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# Volvo Car UK Pension Scheme (the "Scheme")

## Annual Engagement Policy Implementation Statement

## Year Ending 31 December 2024

### Introduction

This Statement sets out how, and the extent to which, the Scheme's Engagement Policy in the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year to 31 December 2024. This Statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 (as amended) and the guidance published by the Pensions Regulator.

An investment in equities brings with it an entitlement to vote at general meetings of the company whose shares are held. Some of the Scheme's assets are invested in equities and the Trustee's SIP includes wording relating to the Trustee's voting and engagement policies.

### Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustee considers that their primary responsibility with regard to the management of the Scheme's investments is to ensure, for the duration of the Scheme, that funds will be available to meet the benefit payment obligations of the Scheme as they fall due.

In consideration of this responsibility and the Trustee's obligation to manage the investments of the Scheme prudently, the Trustee's investment objective is to reach, and maintain, full funding on the Technical Provisions basis.

The objectives set out above and the risks and other factors referenced in the Statement of Investment Principles are those that the Trustee determine to be financially material considerations.

### Policy on ESG, Stewardship and Climate Change

The Trustee believes that environmental, social and governance ("ESG") issues have an impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustee has taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

Financially material considerations, including (but not limited to) ESG considerations (including but not limited to climate change) are considered by the Trustee.

The Trustee has reviewed its beliefs in 2021 and agreed to align itself with the sustainability policy of Volvo Car Group. This includes the integration of ESG considerations throughout the Trustees decision-making process as well as some exclusions as listed below;

- Companies that contribute to a serious and systematic breach international law and human rights.
- Companies that produce and sell controversial weapons, hereunder nuclear, land mines, cluster munitions and chemical weapons.
- Companies involved in serious climate degradation.
- Companies involved in systematic corruption and crime.

The Trustee considers the ESG research ratings published by its investment advisors, Mercer, when monitoring the Scheme's investment manager's capabilities. These ratings are also considered as part of any new selection of investment funds.

In meetings with the Scheme's investment manager, ESG issues are discussed and the manager is expected to discuss voting and engagement activities carried out on behalf of the Trustee for mandates where this is relevant.

The Trustee has made investments in specific sustainability themed investments.

Whilst members' views in respect of non-financial matters are not explicitly taken into account in the selection, retention and realisation of investments, the Trustee welcomes views from members. This position is reviewed periodically.

Corporate governance activities have been delegated to the Scheme's underlying investment managers, with the requirement that voting rights are exercised in the best financial interests of the Scheme. The underlying investment managers will perform corporate governance activities in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code where relevant.

The Trustee undertakes an annual review of corporate governance and engagement activities of its investment managers to ensure it meets the Trustee's expectations.

***How has the policy been met over the Scheme year?***

During the year under review, the Trustee and Sponsoring Employer agreed to disinvest from the Baillie Gifford European Equities, LGIM Property and Nordea Absolute Return mandates following a strategy review conducted in February 2024 with the intent of consolidating and simplifying the growth portfolio. In addition, the Trustee decided to submit a full redemption instruction with Ress, to terminate its absolute return mandate. Due to the illiquid nature of this mandate, proceeds have been received post the Scheme year end (i.e. end February 2025).

The Trustee has identified ESG as their key engagement priority.

The ESG policy was most recently updated in 2021. However, the Trustee keeps the policies under regular review and monitors compliance with the SIP reviewed annually and regard the current policy as appropriate.

## Engagement

The Trustee considers how ESG, climate change and stewardship are integrated within the current investment managers' investment processes and seeks the views of their investment advisor in this area.

The discussion on stewardship is complemented, on a quarterly basis, by review of Mercer's assessment of research and ESG ratings for each of the funds in which the Scheme invests. The Mercer ratings provide an assessment of performance and ESG credentials and deteriorations in either rating would be flagged by Mercer to the Trustee for further consideration and possible action.

The Trustee received details from the Scheme's investment managers on their engagement activities and ESG integration efforts for the year along with portfolio turnover. These are detailed in Appendix 1.

The holding with Ress Life is not included in these manager disclosures given the limited scope for ESG integration and engagement in the securities held (fixed income life-insurance policy purchases). However, the Trustee received a fund update from the manager in 2021, which included information on the manager's ethical guidelines and is cognisant of the boundaries within which their ongoing work extends to.

Since the end of May 2025, Mercer's ESG rating system has been discontinued in favour of a binary ESG integration indicator with relevant comments included for noteworthy information. Where integration is relevant to the asset class, the ESG assessment is now typically considered alongside other financially material risks.

## Voting Activity

The Trustee has delegated its voting rights to its investment managers. As a result, the Trustee does not use the direct services of a proxy voter, although the investment managers may employ the services of proxy voters in exercising their voting rights on behalf of the Trustee. Some of the managers execute voting autonomously.

Managers are expected to provide voting summary reporting on a regular basis, at least annually.

Votes for the AVC funds have not been included as they are not considered to be material in the wider context of the Scheme.

The remaining mandates not detailed are either holdings in liquidity (cash) funds or fixed income investments with no direct listed equity exposure and therefore have no voting rights attached.

The key voting activity carried out on behalf of the Trustee over the year under review is detailed in Appendix. This includes examples of votes that, according to the Trustee's

definition of significant votes disclosed below, are aligned with the Scheme's engagement priorities outlined in previous sections of this statement.

The Trustees consider a significant vote as any vote relating to material holdings, meaning a material holding position on a company level/fund level in which the Scheme was invested in as at year end, in each of the following thematic areas:

- Environmental – For example: actions/initiatives requiring publication of a business strategy that is aligned with the Paris Agreement on climate change; resolutions on climate related activities that would result in significant biodiversity loss;
- Social – For Example: actions/initiatives relating to Human rights violations in its various forms (e.g. slavery; human trafficking; sexual harassment, etc), provision of amenities to the benefit of communities and regions (e.g. a non-exhaustive list could include improved health care, education, internet, water etc).
- Governance – For example: actions/initiatives that would be at odds with the expectations of the UK Corporate Governance Code (e.g. matters of excessive or inappropriate executive remuneration or lack of board diversity).

The Trustees will keep this definition under consideration based on emerging themes within internal discussions and from the wider industry. The Trustee did not inform managers of what they considered to be the most significant votes in advance of voting.

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# Appendix 1

## Engagement

| | How many engagements have you had with companies in the past 12 months? | Key engagements and outcomes provided by the investment managers |
|---|---|---|
| **L&G Life CAAG Buy and Maintain Credit Fund Weekly** | 383 | n/a |
| **L&G Life MC Global Listed Private Equity Passive Fund** | 6 | n/a |
| **L&G Life AF Over 15 Years Gilt Index Fund** | n/a | n/a |
| **L&G Life GPGE Future World Global Equity Fund** | 2,027 | n/a |
| **Ninety One Emerging Markets Equity Fund** | 28 | **Samsung Electronics Co Ltd – South Korea**<br>The inclusion of interim targets for Scope 1 for the Semiconductor division (this accounts for bulk of Scope 1 and 2 emissions) so will allow for interim targets to be set for Scope 1 and inclusion of Scope 3 in net-zero targets. Additionally, Ninety One have engaged on updating what progress has been made towards developing a transition plan in line with a 1.5C aligned pathway with short-, medium- and long-term targets, in line with the South Korean government's strategy that qualifies for an SBTi target. Although progress has been slower than we would like, we were aware of the obstacles that surround the carbon- intensive power grid of South Korea and progress has reflected this reality. As a strategic engagement for Ninety One, we are now assessing our engagement strategy to further progress the company's climate milestones we had set out. In our most recent meeting during the second half of 2024, Samsung spent most of the meeting explaining the reasons for the company walking back on its commitment to us to provide progressive interim targets this year. Afterwards we sent letters asking for plans to address gaps in their climate strategy. Samsung's response was unsatisfactory. We have thus decided to escalate via a letter addressed to the chair of Samsung's board. |

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| **Ninety One Global Environment Fund** | 95 | **Tetra Tech**<br>Tetra Tech provides technical/scientific consulting services to governments and private clients focused on decarbonisation, climate mitigation and biodiversity solutions. The stock offers a differentiated asset light growth and margin profile vs. the bulk of the portfolio, largely coming from US markets. The company is well positioned to benefit from the structurally growing spending on decarbonisation solutions. Tetra Tech's key asset is its people, with strong talent attraction and retention helping it to establish a market leading track record which has led to a durable competitive advantage.<br>During Q4 2024, we engaged with Tetra Tech on providing additional carbon avoided KPI disclosure, and particularly on the importance of disclosing the business segments that are contributing to carbon avoided. This is a key part of our theory of change for the company, as with higher quality carbon avoided disclosure, we can better engage with management on progress in the business segments that are delivering growth in carbon avoided. |
| **PIMCO Global Investment Grade Credit Fund GBP (Hedged)** | 570 | **European Real Estate Group**<br>PIMCO has engaged with the issuer, a large industrial real estate group in Central and Eastern Europe in the past with the goal of clarifying how the company is capturing opportunities presented by the transition of the built environment in Europe. PIMCO has engaged with the company for several years, concentrating on their green building initiatives, GHG reduction strategies, and management of climate risks. We have encouraged the issuer to align its practices with globally recognized climate reporting and target setting frameworks linked to the Paris Agreement. Engagement: Most recently, PIMCO engaged with the company's investor relations to enhance reporting transparency. We recommended that the issuer align its disclosure processes with the highest standards of data quality. Additionally, we suggested that the company provide a detailed breakdown of its portfolio according to BREEAM certification levels. Outcomes and next steps: The issuer has made notable progress by producing a comprehensive carbon disclosure and TCFD report, incorporating our recommendations. They now detail their portfolio by BREEAM certification and report the share aligned with sustainability taxonomies. Additionally, they have improved their data collection processes and are working to align their decarbonisation plans with the Science-Based Targets initiative (SBTi), which we look to raise next year. |
| **PIMCO US High Yield Bond Fund GBP (Hedged)** | 250 | **UK Telecommunications and Media Provider**<br>PIMCO has engaged with the issuer, a leading integrated Telco in the UK, over several years. PIMCO first engaged with the issuer on the back of their inaugural Green Bond in 2021, to clarify its allocation and strategy. Subsequent engagements sought a clarification regarding their management of risks related to GHG emissions, digital inclusion, and supply chain, in line with our materiality map.<br>PIMCO engaged with the issuer in Q1 2024 ahead of its 2024 green bond issuance, and further to the validation of its new GHG emission reduction targets by the Science-Based Target initiative (SBTi). The issuer provided us with details of the benchmark used to determine the eligibility for its digital access programs.<br>Subsequent to our engagement, the issuer has now published impact and allocation reports for previous green bons. It responded to the 2023 CDP climate questionnaire, which we had requested as a signatory |

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| | | to the CDP Non-Disclosure Campaign. The issuer also advanced its Scope 3 GHG inventory and will disclose emissions from more Scope 3 categories in its next sustainability report, which we look to monitor in 2025. |
| **Insight Secured Finance** | 40 | **Polus (Cain - CRNCL) – ESG restrictions within Collateralised Loan Obligation ("CLO")**<br>Polus is a CLO manager. Engagement aims to work with CLO manager to implement more rigorous ESG framework within the CLO structure. Engagement started in Q4 2023, driven by the new issue (CLO) brought by Polus. Insight's CLO ESG framework identified their ESG score as within the bottom 10% of our investment universe, highlighting an engagement opportunity.<br>Insight engaged with the originator to encourage them to amend the terms of the new issue.<br>Polus agreed to amend the deal term and to introduce appropriate changes to their documentation. The amended deal then scored in the top quartile for ESG framework under Insight's proprietary methodology. The adjustment resulted in the originator amending the language in their CLO documentation to implement formal ESG Conduct Based Exclusions that each obligor has been assessed and continues to be in violation of one or more of the UN Global Compact 10 principles, International Labour Organisation Coventions, OECD Guidelines for Multi-national Enterprises as well as UN guiding principles on business and human rights |
| **Mercer (Schroders) Secured Finance** | n/a | Schroders notes that the securitised markets, where this fund is predominantly invested in, is less standardised with respect to ESG metrics as there is no third-party scoring and reporting is in a non-standard format and therefore one of their key areas of focus for engagement is on engaging to improve transparency to be able to assess social, environmental or alignment characteristics in underlying investments. Schroders is part of European Leveraged Finance Association (ELFA) Collateralised Loan Obligation (CLO) ESG Working Group. The working group set out to identify key questions that CLO investors have about CLO managers' ESG investment frameworks with a view to compile a single and comprehensive questionnaire that could be widely distributed, to support establishing a data reporting standard for CLO transactions. A single CLO ESG questionnaire was created that improves the efficiency and transparency of the market, and streamlines the process by phasing out the prior practice of completing many individual questionnaires at the same time. The working group will continue engagement with CLO managers and intends to make refinements to the questionnaire over time based on CLO manager feedback and to incorporate future changes to investors' disclosure requirements. |

Source: Mobius, investment managers.

[1]Where information was not provided by managers, we have denoted this as n/a.

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# Appendix 2

## Voting Activity

Voting activity details provided by the relevant managers are shown below.

| | Do you conduct your own votes? | How many votes were proposed across the underlying companies in the fund? | How many times did you vote in favour of management? | How many times did you vote against management? | How many votes did you abstain from? | Key voting example and outcomes |
|---|---|---|---|---|---|---|
| **L&G Life MC Global Listed Private Equity Passive Fund** | LGIM's Investment Stewardship team uses ISS's '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. | 841 | 635 | 204 | 2 | The manager did not disclose any vote that the Trustee would consider significant. |

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| **L&G Life GPGE Future World Global Equity Fund** | LGIM's Investment Stewardship team uses ISS's '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. | 55,469 | 44,813 | 10,052 | 487 | **Microsoft Corporation**<br>**Date of vote:** 10 December 2024<br>**Approximate size of holding:** 4.87%<br>**Summary:** Resolution 9: Report on AI Data Sourcing Accountability<br>**Theme:** Governance<br>**Shared voting intention with company ahead of voting:** 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.<br>**Vote:** For<br>**Rationale:** A vote FOR this resolution is warranted as the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, shareholders would benefit from greater attention to risks related to how the company uses third-party information to train its large language models<br>**Outcome:** Fail<br>**Implications:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.<br>**Criteria for significance:** This resolution is significant because it is a sizeable, material portion of the fund's total portfolio and because it is Governance related.<br><br>**Apple Inc.**<br>**Date of vote:** 28 February 2024<br>**Approximate size of holding:** 4.51%<br>**Summary:** Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy<br>**Theme:** Environmental and Social<br>**Shared voting intention with company ahead of voting:** LGIM publicly communicates its vote instructions on its |

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| | | | | | | 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.<br>**Vote:** Against<br>**Rationale:** A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion effortsÂ and nondiscrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.<br>**Outcome:** Fail<br>**Implications:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.<br>**Criteria for significance:** This resolution is significant because it is a sizeable, material portion of the fund's total portfolio and because it is Environmental and Social related.<br><br>**Amazon.com Inc.**<br>**Date of vote:** 22 May 2024<br>**Approximate size of holding:** 1.82%<br>**Summary:** Report on Customer Due Diligence<br>**Theme:** Social<br>**Shared voting intention with company ahead of voting:** 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.<br>**Vote:** For<br>**Rationale:** A vote in favour is applied as enhanced transparency over material risks to human rights is key to understanding the company's functions and organisation. While the company has disclosed that they internally |

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| | | | | | | review these for some products and has utilised appropriate third parties to strengthen their policies in related areas, there remains a need for increased, especially publicly available, transparency on this topic.<br>**Outcome:** n/a<br>**Implications:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.<br>**Criteria for significance:** This resolution is significant because it is a sizeable, material portion of the fund's total portfolio and because it is Social related.<br><br>**Meta Platforms Inc.**<br>**Date of vote:** 29 May 2024<br>**Approximate size of holding:** 1.35%<br>**Summary:** Elect Director Peggy Alford<br>**Theme:** Social and Governance<br>**Shared voting intention with company ahead of voting:** 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.<br>**Vote:** Against<br>**Rationale:** A vote against is applied as LGIM expects a company to have at least one-third women on the board.<br>**Outcome:** n/a<br>**Implications:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.<br>**Criteria for significance:** This resolution is significant because it is a sizeable, material portion of the fund's total portfolio and because it is Social and Governance related. |

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| | | | | | | **Alphabet Inc.**<br>**Date of vote:** 6 July 2024<br>**Approximate size of holding:** 1.08%<br>**Summary:** Elect Director John L. Hennessy<br>**Theme:** Governance<br>**Shared voting intention with company ahead of voting:** 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.<br>**Vote:** Against<br>**Rationale:** 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.<br>**Outcome:** Pass<br>**Implications:** LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.<br>**Criteria for significance:** This resolution is significant because it is a sizeable, material portion of the fund's total portfolio and because it is Governance related. |
| **Ninety One Emerging Markets Equity Fund** | Yes. Ninety One's active ownership activities are investment led – meaning that portfolio managers and investment teams take responsibility for voting analysis. Engagements and proxy voting decisions are an | 1,258 | 1,191 | 91 | 68 | The manager did not disclose any vote that the Trustee would consider significant. |

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| | outcome of fundamental analysis, and any insights acquired are fed back into that research. The analyst covering a company and the portfolio manager are responsible for making voting decisions, and will work with the Sustainability team to coordinate and execute such engagement. In certain cases, the Sustainability team provides resources to support the investment teams proxy voting decisions. | | | | | |
| **Ninety-One Global Environment Fund** | Yes. Ninety One's active ownership activities are investment led – meaning that portfolio managers and investment teams take responsibility for voting analysis. Engagements and proxy voting | 503 | 443 | 60 | 0 | The manager did not disclose any vote that the Trustee would consider significant. |

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| | decisions are an outcome of fundamental analysis, and any insights acquired are fed back into that research. The analyst covering a company and the portfolio manager are responsible for making voting decisions, and will work with the Sustainability team to coordinate and execute such engagement. In certain cases, the Sustainability team provides resources to support the investment teams proxy voting decisions. | | | | | |

[1]Where information was not provided by managers, we have denoted this as n/a.

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# Appendix 3

## Portfolio Turnover

| | What is the target turnover rate for the portfolio? | What was the actual turnover rate over the last 12 months? |
|---|---|---|
| **BlackRock ICS Sterling Liquidity Fund** | n/a | n/a |
| **Insight LDI Funds** | n/a | n/a |
| **Insight Liquidity Funds** | n/a | n/a |
| **L&G Life CAAG Buy and Maintain Credit Fund Weekly** | n/a | -0.43% |
| **L&G Life MC Global Listed Private Equity Passive Fund** | n/a | n/a |
| **L&G Life AF Over 15 Years Gilt Index Fund** | n/a | n/a |
| **L&G Life GPGE Future World Global Equity Fund** | n/a | n/a |

| | | |
|---|---|---|
| **Ninety One Emerging Markets Equity Fund** | n/a | 169.56% |
| **Ninety One Global Environment Fund** | n/a | 100.47% |
| **PIMCO Global Investment Grade Credit Fund GBP (Hedged)** | n/a | n/a |
| **PIMCO US High Yield Bond Fund GBP (Hedged)** | n/a | 37.00% |

[1]Where information was not provided by managers, we have denoted this as n/a.