

Implementation Statement, covering the Scheme Year from 1 April 2023 to 31 March 2024

The Trustee of the Santander UK Group Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Scheme Year. This is provided in Sections 1 and 2 below, with more detail on engagement oversight in Section 3.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 4 below.

The Trustee has also included its approach to managing conflicts of interest in Section 5.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

The SIP can be viewed at <https://mysantanderpension.co.uk/resources/documents/index.html>.

1. Introduction

Most of the Scheme’s assets are invested in the Santander (UK) Common Investment Fund (“CIF”) and the trustee of the CIF has primary responsibility for giving effect to the Trustee’s policy on voting and engagement.

No review of the SIP was undertaken during the Scheme Year. The SIP was last formally reviewed in April 2022.

The Scheme has a relatively high allocation to lower risk and more liquid assets and did not invest in listed equities during the Scheme Year. Consequently the Trustee’s focus in implementing DWP’s guidance has been on the engagement undertaken in relation to its main non-equity holdings.

The Trustee has, in its opinion, followed the Scheme’s voting and engagement policies during the Scheme Year.

2. Voting and engagement approach

The Trustee delegates to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustee takes ownership of the Scheme’s stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, so far as relevant to their mandate. No new managers were appointed during the Scheme Year. However, the Trustee took a number of steps to monitor the Scheme’s existing managers and funds over the period. In particular, as part of its advice on the ongoing monitoring of the investment managers, the Scheme’s investment advisers incorporate an assessment of the nature and effectiveness of managers’ approaches to engagement. This is considered at regular meetings of the Integrated Risk Management Committee (IRMC). In addition, the Sustainability Committee (SC) continued overseeing managers’ engagement practices, as outlined in Section 3 below.

In 2022, following the introduction of DWP’s guidance, the Trustee set stewardship priorities to focus monitoring and engagement with its investment managers on specific environmental, social and governance (“ESG”) factors. These are: climate risk, board diversity, and modern slavery & human trafficking. These priorities were selected because the Trustee believes they are key market-wide risks and areas where good stewardship and engagement can improve long-term financial outcomes for the Scheme’s members.

More information on the Trustee’s position on these topics is set out in the Scheme’s Responsible Investment Policy which is available at <https://mysantanderpension.co.uk/resources/documents/index.html>.

3. Engagement oversight

In late 2022, the SC identified the following mandates as key for its engagement oversight:

- PIMCO Europe Ltd (“PIMCO”) investment grade credit and cashflow-driven investment mandates;
- Legal & General Investment Management (“LGIM”) active credit mandate, and

- La Salle Investment Management (“La Salle”) property mandate.

These mandates were chosen based on their size, their expected investment period and the opportunities for influence through engagement. In 2023, the Trustee decided to wind down LaSalle’s mandate and the SC removed LaSalle from its list of key mandates with effect from the start of 2024.

Each quarter, with the help of its Sustainability Adviser, the SC reviewed engagement information provided by the key managers. This helped the SC to better understand the managers’ different approaches to engagement and form a view on their appropriateness for the Scheme and identify any areas for further investigation. The reporting cycle during the Scheme year was as follows:

- May SC meeting: mandate-level summary of engagement during the previous year and review of engagement policies, focusing on the Trustee’s stewardship priorities;
- September SC meeting: case studies of board diversity engagement;
- November SC meeting: case studies of modern slavery and human trafficking engagement; and
- March SC meeting: case studies of climate risk engagement.

The SC also reviews climate-related data for its assets, and additional sustainability-related data for the PIMCO and LGIM mandates, which may indicate areas for engagement with the managers.

In addition, the IRMC met with LGIM and PIMCO in September 2023 to discuss their approach to managing the Scheme’s investments, including the stewardship they undertake on the Trustee’s behalf, and the SC met LGIM in March 2024 for a deeper discussion about LGIM’s stewardship.

The Trustee has agreed that, in future, the SC will meet with PIMCO and LGIM on an annual basis, to discuss a variety of topics, including engagement examples for the Trustee’s stewardship priorities, their overall engagement approach, their engagement policies and mandate-level engagement during the previous year.

The Trustee is conscious that responsible investment, including engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the SC aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

To the extent that the SC’s monitoring identifies any concerns, the SC will engage with the manager to seek improvements that address the concerns, with support from the Central Pensions Unit (CPU) – a team within Santander UK plc which supports the Trustee – and the Trustee’s advisers. The Trustee has agreed an escalation process if satisfactory progress is not made within an appropriate timescale, which ultimately includes the option of terminating the mandate.

The Trustee formally communicated its stewardship priorities and its monitoring process to the three key managers in September 2023.

3.1. Summary of engagement activity over the Scheme Year

The SC reviewed three different case studies from each of the key managers at the September, November and March SC meetings, as outlined above. The case studies provided some insights to the managers’ engagement on the Trustee’s stewardship priorities. A selection of the climate change examples has been included in the Scheme’s 2024 climate change report which is available at <https://mysantanderpension.co.uk/resources/documents/index.html>.

In addition, the SC wrote to each manager and asked them questions related to their engagement approach and the case studies. For example, LGIM was asked about its objectives for climate-related engagement and how they align with the objectives of Climate Action 100+, its engagement specifically regarding the Scheme’s stewardship priorities, the outcomes of its engagements, and its escalation policy. PIMCO was asked about the development of its reporting capabilities, its engagement specifically regarding the Scheme’s stewardship priorities, and the outcomes of its engagement. Both managers provided written responses and the SC met with LGIM to discuss its stewardship activity, as noted above.

PIMCO and LGIM have provided the summary engagement statistics for the year to 31 December 2023 shown in the following table.

Manager	PIMCO	LGIM
Number of corporate issuers held at 31 December 2023	460	245
Number of entities engaged (proportion by number)	239 (52%)	76 (31%)
Number of engagements (average engagements per entity)	338 (1.4)	154 (2.0)

Neither of the managers have been able to provide information relating to the outcomes of their engagements, since they are still developing their capabilities in this area. The Trustee expects this to improve over time.

4. Description of voting behaviour during the Scheme Year

The Scheme no longer has any investments in listed equity funds. The Trustee has therefore not made an expression of wish with regards to voting, nor communicated its definition of significant vote to its investment managers.

Investment managers in asset classes other than listed equities were asked about their voting opportunities during the Scheme year, however, they were generally limited or not applicable to the Scheme's mandates. However, PIMCO had the opportunity to vote at two meetings (four resolutions in total) during the Scheme Year. It voted on one of the four resolutions, and the vote was with management. The Trustee does not regard any of the four votes as significant or relevant to its stewardship priorities. PIMCO retains the services of a proxy adviser which provides recommendations as to how to vote.

Mandates with <1% of the Scheme's total assets invested were not reviewed on materiality grounds. This includes Additional Voluntary Contributions ("AVCs") made by some members to supplement the benefits they receive at retirement.

5. Management of investment-related conflicts of interest

The Trustee maintains a formal conflicts policy, which sets out how conflicts and potential conflicts are identified, assessed and managed. This includes specific references to investment conflicts, as well as monitoring and managing the conflicts of third-party advisers. Conflicts are monitored as a standing item on every Board and Committee agenda, and recorded in a register of interest, which is also reviewed as a standing item on every Board and Committee agenda. Annual confirmations are obtained from advisers on conflicts and the induction process for new trustees includes a specific reference to conflicts.

The Trustee has established a set of investment beliefs, which form a part of the decision-making process for all investments. As part of these beliefs, the Trustee acknowledges that the alignment of interests is likely to lead to better outcomes and so potential conflicts of interest should be identified, minimised and monitored.