

Padley & Venables Pension Fund: 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 5 April 2026. 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 2019, and subsequent amendments, as well as the guidance published by the Pensions Regulator.

This statement is based on, and should be read in conjunction with, the SIP dated December 2023. The SIP was not updated during the year under review. The SIP can be found [here](#).

Investment Objectives of the Fund

The Trustees believe it is important to consider the policies in place in the context of the investment objectives they have set. The Trustees' objective is to invest the Fund's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

Within this framework, the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Fund is exposed. The Trustees' primary objectives are as follows:

- To achieve sufficient stability in the ongoing funding level such that Fund assets remain in excess of accrued non-discretionary ongoing liabilities;
- To deliver performance in excess of the return that can be achieved by investing in the lowest risk investments, with a view to covering the cost of discretionary benefits and future service liabilities without recourse to the Sponsoring Company.

Should these objectives conflict with each other, the Trustees will aim to achieve a balance between them but with a higher weighting to the first objective than the second.

Policy on ESG, Stewardship and Climate Change

The Fund's SIP includes the Trustees' policy on Environmental, Social and Governance ('ESG') factors, including 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 following work was undertaken during the year to 5 April 2026 relating to the Trustees' policy on ESG factors, stewardship and climate change, and sets out how the Trustees' engagement and voting policies were followed and implemented during the year.

Engagement

Through their investment consultant, Mercer Limited ('Marsh'), the Trustees review the mandate of the investment manager, Legal and General ('L&G'), in relation to ESG factors, including climate change, on an ongoing basis.

- The Trustees receive investment performance reports on a quarterly basis from the Fund's investment manager, L&G. These reports include summaries of and updates on L&G's Corporate Governance Policies.
- The Trustees requested that L&G, confirm compliance with the principles of the UK Stewardship Code. L&G have confirmed that they are a signatory of the current 2020 UK Stewardship Code.
- The Trustees, via their investment consultant, also received details of relevant engagement activity for the year from L&G, which are listed below.

As the Trustees have no direct relationship with the companies invested in via the pooled funds, engagement initiatives are driven by L&G through regular engagement meetings with the companies in which they invest or by voting on key resolutions at companies' Annual General Meetings.

Data in respect of engagements carried out by L&G at a total firm level during the year under review is set out below:

- L&G provided examples of instances where they had engaged with companies in which they were invested (or in which they intended to invest) that resulted in a positive outcome. These engagement initiatives were driven mainly through regular engagement meetings with the companies that L&G invest in or by voting on key climate-related resolutions at companies' Annual General Meetings. The resolutions were often co-filed by a number of investors who indicated whether or not they supported the resolution to the company's management.
- L&G produce an 'active ownership' (or stewardship) report annually, based on calendar years. L&G's Investment Stewardship Team engaged with 3,201 companies in 2025. L&G's top four engagement topics were Climate Change (2,703 engagements), Deforestation (1,282 engagements), Remuneration (168 engagements) and Strategy (105 engagements). L&G can engage with one company on a number of engagement topics, so the number of companies engaged with does not necessarily equal the number of engagements.

Further information on L&G's approach to responsible investment, voting (including significant votes) and engagement with the investee companies is available at the following website:

<https://www.lgim.com/es/en/responsible-investing/>

Taking all the above into consideration, the Trustees are satisfied that L&G's responsible investment policies are satisfactory and broadly in line with the Trustees' policies.

Assessment of how the Engagement Policies in the SIP have been followed for the year to 5 April 2026

The Trustees are satisfied that the engagement policies set out in the SIP, which have been in place over the full year under review, have been followed.

The below sets out fund-specific examples of engagements carried out by L&G during the year under review:

L&G Active Corporate Bond Fund Over 10 years

Engagement Example – United Utilities Group PLC

Engagement Topic: Climate Change

Rationale for engagement

L&G believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under their Climate Impact Pledge, L&G publish their minimum expectations for companies in 20 climate-critical sectors. Companies lagging minimum expectations under their quantitative assessment may be subject to a vote against the Chair of the board at their AGM.

L&G Climate Impact Pledge quantitative stream for the multi-utilities sector incorporates assessment against the following criteria:

- whether the company has board-level oversight of climate-related issues
- whether the company has comprehensive climate disclosures
- whether the company has a year-on-year reduction in emissions intensity
- whether the company has an environmental policy
- whether the company has a GHG reduction programme
- whether the company engages with regulators and policymakers directly and indirectly in a climate-positive manner

What has been done

While L&G cannot engage with all investee companies, they strive to communicate their expectations on climate transition as broadly as possible and engage with companies in 'climate-critical' sectors, using their Climate Impact Pledge ratings. In writing to companies within the quantitative stream of the campaign, as part of L&G's largest ever outreach programme, they:

- Outlined their commitment to helping them transition to a low-carbon world.
- Pointed to their CIP ratings website, where we publish assessments of companies using a traffic light system.
- Called on them to take action and improve areas flagged as red in their assessment, as well as improve performance against minimum standards.
- Communicated L&G's new approach to climate voting and potential time-bound voting implications where minimum climate standards are not met.
- Highlighted L&G's expectation that they should disclose Scope 1 and 2 emissions, noting they are examining the potential for a vote against the Chair in future years if not met.

L&G's letter was written to the Head of Investor Relations.

Outcomes and next steps

L&G did not apply a Climate Impact Pledge vote against the Chair at the company's most recent AGM. L&G will continue to monitor the company's progress against their expectations.

L&G Short Dated Sterling Corporate Bond Index Fund

Engagement Example – Barclays PLC

Engagement Topic: Climate Change

Rationale for engagement

L&G believe that the financial sector's lending activities, corporate facilitation, insurance and asset management activities are key to speeding up or delaying the transition to a low-carbon economy. Banks have a major role to play in the climate transition and need to shift their attention to aligning their lending portfolios to be consistent with the Paris Agreement. Barclays is a large global bank and a prominent UK high-street name; L&G have engaged extensively and productively with Barclays on its approach to climate risks and opportunities for many years, and Barclays has historically shown receptiveness to investor engagement.

L&G's objectives in their engagement with Barclays has been focused on understanding the growth opportunities related to the climate transition related to their provision of sustainable finance and client demand, as well as the bank's client engagement on the progress on their transition plan journeys.

Remuneration has also formed a part of L&G's discussions, and has been centred on reducing threshold vesting under the increased Long-Term Incentive Plans ("LTIP"), to ensure a 'significant' proportion is not paid out for threshold performance.

What has been done

In 2025, L&G met with the bank on multiple occasions (c.10 times), both face-to-face and in collaborative group calls, as well as via detailed email exchanges. Engagement was led by L&G's climate solutions team and their Investment Stewardship team. Levels of individual typically engaged include the Chief Sustainability Officer and members of the Sustainability team, as well as the Board Chair on governance matters.

Through their engagements, L&G have been able to dive into the commercial opportunities for the bank that are inherent in the climate transition, and to understand the hurdles to progress.

Regarding remuneration, L&G were able to support both the remuneration policy and the LTIP at the Company's AGM in 2025. L&G's support reflects the re-focus of pay structure from fixed towards

variable pay, including a commensurate reduction to salary and fixed share allowance in favour of increased bonus and LTIP opportunities.

Outcomes and next steps

The opportunities from the climate transition will unfold over time and through L&G's in-depth engagements, they aim both to support and challenge, to help companies set ambitious yet realisable goals, and to support long-term returns for investors.

In terms of remuneration, L&G will continue to monitor performance targets used to reward outperformance and the level of stretch provided for vesting between threshold to maximum payouts, to ensure these reflect appropriate levels of pay for performance.

L&G Net Zero Sterling Corporate Bond Fund

Engagement Example – Toyota

Engagement Topic: Climate Change & Corporate Governance

Rationale for engagement

Toyota is one of the world's largest and most influential companies. They have long pushed their multi-pathway strategy of decarbonisation, incorporating a mixture of vehicle types - hybrids, EVs, fuel cell. These will have important roles in transitioning to net zero transportation. In certain regions that are making rapid progress towards EVs, Toyota have received negative press on their lobbying practices. L&G have been clear in their engagement that Toyota should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment.

With regards to L&G's Climate Impact Pledge expectations, L&G would like to see greater clarity from the company regarding how its 'multi-pathway' strategy aligns with its climate goals and with regulatory developments, specifically relating to the absence of a target for phasing out ICE vehicles.

L&G's objectives in their engagements with Toyota can be summarised as follows:

- Enhance climate lobbying disclosures
- Enhance transparency on the TICO proposal: encourage Toyota to provide detailed disclosures on valuation assumptions, especially regarding the TOB price, cross-held shares, real estate, and business plans, to facilitate informed investor decisions.

Additionally, the company is included within L&G's Climate Impact Pledge engagement programme, within which they assess companies in road transport in their 'dial mover' stream against the following minimum expectations:

- Does the company have a net-zero emissions target, covering all of the scopes of material emissions, including the phasing out of ICE vehicles?
- Does the company disclose its climate-related lobbying activities, including trade association memberships, and explain the action it will take if these are not aligned with a 1.5°C scenario?

What has been done

L&G joined five meetings with Toyota in 2025, three of which were as members of collaborations (the Asia Corporate Governance Association and the Asia Investors Group on Climate Change). The remainder were led by L&G's investment stewardship team. Levels of individual typically engaged included the President and CEO, and the Head of Investor Relations.

L&G appreciate the ongoing engagement with Toyota, who have demonstrated increased willingness to engage with shareholders following expressions of dissent through low support for the re-election of the Chair in the company's 2024 AGM. L&G's own vote against in that year had been prompted by a lack of independence on the Board, accountability for certification irregularities, a lack of diversity on

the board, and a potential disconnect between Toyota's stated climate ambitions and its current multi-pathway strategy.

Outcomes and next steps

L&G voted for the re-election of the Chair in the company's 2025 AGM, while continuing to monitor the company's progress against their Climate Impact Pledge expectations, set out above.

L&G are pleased to note that Toyota continues to unwind its cross-shareholdings, having begun this process in 2023. Meanwhile, L&G have also communicated that the process of unwinding cross shareholdings is facing investor scrutiny as a big test of whether the improved governance is generating increased value for all investors.

L&G also note that changes to the company's committee structures mean that outside directors are better able to counterbalance the significant influence of internal directors.

L&G consider the objectives noted above to be in progress and will continue engagement, both collaboratively and L&G-led, to monitor progress and understand the challenges the company faces in terms of meeting their expectations.

L&G Sterling Liquidity Fund

Engagement Example – Mizuho Financial Group Inc

Engagement Topic: Climate Change & Cross shareholdings

Rationale for engagement

Banks have a prominent role to play in financing the global transition to net zero. L&G believe that company engagement is a crucial part of helping companies transition to a net zero economy by 2050. Under L&G's Climate Impact Pledge, they publish their minimum expectations for companies in 20 climate-critical sectors. L&G select roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in L&G's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. L&G's in-depth engagement is focused on helping companies meet these minimum expectations and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag L&G's minimum expectations may be subject to votes against and/or divestment (from L&G funds which apply the Climate Impact Pledge exclusions).

What has been done

L&G met with Mizuho once in 2025, in addition to detailed email exchanges. The meeting was collaborative, as part of the Institutional Investors Group on Climate Change ("IIGCC"). Levels of individual typically engaged include the Head of Sustainability and Investor Relations.

In this call, L&G sought more information about the bank's decision to step back from the Net Zero Banking Alliance, how the bank is incorporating assessment of climate-related financial risks into audit and financial accounts, and engagement with their own clients on the transition to net zero, among other climate-related topics. These topics were directly related to shareholder proposals filed at the company's 2025 AGM.

Outcomes and next steps

L&G supported shareholder proposals in favour of requesting the amendment of articles to add a Provision on Disclosure of Financial Risk Audit by Audit Committee, and to add a Provision on Assessment of Clients' Climate Change Transition Plans.

Regarding the former, L&G acknowledge the Company's positive disclosures of climate risk oversight and scenario analysis. However, L&G believe that increased disclosures around the Audit Committee's assessment of the adequacy of these processes would help the Company and its Board in placing the appropriate focus on such risk assessments and the related resources and expertise required.

L&G therefore considered support of this proposal warranted in providing the appropriate directional push towards fulsome disclosures across the financial sector to allow investors to better price climate-related risks and resulting opportunities. In terms of the latter, L&G expects companies to introduce credible transition plans, consistent with their stated emission-reduction commitments and the Paris Agreement. To this end, the Company's current emission reduction targets and relative progress towards these are noted, as well as its detailed disclosures around client classifications.

Nevertheless, L&G believe shareholders would benefit from additional information regarding the consequences of client engagements in lending the stated targets credibility and helping to correctly price climate risk at the Company.

L&G's engagement continues, and they consider the objectives set out above as being "in progress".

Significant Votes

Guidance on reporting on stewardship from the Department of Work and Pensions (DWP) requires trustees to define what they consider to be a significant vote and report on all the most significant votes each year. The Trustees did not hold any assets with associated voting rights over the Fund year. As such, there are not any significant votes to report.

That said, for prior reporting years, the Trustees had defined their stewardship priorities for the purpose of defining what it considers to be a significant vote. The Trustees maintain these priorities, which are listed below, and will consider the investment manager's engagement activity in this context. Should the Trustees decide in future to invest in assets that have associated voting rights, significant voting activity will be set out in this Statement in line with the criteria set out below.

- **Climate Change:** including, but not limited to, low-carbon transition and physical damages resilience;
- **Human Rights:** including, but not limited to, modern slavery, pay & safety in the workforce and abuses in conflict zones; and/or
- **Diversity, Equity and Inclusion:** including, but not limited to, inclusive & diverse decision-making.

This statement was prepared by the Trustees of the Padley & Venables Pension Fund in October 2026.