



Scottish Solicitors' Staff Pension Fund Implementation Report

Period to 31 March 2025

Background and Implementation Statement

Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Implementation Report

This implementation report is to provide evidence that the Fund continues to follow and act on the principles outlined in the SIP.

The SIP can be found online at the below web address, and changes to the SIP are detailed on the following page:

<https://download.members.pensionpal.co.uk/ssspf/20241028%20-%20SSSPF%20-%20SIGNED%20SIP%20for%20website%20.pdf>

The Implementation Report details:

- actions the Fund has taken to manage financially material risks and implement the key policies in its SIP
- the current policy and approach with regards to ESG and the actions taken with managers on managing ESG risks
- the extent to which the Fund has followed policies on engagement covering engagement actions with its fund managers and in turn the engagement activity of the fund managers with the companies in the investment mandate
- voting behaviour covering the reporting year up to 31 March 2025 for and on behalf of the Fund including the most significant votes cast by the Fund or on its behalf

Summary of key actions undertaken over the Fund reporting year

During the reporting period, the Trustee made the second of two investments into the M&G Sustainable Total Return Credit Investment Fund with proceeds from the partial sale of the Apollo Total Return Fund. The first stage of this investment was completed in the prior reporting year with proceeds from the partial sale of the LGIM Absolute Return Bond Plus Fund.

The Trustee also agreed to increase the Fund's interest rate and inflation hedge ratios to 95% (on the Technical Provisions basis). The hedge was increased with proceeds from the LGIM Absolute Return Bond Plus Fund as the Trustee rebalanced the mandate towards its target weight.

In January 2025, the Trustee agreed to a full redemption of the remaining investment in the Apollo Total Return Fund to improve the liquidity of the Fund. The redemption instruction was submitted in January 2025, with the proceeds from the redemption settling post-reporting period in May 2025.

Implementation Statement

This report demonstrates that the Fund has adhered to its investment principles and its policies for managing financially material considerations including ESG factors and climate change.

Signed

Signed by:



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Position **Authorised Signatory**

Date **30/9/2025**

Managing risks and policy actions DB

Risk / Policy	Definition	Policy	Actions and details on changes to policy
Interest rates and inflation	The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 95% of movements in interest rates and inflation on a technical provisions basis.	The Trustee increased the Fund's hedge ratio to 95% on interest rates and inflation in October 2024 on the new technical provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values).	The Fund's strategy has a large allocation invested in mandates which have daily/weekly liquidity. The Trustee monitors the Fund's liquidity position as part of quarterly performance reporting.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.	The Trustee implemented an increased liability hedging level, to protect against interest rates and inflation.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.	The Trustee increased the overall diversification of credit risk for the Fund over the period, as the Trustee further increase the allocation to diversified credit through a second investment in the M&G STRCI Fund.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors	No Trustee actions or amendments were implemented over the reporting period in respect of ESG policy or risk.

		4. ESG specific reporting 5. UN PRI Signatory The Trustees monitor the mangers on an ongoing basis. The Trustee monitors the managers on an ongoing basis. The Trustee considers ESG issues as part of the investment process, and believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes they are investing in.	
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	Hedge all currency risk on assets that deliver a return through contractual income.	No Trustee actions or amendments were implemented over the reporting period in respect of currency risk.
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention, or realisation of investments.	No Trustee actions or amendments were implemented over the reporting period in respect of non-financial risk.

Changes to the SIP

Over the period to 31 March 2025, changes were made to the SIP to reflect the new allocation to the M&G Sustainable Total Return Credit Investment Fund, along with policies demonstrating the Trustee’s approach to managing leverage and collateral within the LDI portfolio, their voting policy and engagement policy and collateral management policy. These changes were agreed and signed by the Trustee in October 2024:

Policies added to the SIP	
Date updated: 28 October 2024	
Leverage and Collateral Management - How the Trustee will meet collateral calls from the LDI manager	• The Trustee will adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio. • The Trustee have agreed a process for meeting collateral calls should these be made by the Fund’s LDI manager. The Trustee will review, and stress test this framework on a regular basis.
Voting Policy – How the Trustee expects investment managers to vote on their behalf	• The Trustee has acknowledged responsibility for the voting policies that are implemented by the Fund’s investment managers on their behalf.
Engagement Policy – How the Trustee will engage with investment managers, direct assets and others about “relevant matters”	• The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Fund’s investment managers on their behalf. • The Trustee, via their investment adviser, will engage with managers about ‘relevant matters’ at least annually. • Example stewardship activities that the Trustee has considered are listed below. • Selecting and appointing asset managers – the Trustee will consider potential managers’ stewardship policies and activities • Asset manager engagement and monitoring – on a time-to-time basis, the Trustee assesses the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustee’s investment decision making • Collaborative investor initiatives – the Trustee will consider joining/ supporting collaborative investor initiatives
Collateral Management Policy	• At the time of writing, the Trustee is targeting a level of collateral over and above that within the Fund’s LDI funds that is sufficient to withstand (at least) two collateral calls from each of the Fund’s LDI funds. • The Trustee will review its collateral management policy no less frequently than annually, or as soon as possible in the event of significant market movements.

- The Fund has a collateral waterfall system in place. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustee.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	LDI	Weekly frequency	T - 2	T + 2
LDI manager	Absolute Return Bonds	Daily frequency	T - 1	T + 2
LDI manager	Diversified Growth	Daily frequency	T - 1	T + 2
Non-LDI manager	Diversified Credit	Daily frequency	T	T + 2

Updates to the Investment Strategy – New strategic asset allocation and performance target

- The Fund's strategic asset allocation was updated to reflect the investment into the M&G Sustainable Total Return Credit Investment Fund.
- The target return of the Fund was updating to reflect new strategic asset allocation using 30 September 2024 Isio asset class assumptions.

Current ESG policy and approach

ESG as a financially material risk

The SIP describes the Fund's policy with regards to ESG as a financially material risk.

Engagement

As the Fund invests via fund managers the managers provided details on their engagement actions including a summary of the engagements by category for the reporting year up to 31 March 2025.

Fund name	Engagement summary	Commentary
LGIM Absolute Return Bond Plus Fund	Total engagements: 315*	LGIM have clearly identified firm-wide sustainability goals and have a dedicated team responsible for engaging with portfolio companies. At a firm level LGIM is strong in their approach to ESG and voting/engagement.
	Environmental: 195	
	Social: 56	
	Governance: 46	
	Other: 16	
	Number of companies engaged: 174	LGIM currently do not provide examples of their engagement activities at the Fund level. LGIM's Investment Stewardship team are responsible for engagement activities across all funds.
	*One engagement can comprise of more than one topic across each company	
LGIM LDI Portfolio	LGIM do not currently provide details of their engagement activities at Fund level. Isio will work with LGIM on the development of the firm's engagement reporting.	LGIM leverage the wider capabilities of the global firm to engage with companies. The team also regularly engage with regulators, governments and other industry participants to address long term structural issues, aiming to stay ahead of regulatory changes and adopt best practice.
LGIM Diversified Fund	Total engagements: 3,695*	
	Environmental: 2,834	
	Social: 529	
	Governance: 267	
	Other: 65	
	Number of companies engaged: 2,717	
	*One engagement can comprise of more than one topic across each company	

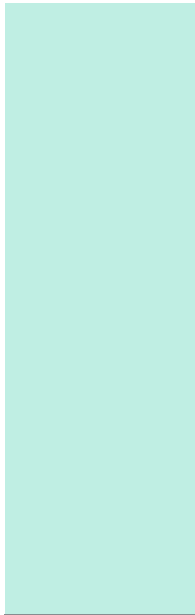
Apollo Total Return Fund	Apollo do not currently disclose the split of engagements by theme or topic. Isio will work with Apollo on the firm's engagement reporting.	Apollo have a clear due diligence and engagement framework, however, has not established a clear stewardship policy or stewardship priorities for the Fund. The team continually engage with portfolio companies through discussion with management, and these engagements have been a key driver for the production for formal company ESG reports and Key Performance Indicators. As bond investors, Apollo's voting rights are limited, making it more difficult to engage with portfolio companies in comparison to equity investors. Examples of significant engagements include: Clean Harbors Inc. – Apollo engaged with the company on their progress and the challenges in reducing Greenhouse Gas emissions. Apollo note that the company has made good progress in optimising routing and fleet activities and extending the life of heavy duty vehicles through refurbishment, however, as the company has grown they have faced challenges with increased waste and emissions intensity. Apollo note that the company maintain a high compliance with waste and pollution regulation despite the high volume of waste being handled.
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M&G Sustainable Total Return Credit Investment Fund	Total engagements: 20	M&G engage across corporates, governments, regulators and industry bodies to seek both positive change at issuer level and to improve the wider market.
	Environmental: 16	
	Social: 3	
	Governance: 1	
	Number of companies engaged: 12	An example of a significant engagement includes: Ford Motor Credit Company LLC – M&G commended Ford for the work undertaken to date and their strong near-term targets, which have been validated by SBTi. However, M&G have noted several areas for improvement which they set out in a letter to Ford as part of their Climate Engagement Programme. This letter was to encourage the company to confirm its commitment to getting back on track with its emission targets and encourage it to set a science-approved net-zero target. M&G asked the company to update them on their plans to respond to M&G’s questions and have arranged a follow up meeting to discuss Ford’s approach and timescales.

Voting (for equity/multi asset funds only)

As the Fund invests via fund managers, the managers provided details on their voting actions including a summary of the activity covering the reporting year up to 31 March 2025. The managers also provided examples of any significant votes.

Fund name	Voting summary	Examples of significant votes	Commentary
LGIM Diversified Fund	<i>Meetings eligible to vote for: 10,796</i>	Microsoft – LGIM voted in favour of a shareholder resolution asking the company to report on Artificial Intelligence (“AI”) data sourcing accountability. LGIM voted in favour because the company is facing increased legal and reputational risks related to copyright infringement associated with its data sourcing practices. LGIM acknowledge that the company has strong discloses on its approach to the responsible use of AI but they felt shareholders would benefit from greater attention to how the company use third-party data to train its large language models.	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 they do not outsource any part of the strategic decisions.
	<i>Resolutions eligible to vote for: 107,020</i>		
	<i>Resolutions voted for: 99.8%</i>		
	<i>Of which:</i>		
	<i>Resolutions voted with management: 76.5%</i>		
	<i>Resolutions voted against management: 22.4%</i>		
	<i>Resolutions abstained from: 1.1%</i>		
		LGIM consider this a significant vote due to the relatively high level of support received for a shareholder resolution.	
		Shell Plc. – LGIM voted against a motion to approve the Shell Energy Transition Strategy. Whilst LGIM acknowledge the substantive progress the company has made in relation to its climate related disclosures, LGIM would like the company to	



better demonstrate how their ambition to grow their gas and liquefied natural gas ('LNG') business aligns with an orderly transition to net-zero emission by 2050.

LGIM note that they expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario.

LGIM deem this to be an example of a significant vote due to the high-profile nature of the vote and their decision to vote against the transition plan.

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