

IMPLEMENTATION STATEMENT

Lloyds Konecranes Pension Scheme

Introduction

This document is the first annual Implementation Statement (the “Statement”) prepared by the Trustee of the Lloyds Konecranes Pension Scheme (“the Scheme”) in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

The Statement covers the period from 1st April 2020 to 31st March 2021 and its purpose is to:

- Confirm if the Trustee undertook a review of their Statement of Investment Principles (“SIP”) during the year and to summarise any changes that were made as a result of the review;
- Set out the extent to which, in the opinion of the Trustee, the SIP has been followed during the year; and
- Describe the voting behaviour by, or on behalf of, the Trustee during the year.

Review of the Statement of Investment Principles

In September 2020, there was a review of the Statement of Investment Principles with changes were made to policies regarding:

- How the Trustee would incentivise the Fiduciary Manager, SEI Investments (Europe) Ltd (“SEI”), to ensure alignment with the investment strategy.
- The focus on medium and long term financial performance
- The monitoring of portfolio turnover and investment costs
- How the Trustee monitors performance of the Fiduciary Manager against the objectives set, including how well the Fiduciary Manager is aligned with the SIP in terms of ESG factors

There were no changes to the investment strategy, objectives or permitted investments as part of this review.

Scheme Governance

During the Statement Period the Trustee continued to have responsibility for the governance and investment of the Scheme’s assets whilst delegating the day-day aspects of investment management to their Fiduciary Manager, SEI. SEI is required to manage the Scheme in line with the principles and policies set out in the SIP.

Implementation of the Statement of Investment Principles

The SIP sets out the policies on the following matters:

- i. The investment objectives for the Scheme
- ii. How the Trustee approaches choosing investments
- iii. How the Trustee monitors and manage investment strategy risk.
- iv. How the Trustee will monitor performance of the investments against objectives
- v. Financial and non-financial material considerations
- vi. Voting and engagement which is delegated to the investment manager SEI.

The Trustee has implemented the policies as described in the SIP during the year. As part of the Trustee's governance of the Scheme, the Trustee reviews quarterly investment reports from SEI to track performance against the Investment Objective. The Trustee at its bi-annual meetings also receive reports and review performance to verify that the Scheme is being managed by SEI in line with the policies and principles in the SIP. Further details regarding the implementation of the Voting and Engagement policy are provided in the next section. In addition during the Scheme year the Trustee has discussed how the investment strategy may evolve over time to achieve full funding on Buyout basis.

There were no changes to the investment strategy during the period nor to ESG policies.

The Trustee has not identified any areas where the Scheme's investments have diverged from the policies set out within the SIP.

Voting and Engagement Policy

The policy as set out in the SIP in respect of voting, stewardship and engagement is in summary as follows:

- i. Voting decisions on stocks are delegated to the investment manager of the pooled funds held by the Scheme.
- ii. SEI, the Scheme's Fiduciary Manager, or the investment manager of a third party pooled fund, has full discretion for undertaking engagement activities in respect of the investments.
- iii. Where the investment manager is SEI, they have pooled their holdings in their funds with other investors and employed a specialist ESG provider for voting and engagement services.
- iv. SEI will report on voting and engagement activity to the Trustee on a periodic basis together with its adherence to the UK Stewardship Code. The Trustee will consider whether the approach taken was appropriate or whether an alternative approach is necessary.
- v. The SIP dated 23rd September 2020 set out new policies in respect of asset manager arrangements. In relation to voting, stewardship and engagement, a policy was introduced that the Trustee will assess the Fiduciary Manager's performance against objectives annually including how well the Fiduciary Manager is aligned with

the SIP in terms of ESG factors. No other changes were made to the voting, stewardship and engagement policies.

The Trustee is of the opinion that this policy has been followed during the year. In particular:

- The Trustee has received quarterly reports from SEI that set out
 - How SEI has voted on the shares that SEI has voting rights including number of votes for, against and abstentions. For votes against, details of the issue to which the vote relate is provided.
 - SEI's engagement priorities which for 2020 included priorities in each of the following categories:
 - Climate Change
 - Public Health
 - Environmental stewardship
 - Labour Standards
 - The number of companies engaged and the number of milestones achieved by engagement issue and a rating of its significance.
- The Trustee has considered SEI's voting practices and stewardship policies noting that they are a Tier 1 signatory to the UK Stewardship code and a signatory to the UN Principles for Responsible Investment.

In light of the above and otherwise, the Trustee has considered its policy in regard to voting and stewardship and concluded that

- SEI's voting and stewardship policies and implementation on behalf of the Trustee remains aligned with the Trustee's view on these matters.
- The current policy is appropriate and no further action is required.

Voting Record

All underlying securities in pooled funds that have voting rights are managed by SEI with SEI having the legal right to the underlying votes. SEI in turn use Specialist Voting Proxy providers and provide the Specialist provider with the holdings across all SEI's pooled funds. During the period from 1st April 2020 to 31st March 2021, across the Scheme's holdings¹ SEI voted as follows on behalf of the Trustee:

Fund Name	Global Managed Volatility	UK Fundamental Equity	UK Quantitative Equity	Factor Allocation Global Equity
ISIN	IE00B19H3542	IE00B3KF4Q98	IE00B3KF5229	IE00BDD7WJ18
Number of Votable Meetings	584	52	214	582
Number of Votable Items	7905	982	3738	8821
% of Items Voted	97%	96%	100%	98%
For	74%	93%	96%	79%
Against	22%	6%	4%	19%
Abstain/ Withheld/ Other	4%	1%	0%	2%

¹ SEI has shown voting data for the relevant quarters the fund was invested in.

% of votes with management	75%	93%	96%	80%
% of votes against management	25%	7%	4%	19%
Voting Against/Abstain by Category				
Capital Related	4%	8%	0%	6%
Board/Directors/Governance	54%	26%	33%	50%
Remuneration Related	23%	48%	45%	23%
Shareholder Proposals	7%	0%	4%	8%
Other	13%	18%	18%	12%

A. Significant Votes

A highlight of some of the significant votes during the period are shown in the table below. Whilst many votes may have significant impact on the financial or non-financial performance of a company, the ones below have been drawn out as they are part of wider engagement that SEI has been conducting on behalf of the Trustee with the particular company and hence reflect the achievement of an engagement milestone.

Company Name	Held in Fund(s)	Theme	Description
Kellogg Company	Global Managed Volatility	Corporate Governance	Introduced annual election of directors (instead of staggered or classified election) through their voting.
Granite Real Estate Investment Trust	Factor Allocation Global Equity	Corporate Governance	Enhanced shareholder rights through adoption of an advisory shareholder vote on executive remuneration. SEI pushed for this through their voting.
Intel	Global Managed Volatility Factor Allocation Global Equity	Labour Standards	Voted against a report on Global Median Gender/ Racial Pay Gap due to the shortcomings of the report methodology. While SEI are overall supportive of enhanced diversity and pay equity disclosure, SEI consider that a 'global median gender/racial pay gap' report would not produce meaningful information about the worker fairness because categories or underrepresented minorities differ from country to country.
Kroger co	Global Managed Volatility Factor Allocation Global Equity	Human Rights	Although the Management recommendation was Against the proposal, SEI voted For the report on Human Rights Due Diligence Process in Operations and Supply Chain. The company faces risks related to human rights in its global operations. Good practice includes developing a clear code of practice along with monitoring and effective disclosure to ensure risks are managed effectively and communicated to shareholders.
Bakkavor Group Plc	Quantitative UK Equity	Corporate Governance	Voted Against the reappointment of PricewaterhouseCoopers LLP as Auditors. The lead audit partner of PricewaterhouseCoopers LLP was also the lead partner at Redcentric plc during FY2016, where a number of accounting issues were identified which resulted to significant restatements in the 2016 accounts of Redcentric. The UK's accounting regulator – the Financial Reporting Council (FRC) – has fined PwC and the lead audit partner for its role in restatement of Redcentric accounts. The FRC also noted that in certain cases the breaches

			were of a basic and / or fundamental nature, evidencing a serious lack of competence in conducting audit work.
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