Atholl Estates Pension Scheme (1974)

Statement of Investment Principles - Implementation Statement

The purpose of this Statement is to provide information, which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated February 2022 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement. This Statement covers the period 6 April 2023 to 5 April 2024.

Investment objectives of the Scheme

The investment objective of the Scheme is to achieve an overall rate of return that will ensure:

- Sufficient resources are available to meet all liabilities as they fall due; and
- Investment returns are maximised at an acceptable level of risk

Review of the SIP

The Trustees most recently reviewed the SIP in February 2022.

The Trustees have a policy on financially material considerations relating to ESG issues, including the risk associated with the impact of climate change. In addition, the Trustees have a policy on the exercise of rights and engagement activities, and a policy on non-financial considerations. These policies are set out later in this Statement and are detailed in the Trustees' SIP.

Review of the Investment Strategy

The most recent Investment Strategy Review of the Scheme was carried out in October 2021 by the previous Investment Consultant, XPS Pension Consulting Ltd. After January 2024, when Broadstone Corporate Benefits Limited ('Broadstone') was appointed as the new investment consultant, the Scheme rebalanced its asset allocation, realigning its holdings to the 80% Return Seeking Assets (Diversified Funds) and 20% Matching Assets (Liability Matching Funds) split agreed in October 2021.

The Scheme's long-term target asset allocation is shown in the table below.

The Trustees will work with Broadstone to review the investment strategy in near future.

Investment manager and funds in use

In alignment with the Scheme's investment objectives, the Trustees have put into effect the strategic asset allocation outlined in the table below:

Asset Class	Investment Manager	Fund	Target Asset Allocation
Diversified Growth Funds	LGIM	Diversified Fund	80.0%
Liability Driven Investment	LGIM	Matching Core Real Long LDI Fund Matching Core Fixed Long LDI Fund	20.0%
Total			**100.0%**

Investment Governance

The Trustees are responsible for making investment decisions and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and now Pensions Regulator. These strategic objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, scheme management, compliance and service standards. The strategic objectives were put in place in December 2023, and are to be reviewed every three years.

Trustee Policies

The table below sets out how, and the extent to which, the relevant policies in the Scheme's SIP have been followed:

Requirement	Policy	Implementation of Policy
Financially and Non-Financially Material Considerations	The Trustees have determined their approach to financially material considerations over the Scheme's long term funding horizon – including environmental, social and corporate governance ("ESG") factors – by acknowledging that there can be risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.	No deviation from this policy over the year to 5 April 2024.

	The Trustees will seek advice from the Investment Adviser on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement. Further, the Trustees' policy is that non-financial matters should not be considered in the selection, retention and realisation of investments.	
Voting Rights and Engagement	As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees. If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation and the investment mandate guidelines provided, then the Trustees may consider terminating the relationship with that Investment Manager.	No deviation from this policy over the year to 5 April 2024.

Financially and non-financially material considerations

The Trustees note that the manner by which financially material ESG factors will be taken into account in an investment strategy or pooled fund offering will depend on the underlying asset classes within the pooled fund offering and the management style (e.g. active or passive).

The Trustees are satisfied that the funds currently invested in by the Scheme are managed in accordance with their views on financially material considerations, as set out below, and in particular with regards to the selection, retention, and realisation of the underlying investments held.

This position is monitored periodically. As part of the monitoring process, the Trustees have access to updates on governance and engagement activities by the investment manager, and input from their investment advisors on ESG matters. These views are also taken into account when appointing and reviewing an investment manager.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below:

Asset Class	Actively or Passively Managed?	Comments
Diversified Growth Funds	Active	The Trustees expect the Investment Manager to take financially material ESG factors into account, given the active management style of the funds and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect

		their Investment Manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets within the portfolio do not typically attract voting rights.
Liability Driven Investments (LDI)	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

Voting rights and engagement activities

The Trustees currently invest in pooled investment funds with LGIM, and they acknowledge that this limits their ability to directly influence LGIM. In particular, all voting activities have been delegated to LGIM, as the Trustees do not have any legal right to vote on the underlying holdings, given the pooled nature of the Scheme's investments.

Within the current investment arrangements, the LGIM Diversified Fund contains publicly listed equity holdings. This fund has voting rights attaching these underlying equities, and the Trustees have delegated these voting rights to the Investment Manager, where they will set their own voting policy. A summary of the votes made by the LGIM from 1 April 2023 to 31 March 2024 on behalf of the Trustees for the Diversified Fund is provided in the table below:

Manager	Fund	Resolutions voted on	Total Resolutions Voted:		
			For	Against	Abstained
LGIM	Diversified Fund	92,895	77%	23%	0%

Information regarding proxy voting is detailed below:

- **LGIM** uses ISS's 'ProxyExchange' electronic voting platform for proxy voting services.

Significant votes

The Trustees have requested details of the significant votes made on behalf of the Trustees by the investment manager. In determining significant votes, the investment managers will take into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an engagement campaign, in line with Investment Stewardship's 5-year ESG priority engagement themes.

The Trustees believe the following represents the significant vote undertaken on their behalf over the Scheme year:

SIGNIFICANT VOTE – LGIM	
Company	**Shell Plc**
Date	23 May 2023
% of portfolio invested in firm	0.3% of the LGIM Diversified Fund.
Resolution	Resolution 25 - Approve the Shell Energy Transition Progress.
Why significant	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.
How voted	**VOTED AGAINST (Against Management)**
Manager Comments	*Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.*
Vote outcome	80% (pass)

Engagement activities

The notable engagement activity undertaken by LGIM over the last 12 months is provided below:

- **LGIM** engaged with the chair of the board of Rolls Royce to understand institutional barriers to executing necessary structural changes. They also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023. As part of their engagement, LGIM wanted to understand how Rolls Royce will govern its relations with major labour stakeholders while undertaking any strategic decisions. They also wanted to communicate to the company the significance of positioning for long-term climate trends while also addressing short-term challenges. LGIM were pleased that the strategic review announced in November 2023 appears well balanced in making suitable drastic structural and cultural changes without foregoing options for the company to remain an active participant in the carbon transition. LGIM aims to regularly engage with the company regarding implementation of the strategy review's findings and its role in the carbon transition which will occur over the coming decades.

Signatories to the UNPRI (United Nations Principles for Responsible Investment) will receive an overall 'score' which represents how well ESG metrics are incorporated into managers' investment processes. The investment manager will submit a transparency report on their processes across different categories which is then assessed by the UNPRI and graded in a formal report.

For the 2023 UNPRI Assessment Reports, scores are presented as a 'star' rating ranging from ★ to ★★★★★, with more stars representing a higher score.

The latest available UNPRI score of LGIM is mentioned in the table below:

Manager	UNPRI Score
LGIM	★★★★★

The Trustees also consider the investment manager's policies on stewardship and engagement when selecting and reviewing them.

Monitoring of Investment Arrangements

In addition to any reviews of the investment managers or approaches, and direct engagement with the LGIM (as detailed above), the Trustees receive performance reports on a quarterly basis from Broadstone and LGIM to ensure the investment objectives set out in their SIP are being met.