managers' 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 the Plan's material managers. The managers have 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 Plan.

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
Threadneedle - Property Unit Trust (TPUT) ¹	<i>Not provided</i>	177	Environment – Climate Change, biodiversity, Sustainable transition to clean energy Social - Human rights and supply chains Governance - Executive pay
LGIM - Managed Property Fund	34	<i>Not provided</i>	Environment - Climate change, Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying) Social - Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Shareholder rights, Capital allocation Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)
LGIM - Future World Global Equity	791	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety), Public health Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, ESG Scores, and others.
LGIM - Investment Grade Corporate Bond Stock	180	<i>Not provided</i>	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Human capital management (e.g. inclusion & diversity, employee terms, safety), Inequality, Public health Governance - Board effectiveness - Diversity, Board effectiveness - Other, Remuneration, Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, and others.
Aberdeen Standard Investments ("ASI") - Standard Life Commercial Ground Rent and Standard Life Long Lease Property ¹	<i>Not provided</i>	2,484	Environment - Climate Social - Human Rights & Stakeholders, Labour Management Governance - Corporate Behaviour, Corporate Governance Strategy, Financial and Reporting - Capital allocation, Reporting (e.g. audit, accounting, sustainability reporting), Financial Performance, Risk management (e.g. operational risks, cyber/information security, product risks)
Barings - Global High Yield Credit strategies Fund and Global Loans Fund ¹	<i>Not provided</i>	741	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity) Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human and labour rights (e.g. supply chain rights, community relations) Governance - Board effectiveness - Diversity, Remuneration Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose, Risk management (e.g. operational risks, cyber/information security, product risks)
Insight - UK Corporate Bonds ¹	30	948	Environment - Climate change, Natural resource use/impact (e.g. water, biodiversity)

Funds	Number of engagements		Themes engaged on at a fund-level
	Fund specific	Firm level	
			Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) Governance - Board effectiveness - Independence or Oversight, Leadership - Chair/CEO Strategy, Financial and Reporting - Capital allocation, Financial performance
Blackstone - BSCH II ²	<i>Not provided</i>	60	<i>Not provided</i>
HPS - Specialty Loan Fund III ²	<i>Not provided</i>	100	<i>Not provided</i>
Partners - Credit and Private Equity	24	<i>Not provided</i>	Restructuring progress; call with management (trading update), board meeting (restructuring progress); call with sponsor (trading update). Environment - Climate change, Natural resource use/impact Social - Human capital management (e.g. inclusion & diversity), Governance - Board effectiveness – Diversity, Risk management (e.g. cyber/information security)
CVC - European Direct Lending Feeder Fund III			<i>Not provided</i>

Source: Managers.

Note:

1. Threadneedle, ASI, Barings and Insight did not provide fund-level themes; themes provided are at a firm-level.

2. Blackstone and HPS did not provide themes engaged at fund or firm level.

Data limitations

At the time of writing, the following managers did not provide all the information we requested:

- CVC did not provide the requested information.
- HPS and Blackstone did not provide most of the information requested.
- Threadneedle, ASI, Barings and Insight did not provide fund-level engagement examples and LGIM did not provide firm-level engagement information.

We will engage with the managers to encourage improvements in reporting.

This report does not include commentary on the Plan's investment in gilts or cash, because of the limited materiality of stewardship associated with these asset classes.

Appendix – Significant Voting Examples

In the table below are a number of significant voting examples provided by the Plan's material listed equity 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, which is outlined in the example below.

LGIM - Future World Global Equity Index Fund	Company name	Amazon.com, Inc.
	Date of vote	25 May 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.7%
	Summary of the resolution	Elect Director Daniel P. Huttenlocher
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
	Outcome of the vote	Pass
	Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	On which criteria have you assessed this vote to be "most significant"?	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.
	Company name	NVIDIA Corporation
	Date of vote	02 June 2022
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.2%
	Summary of the resolution	Elect Director Harvey C. Jones
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
	Rationale for the voting decision	Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate

	leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
Outcome of the vote	Pass
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM views diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.
Company name	Alphabet Inc.
Date of vote	01 June 2022
Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.9%
Summary of the resolution	Report on Physical Risks of Climate Change
How you voted	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
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?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
On which criteria have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Source: LGIM