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

The Trustees of the London Luton Airport Pension Scheme (the "Scheme") is required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Scheme Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section *3* below.

In preparing the Statement, the Trustees have 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.

1. Introduction

The SIP was reviewed and updated during the Scheme Year, in particular the voting and engagement policies were updated. The main changes were to reflect:

- the Trustees' ambition to align the Scheme assets to Net Zero by 2040, where not to the detriment of wider investment outcomes;
- the Scheme's stewardship priorities; and
- improvements to wording of policies.

Further details of these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in its opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Voting and engagement

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

At the Trustees' regular meetings, LCP informs the Trustees of any developments in relation to the Scheme's investment managers, including any developments relating to voting and engagement policies.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors:

- climate change;
- biodiversity loss;
- human rights;
- diversity, equity and inclusion;
- business ethics; and
- corporate transparency.

During the Scheme Year, the Trustee wrote to its managers to inform them of the priorities and the Trustees' expectations of the managers in relation to the priorities. These expectations are:

- take account of financially material factors (including climate change and other ESG factors) when investing the Scheme's assets, and to improve their ESG practices over time, within the parameters of their mandate;

- undertake voting and engagement on the Scheme’s behalf in line with the fund managers stewardship policies, considering the long-term financial interests of the Trustees; and

- provide information on the fund managers stewardship policies, activities and outcomes, as requested by the Trustees from time to time, to enable monitoring.

The Trustees regularly invites the Scheme's investment managers to present at Investment Sub Committee (“ISC") meetings. During the Scheme Year, the ISC received presentations from Abrdn, BentallGreenOak (“BGO”), Columbia Threadneedle (“CTI”), and ICG.

When the investment managers present at ISC meetings, the ISC ask questions about the managers’ voting and engagement activity as part of wider responsible investment practices. Where available, the Trustees also review reports from their managers on voting and engagement activities undertaken on their behalf.

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

3. Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustees have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP’s guidance, on the Scheme’s funds that hold equities as follows:

- Abrdn Diversified Growth and Income Fund

We have omitted the CTI Equity-Linked Real Dynamic LDI Fund as the equity overlay in this fund is synthetic and therefore does not carry physical voting rights.

We have also included commentary on the following funds provided by the Scheme’s asset managers who don’t hold listed equities, but invest in assets that had voting opportunities during the period:

- Aegon European ABS Fund

The Trustees have sought to obtain the relevant voting data for Sections 3.2 and 3.3, from all of the investment managers listed above.

In addition to the above, the Trustees contacted the Scheme’s asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. None of the other funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities, but we have included commentary provided by the Scheme’s asset managers on their engagement processes.

3.1 Description of the voting processes

The following wording is taken directly from manager responses.

Abrdn: *“As defined in our Stewardship Principles we seek to integrate and appraise environmental, social and governance factors in our investment process. Our aim is to generate the best long-term outcomes for our clients and we will actively take steps as stewards and owners to protect and enhance the value of our clients’ assets.*

Stewardship is a reflection of this bespoke approach to good governance and risk management. We seek to understand each company’s specific approach to governance, how value is created through business success and how investors’ interests are protected through the management of risks that materially impact business success. This requires us to play our part in the governance process by being active stewards of companies, dynamically involved in dialogue with management and non-executive directors, fully understanding the material risks and opportunities – including those relating to environmental and social factors and helping to shape the future success of the business.

We will:

- *take into consideration, in our investment process, the policies and practices on environmental, social and governance matters of the companies in which we invest*
- *seek to enhance long-term shareholder value through constructive engagement with the companies in which we invest*
- *seek to exercise shareholder rights on behalf of our clients and engage with companies on their behalf in a manner consistent with their long-term best interests*
- *seek to influence the development of high standards of corporate governance and corporate responsibility in relation to environmental and social factors*
- *communicate our Listed Company Stewardship Principles to clients, companies and other interested parties*
- *be accountable to clients within the constraints of professional confidentiality and legislative and regulatory requirements*
- *be transparent in reporting our engagement and voting activities.*

Abrdn is committed to exercising responsible ownership with a conviction that companies adopting improving practices in corporate governance and risk management will be more successful in their core activities and deliver enhanced returns to shareholders. As owners of companies, the process of stewardship is a natural part of our investment approach as we seek to benefit from their long-term success on our clients' behalf. Our fund managers and analysts regularly meet with the management and non-executive directors of companies in which we invest."

Aegon: *"Before investing in an ABS transaction, the investment team actively engages with relevant transaction parties in ABS, CLOs, CMBS and RMBS. Relevant transaction parties are the seller, sponsors, originator, CLO manager and the servicer and other transaction parties. Based on our Securitization ESG materiality matrix we have created customized ESG questionnaires for each sector, used in our engagement process. The results of the questionnaires are an important input for our ESG analysis of the originator, collateral, and structure risk. The ESG score of the specific transaction is again based on this ESG analysis. Furthermore, the dialogue with the relevant transaction parties can provide opportunities to highlight ESG risks, inform the relevant parties on sustainability concerns, promote growth in sustainable business lines or advocate for changes in transaction structures that align with responsible investment standards"*

Arcmont: *"As a private debt asset manager, funds managed or advised by Arcmont Asset Management Limited (the "Arcmont Funds") hold varying levels of rights and responsibilities across their portfolio of investments depending on the investment strategy in question. The primary asset class in which the Arcmont Funds invest is debt. However, the Arcmont Funds do take sometimes take equity positions alongside the debt investments they make. These will typically be minority investments (generally representing between 5% and 10% of the aggregate equity interests in the asset) and structured as either a shareholding or as an LP investment in a coinvest fund.*

It is generally fair to say that the Arcmont Funds are entirely passive equity investors. In equity investments structured as coinvest, the Arcmont Funds will be LPs and so the asset will be managed on their behalf, with no voting or consent rights as regards the asset. For equity investments structured as shareholdings, the Arcmont Funds' holding is typically so small that their consent is not required for any decision and they will typically not be consulted, subject to certain market-standard protections for minority investors. Note that this scenario obviously excludes cases where the Arcmont Funds hold all, or substantially all, equity interests in an asset due to having enforced over their debt.

For debt investments, in restructuring scenarios, and the few equity investments where the Arcmont Funds will typically hold substantial, or even decisive, voting positions, consent requests on an asset will come to the relevant deal team and the Transaction Legal team. Ordinary course and / or non-credit related matters will typically be approved by the deal team and Transaction Legal alone. More consequential matters however, including credit related decisions or restructuring scenarios, will be presented to the Arcmont IC and, separately, the board of managers of each of the relevant Arcmont Funds."

BGO: *"BGO's Lending team uses a proprietary ESG Scorecard to engage with our Sponsors during the credit process to ask an array of questions related to the environment, social well-being, and their governance policies. This allows us to get a comprehensive picture of the ESG qualities the property and the Sponsor are promoting. Where we see outliers from industry norms or previous transactions, BGO will engage with the Sponsor on why, in order to better understand if improvements are possible. As a debt strategy, we make commercial mortgages secured by* *commercial real estate, we are not directly involved in the creation of the building's business plan and day-to-day activities."*

CTI: *"Our preferred approach is to use constructive, confidential dialogue, typically working one-to-one with companies, but also taking a collaborative approach where this has more impact and is in line with our objectives. We engage at different levels within companies depending on the nature of our objectives, including the board, executive management and operational specialists."*

ICG: *"We are active stewards of our clients' and our own capital, and that we have an obligation to systematically incorporate a range of stewardship considerations into each investment decision we make and in the way we manage portfolios. Amongst these considerations we also pay due regard to macro trends and environmental, social and governance (ESG) factors. This is not new for ICG; we have long believed that carefully considering these matters as part of our investment process will lead to long-term value creation for our clients and other stakeholders."*

"We believe that by identifying and assessing ESG issues as part of our investment process, and by ensuring that these issues are properly managed over the lifetime of our investments, we can help to create more successful and sustainable businesses over the long-term and generate enhanced value for our clients."

"Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to ensure they deliver high standard of sustainable business practices. Where appropriate we also exercise our influence at the board level of a portfolio company and engage with them on strategy, risk, performance and governance matters. In such situations, we add ESG to the agenda of board meetings."

3.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	Abrdn Diversified Growth and Income Fund
Total size of fund at end of the Scheme Year	£620.8m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£10.8m (10.1%)
Number of equity holdings at end of the Scheme Year	500
Number of meetings eligible to vote	606
Number of resolutions eligible to vote	8,546
% of resolutions voted	97.3%
Of the resolutions on which voted, % voted with management	86.8%
Of the resolutions on which voted, % voted against management	12.7%
Of the resolutions on which voted, % abstained from voting	0.5%
Of the meetings in which the manager voted, % with at least one vote against management	58.2%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	9.6%

3.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who held listed equities over the period, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist.

The Trustees have reported on two of these significant votes only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- the subject of the resolution aligns with the investment manager's engagement priorities or key themes; or
- the Scheme or the sponsoring company may have a particular interest in.

Abrdn Diversified Growth and Income Fund:

Abrdn votes at a manager level across all of its pooled fund holdings, allowing them to scale their influence using holdings held by multiple funds. In line with PLSA requirements, Abrdn identifies and records what it deems to be the most significant votes across all holdings. Abrdn has identified five categories of votes that it considers as significant and has ordered these based on its view of their importance. These categories and details of the underlying votes captured include: high profile votes; shareholder and environmental & social (E&S) resolutions; engagement; corporate transactions and votes contrary to custom policy. The Trustees have selected two of the votes provided as most significant.

- **Apple Inc. February 2024**

  Summary of resolution: Report on median gender/racial pay gap

  Approximate size of holding at the date of vote: 0.56%

  Management recommendation: Against

  Vote cast: For

  Rationale for the voting decision: Abrdn supported a similar resolution at Apple's 2023 annual meeting. While Abrdn appreciate Apple's current disclosure on pay equity and representation data, including its release of EEO-1 data, Abrdn believes that providing a median pay gap report on gender and diversity would enhance transparency, allowing investors to assess the company's diversity, equity, and inclusion efforts using a standardised and comparable metric.

  Was the vote communicated to the company ahead of the vote: Not provided.

  Outcome of the vote: Failed.

  The reason the Trustees considered this vote to be "most significant": Relates to a stewardship priority chosen by the Trustees: diversity, equity and inclusion.

  Steps to be taken in the future: Not provided..

- **Deere & Company. February 2024**

  Summary of resolution: Report on GHG reduction policies and their impact on revenue generation

  Approximate size of holding at the date of vote: 0.04%

  Management recommendation: Against

  Vote cast: Against

  Rationale for the voting decision: Deere & Company's climate policy appears to be robust and in line with TCFD recommendations including board oversight, metrics and targets. The company certified its emissions targets with the Science Based Targets Initiative in October 2022 in line with a 1.5 Degrees pathway, which address the full scope of the company's emissions. Considering the company's sufficient disclosures and approach, a vote against is warranted at this time.

  Was the vote communicated to the company ahead of the vote: Not provided.

  Outcome of the vote: Failed.

  The reason the Trustees considered this vote to be "most significant": Relates to a stewardship priority chosen by the Trustees: climate change.

  Steps to be taken in the future: Not provided.

3.4 Votes in relation to assets other than listed equity

Aegon European ABS Fund:

Voting is unusual in ABS funds. ABS transactions are fully governed by the transaction documents for deals, so there is usually little room for negotiation after this, and hence nothing to vote on. The originator of an ABS could propose to change the transaction documentation but again this is extremely rare. However, Aegon have confirmed that this happened twice over the Scheme Year for the Aegon European ABS Fund portfolio.

In both cases, Aegon voted in favour of the proposed changes. The first was beneficial for Aegon, and made the investment more valuable, while the second was a required administrative change to comply with regulation. These votes are of a different nature to the Scheme's equity holdings, and as such are not directly linked to the Scheme's stewardship priorities. The Trustees are assured by these votes that Aegon are making responsible decisions in the management of the Scheme's investments.

There were no other substantive votes to report in relation to asset classes other than listed equity to report on over the period. General commentary on the Scheme's asset managers' voting and engagement processes is given above.