

Association of British Insurers' ("ABI") Pension and Assurance Scheme – Annual Engagement Policy Implementation Statement

Introduction

This statement sets out how, and the extent to which, the Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustees has been followed during the year to 30 June 2023 (the "Scheme Year"). This statement has been produced in accordance with The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the guidance published by the Pensions Regulator.

The SIP is publically available online.

Investment Objectives of the Scheme

The Trustees believe it is important to consider the policies in place in the context of the principal formal investment objectives it has set for the Scheme during the Scheme Year, as follows:

1. *Maintain a diversified portfolio of assets with the aim of meeting the cost of the accrued benefits which the Scheme provides.*
2. *Maximise the return on assets, where required, so as to reduce the long term costs of the Scheme whilst having regard to the level of risk being taken in seeking to achieve this objective.*
3. *Incorporate a high level of hedging of the liability risks to manage the funding level volatility.*

The Trustees, following consultation with the Sponsoring Employer, entered into a bulk purchase annuity policy issued by Just Retirement Limited ("Just") in June 2023. Just is authorised by the Prudential Regulation Authority to write policies of long term life insurance of this nature in the UK. This was funded by a full disinvestment on 30 June 2023 of all assets held with Legal & General Investment Management ("LGIM").

The Trustees' key objective at the Scheme Year end with the agreement of the Sponsoring Employer is to ensure an efficient progression towards an insurer buy-out with Legal & General, Aviva and Just of the Scheme's known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Scheme's governing documentation and relevant legislation.

Policy on ESG, Stewardship and Climate Change

The Scheme's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, stewardship and climate change. This policy sets out the Trustees' beliefs on ESG and climate change and the processes followed by the Trustees in relation to voting rights and stewardship.

The Trustees believe that good stewardship, environmental, social and corporate governance ("ESG") issues will have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly will require explicit consideration. The Trustees have taken into account the expected time horizon of the

Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees have given their investment managers full discretion when evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the Scheme's investments. This includes undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a quarterly basis.

Investment Managers' Voting and Engagement Activity

As set out in the SIP, the Trustees has given appointed investment managers full discretion in the evaluation of ESG factors, including climate change considerations. The Trustees also considers how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers.

The Trustees have delegated their voting rights to the investment managers. The Trustees expect that the votes attached to the Scheme's holdings are exercised whenever practical by the Scheme's investment managers and that managers should engage with the companies in which they have invested with the aim of ensuring ESG factors, including climate change considerations are properly taken into account in the companies' business strategies. The Trustee does not use the direct services of a proxy voter.

The DWP released a set of Implementation Statement requirements on 17 June 2022, "Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance" to be adopted in all Implementation Statements for schemes with years on or after 1 October 2022. The most material change was that the Statutory Guidance provides an update on what constitutes a "most significant vote".

This is only applicable to those funds with equity holdings, however, due to the fixed income nature of the funds held over the Scheme Year and the fact the assets were disinvested at the Scheme year end to fund a bulk purchase annuity policy with Just there are currently no voting rights assigned to the Scheme. At the Scheme year end the control of corporate governance issues have been ceded by the Scheme to Just.

For and on behalf of the Trustees of the Association of the British Insurers' Pension and Assurance Scheme

January 2024