

# Implementation Statement (“IS”)

## Combined Nuclear Pension Plan (the “Plan”) Plan Year End – 31 March 2024

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 2024 to achieve certain 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 engagement activity, and the activities completed by our managers align with our stewardship expectations.

Whilst some investment managers did not provide all the data required as per the guidance, we did see an improvement in the provision of data relative to last year and with the assistance of our investment consultant we will continue to engage with the Plan’s investment managers to provide more complete and detailed information.

### Changes to the SIP during the year

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

The changes made included:

- Clarification of the Trustee’s policy for engaging with appointed investment managers where the Trustee is not satisfied with the managers execution of the Plan’s voting and engagement rights.
- Clarification that the Trustee relies on each appointed investment manager’s own voting and engagement policies,
- updates to reflect newly appointed and removed investment managers, and
- integration of Dounreay Site Restoration Limited (“DSRL”) into Magnox.

The Plan’s latest SIP can be found here: <https://www.cnpp.org.uk/document-library/?filter-date-modifier=before&filter-date=2024-06-01&filter->

## 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.

## 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.

<p><b>Plan Objective:</b> 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>	<p>The Investment Sub Committee (“ISC”) reviewed and agreed a number of strategy changes at both a Section and Common Investment Platform (“CIP”) level in conjunction with the 2022 Actuarial Valuation to reduce the level of investment risk.</p> <p>Post year-end the Trustee approved the proposed strategy and the ISC moved to implement the changes required.</p> <p>The ISC continues to review and implement its formal cashflow policy that outlines the process for meeting Section cashflow requirements as well as cashflow requirements from the Plan’s illiquid managers.</p>
<p><b>Risk Management:</b> The Trustee has identified a number of key risks which it monitors in a number of different ways.</p>	<p>The Trustee considered the investment risk that each Section is exposed to, including</p> <ul style="list-style-type: none"> <li>▪ Maturity and cashflow profile of the Section,</li> <li>▪ The significance of future service liability accrual in relation to current liability values,</li> <li>▪ Strength and longevity of the sponsoring employers,</li> <li>▪ Variation in interest rates and inflation expectations,</li> <li>▪ Environmental, Social and Governance (“ESG”) issues, including climate change, and</li> <li>▪ Capital market risk and the benefits of diversification.</li> </ul> <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 the 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 with the DB Sections of the Plan, considering separately market risks, credit risk, interest rate risk, inflation risk and other price risk.</p>

<p><b>Implementing the strategy:</b> 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 undertakes a quarterly review of the asset performance and alignment of the asset allocation with the strategic target, taking advice from its investment advisors on an ongoing basis in relation to the Plan's asset arrangements.</p> <p>The ISC undertake a more detailed review of each manager's performance on an annual basis against the mandates' specific benchmark and target, focussing on those mandates that have underperformed relative to these measures.</p>
<p><b>Responsible Investment, including climate risk</b></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>The Trustee has invested in a number of mandates where the manager makes specific allowance for climate and ESG related risks and opportunities, such as the Copenhagen Infrastructure Fund V (renewable energy infrastructure) and Robeco UN Sustainable Development Goals ("SDG") Credit Fund.</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. Where the Plan's assets are invested passively 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 third-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><b>Stewardship and Engagement</b></p>	<p>The Trustee sets out, in its voting and engagement policy within the SIP, that it recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as this ultimately creates long-term financial value for the Plan and its beneficiaries.</p> <p>The SIP confirms that the Trustee has delegated all stewardship activities, including voting and engagement, to its appointed investment managers. The Trustee accepts responsibility for how the investment managers steward assets on its behalf, including the casting of votes in line with each manager's individual voting policies.</p> <p>The Trustee reviews the stewardship and engagement activities of the Plan's appointed managers on an annual basis, with further details included in this statement.</p>
<p><b>Arrangements with Asset Managers</b></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>

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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 better alignment.

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**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 the Plan's 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.

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

Voting rights are attached to listed equity shares and we expect the Plan's equity-owning investment manager, LGIM, to responsibly exercise their voting rights.

### Voting statistics

The table below shows the voting statistics for the Plan's material fund with voting rights for the year to 31 March 2024.

Funds	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
LGIM - Future World Global Equity Index Fund	52,212	99.9%	19.5%	0.3%
LGIM - Future World Global Equity Index Fund (prior period)	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.

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

Managers	Description of use of proxy voting adviser (in the managers' own words)
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 we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have 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 they consider to be the most significant votes in relation to the Plan's funds. From the c900 provided, for illustrative purposes the Trustee has chosen two of the

### 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.

managers most significant votes to present as examples, which are included 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 funds invested in by the Plan.

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
Threadneedle - Property Unit Trust (TPUT)	<i>Not provided</i>	1,424	Environment* - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste. Social* - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), 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, Board effectiveness - Other
LGIM - Managed Property Fund	<i>Not provided</i>	2,500	<i>Not provided</i>
LGIM - Future World Global Equity	795	2,500	Environment - Climate Impact Pledge, Climate change, Deforestation Social - Gender Diversity, Ethnic Diversity, Income Inequality Governance – Remuneration, Board Compensation, Nominations and succession
Aberdeen Standard Investments ("ASI") - Standard Life Commercial Ground Rent and Standard Life Long Lease Property	<i>Not provided</i>	2,008	Environment* - Climate Impact Social* - Labour Management, Human Rights & Stakeholders Governance* - Corporate Behaviour, Corporate Governance
Barings - Global High Yield Credit Strategies Fund and Global Loans Fund	<i>Not provided</i>	490	Environment* - Climate change, Natural resource use/impact (e.g. water, biodiversity), Pollution, Waste 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 – Diversity, Remuneration Strategy, Financial and Reporting* - Reporting (e.g. audit, accounting, sustainability reporting), Financial performance, Strategy/purpose
Blackstone - BSCH II	<i>Not provided</i>	60+	Not provided
Robeco - Sustainable development goals (SDG) Credit Income Fund	17	319	Environment - Climate Change; Natural Resource Use/Impact Social - Human and Labour Rights Governance - Board effectiveness - Other Other - SDG Engagement
Partners - Credit and Private Equity	3	100+	Governance – Capital restructure, Trading update
CVC - European Direct Lending Feeder Fund III	35	<i>Not provided</i>	CVC engage with portfolio companies from a bottom-up perspective, collecting data through provision of questionnaires and looking to use ESG margin ratchets as a tool to target specific KPIs for improvement given the individual portfolio
CBRE - Global Alpha Fund	<i>Not provided</i>	210+	<i>Not provided</i>

Funds	Number of engagements		Themes engaged on at a fund level
	Fund level	Firm level	
HPS - Private Loan Opportunities Fund	20+	100+	<i>Not provided</i>
HPS - Core Senior Lending Fund	40+	100+	<i>Not provided</i>
HPS - Core Senior Lending Fund II	25+	100+	<i>Not provided</i>

Source: Managers. \*The following managers did not provide fund level themes; themes provided are at a firm-level: Threadneedle, Aberdeen Standard Investments, Barings.

## Data limitations

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

- Threadneedle, Barings and Aberdeen standard Investments did not provide any fund level engagement information.
- LGIM did not provide fund specific engagement information for its Managed Property fund.
- Blackstone and CBRE did not provide the number of engagements at fund level or themes engaged at fund and firm level.
- HPS and CVC did not provide specific information on themes engaged at fund and firm level, whilst CVC also didn't provide fund level engagement numbers.

This report does not include commentary on certain asset classes such as gilts or cash/liquidity funds because of the limited materiality of stewardship to these asset classes. Further, this report does not include the additional voluntary contributions ("AVCs") due to the relatively small proportion of the Plan's assets that are held as AVCs.



## Appendix – Significant Voting Examples

In the table below are some significant voting examples provided by the Plan's 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, some of which are outlined in the examples below.

<b>LGIM - Future World Global Equity Index Fund</b>	<b>Company name</b>	The Toronto-Dominion Bank
	<b>Date of vote</b>	20 April 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.26
	<b>Summary of the resolution</b>	Resolution 9 - Disclose Transition Plan Towards 2030 Emission Reduction Goals
	<b>How you voted</b>	For (Against Management Recommendation)
	<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.
	<b>Rationale for the voting decision</b>	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
	<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>	LGIM will continue to engage with the company and monitor progress.
	<b>On which criteria have you assessed this vote to be "most significant"?</b>	Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
<b>LGIM - Future World Global Equity Index Fund</b>	<b>Company name</b>	TotalEnergies SE
	<b>Date of vote</b>	26 June 2023
	<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.13
	<b>Summary of the resolution</b>	Resolution 14 - Approve the Company's Sustainable Development and Energy Transition Plan
	<b>How you voted</b>	Against (against management recommendation)

<b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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.
<b>Rationale for the voting decision</b>	Climate change: A vote against is applied. We recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, we remain concerned of the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.
<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>	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
<b>On which criteria have you assessed this vote to be "most significant"?</b>	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

**LGIM - Future World  
Global Equity Index  
Fund**

<b>Company name</b>	Banco Santander SA
<b>Date of vote</b>	21 March 2024
<b>Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)</b>	0.13
<b>Summary of the resolution</b>	Approve Remuneration Policy
<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>	LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a 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.
<b>Rationale for the voting decision</b>	Remuneration - Performance conditions: A vote against has been applied because awards are permitted to vest for below median relative performance which therefore fails the pay for performance hurdle. We also highlight that the 5% salary raises for 2024 and future year increases to be given to the Executive Directors, including the Chair, will likely exacerbate existing concerns with the significant pay packages.
<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>	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

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**On which criteria have you assessed this vote to be "most significant"?**

Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.

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*Source: LGIM*