Advice on your annual Implementation Statement

Lloyd's Superannuation Fund

13 May 2026

This note has been prepared for the Trustee of the Lloyd's Superannuation Fund (the "Fund") in response to your request that we provide a draft Implementation Statement ("IS") for the Fund.

Background and introduction

There is a requirement for most trust-based defined benefit ("DB") and defined contribution ("DC") pension schemes to produce an IS which covers the report and accounts year (which is the 12 months to 31 March 2026 for the Fund).

The Department for Work and Pensions ("DWP") issued Statutory Guidance in June 2022 which applies to any IS that trustees are required to prepare in respect of pension scheme year ends on, or after, 1 October 2022. The guidance gives an overview of the items which Trustees "must", "should", are "encouraged", "could" or "may" include in their IS.

"Must" items are requirements imposed by legislation. "Should" items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For "Could", "May" and "Encouraged" items, it is hoped that trustees will address them where possible but they are not expected to explain reasons if not followed. We have included all "must" and "should" items and covered some additional items where appropriate too.

The guidance states that the Pensions Regulator is the primary audience for the IS, but it should be written in plain English as far as possible so that members could reasonably interpret and understand the disclosures.

The DWP has stated that it is important that trustees understand and consider financially material Environmental, Social and Governance ("ESG") factors and stewardship approaches in their investment decisions.

For DB Schemes without a DC section (such as your Fund), the IS should set out how, and the extent to which, the Trustee has followed the **voting and engagement policies** in the Statement of Investment Principles ("SIP") during the Fund Year. In addition, Trustees should seek to demonstrate they have had regard to the Statutory Guidance.

The Statement is also required to include a description of the voting behaviour by, or on behalf of, Trustees (including the most significant votes cast by trustees or on their behalf) during the Fund Year and state any use of the services of a proxy voter during that year.

The DWP's guidance states: "*where Trustees use the voting policy of the asset manager, they should briefly summarise in the IS whether the asset manager's voting behaviour was aligned with the Scheme's stewardship priorities*".

Key points

We have produced the draft IS in this note based on our understanding of the regulatory requirements and the DWP's stewardship guidance. Ultimately it is the Trustee's responsibility to produce a compliant IS and the Pensions Regulator can impose fines for non-compliance. Therefore, you may wish to obtain legal advice to ensure that all requirements have been met.

There is interest in the IS from the Pensions Regulator, policymakers, and the media; as such please ensure you are comfortable with the content being in the public domain.

The Fund does not invest in any funds that hold listed equities. We have contacted the Fund's investment managers and included commentary on the following funds which don't hold listed equities, but invested in assets that had voting opportunities during the period:

- Arcmont private credit (pooled fund)

Next steps

We propose that you review the IS and include it within your Report & Accounts ending 31 March 2026 to comply with the relevant regulations. The Report & Accounts need to be finalised within seven months of the end of the Fund Year, ie by 31 October 2026.

You are required to publish your IS on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off. We expect you will use the same location for the IS as last year. It remains very important that the website is readily and publicly available. A web address for the location of the published materials must be included in members' Annual Benefit Statements.

Please let us know if you have any questions.

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Implementation Statement, covering the Fund Year from 1 April 2025 to 31 March 2026

The Trustee of the Lloyd's Superannuation Fund (the "Fund") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund 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 Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the SIP and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

No changes were made to the voting and engagement policies in the SIP during the Fund Year. The last time these policies were formally reviewed was in July 2024.

The Trustee has, in its opinion, followed the Fund's voting and engagement policies during the Fund Year.

2. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights and engagement. However, the Trustee takes ownership of the Fund's stewardship by monitoring and engaging with managers as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Fund's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

The Trustee reviews LCP's manager views for the Fund's existing managers via LCP's quarterly investment dashboard. These views incorporate an assessment of each manager's responsible investment capabilities, based on LCP's ongoing manager research programme.

In June 2023, the Trustee discussed and agreed stewardship priorities for the Fund to focus monitoring and engagement with investment managers on specific ESG factors. The priorities chosen were climate change and corporate transparency. These priorities were selected (and remain in place) because they are market-wide areas of risk that are financially material for the investments.

From time to time, the Trustee invites the Fund's investment managers to present at Trustee meetings, albeit no managers attended Trustee meetings during the recent Fund year.

The Trustee is conscious that RI, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers over time to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Fund Year

The Fund did not hold any listed equities during the year to 31 March 2026 and therefore there is no voting behaviour to report on in this Statement. The Trustee did not make use of the services of a proxy voter during the period.

3.1 Votes in relation to assets other than listed equity

LCP, on behalf of the Trustee, contacted the Fund's asset managers that do not hold listed equities, to ask if any of the assets held by the Fund had voting opportunities over the Fund Year. The following comments were provided by the Fund's only asset manager that had voting opportunities during the period:

Arcmont

"Given Arcmont is a Private Debt asset manager, there is limited scope to participate in voting activities where we have a blocking / majority vote.

Note that Arcmont may be able to vote in limited instances where, either:

- investments take on an equity element and we are assigned voting board seats, or
- in the rare circumstances that Arcmont becomes a majority shareholder of the business.

However, at the levels of co-investment that we participate in, and in the current market conditions, we are typically only granted votes on economic protections and structural changes to the equity. For instance, if a new class of shares is to be issued and we are diluted. For circumstances where Arcmont does have the ability to exercise voting rights, such voting rights shall be exercised in accordance with the Arcmont Voting Policy (a copy of which is available upon request).

Arcmont is committed to maintaining an open and active dialogue with management, helping to identify any changes in an investment's ESG risk profile, but more importantly, enabling discussions to influence business practices to mitigate ESG risks. Arcmont tracks and monitors the ESG risk profiles of our investments to assess the severity of the risks, whilst moving to take appropriate action should a risk become too great."

Overall, in the Trustee's opinion, Arcmont's voting behaviour is consistent with the Fund's stewardship priorities.

3.2 Engagement activity over the Fund Year

Below we have included two examples provided by the Fund's managers showing how they have engaged with underlying companies in their funds in line with the Trustee's stewardship priorities. We have anonymised company names on request of the managers.

Insight – Global ABS Fund

This engagement example relates to an Asset-backed Security ("ABS") transaction from Company A, a developer, owner and operator of large hyperscale data centres in EMEA, North America and APAC. The company specialises in building and leasing space, power and cooling to high-quality customers under long-term take-or-pay contracts.

Insight does not currently have a formal green financing assessment framework for Secured Finance, but conducted a high-level review of Company A's green financing framework. This identified a Power Usage Effectiveness ("PUE") target for the data centres of 1.5 or below. This is not an ambitious target, as the average PUE in Germany is 1.3.

Insight used the engagement to assess Company A's ESG targets and performance, using the issuer's sustainability report, and discussed data centre design and the use of water to cool the data centres.

Insight asked Company A whether it is planning to reduce its average PUE and whether it had a target PUE. Company A confirmed it has no PUE targets for EMEA or globally, although it is working on targets for a new set of goals.

Insight highlighted that the PUE threshold of 1.5 in the green financing framework is high and worse than Germany's country-level average. While Company A stated that this reflects the full range of asset types globally, it confirmed that internal discussions had begun regarding the inconsistency between design PUE and the framework target.

Insight also discussed cooling design and water use. Company A explained that its standard design uses closed-loop evaporation systems with a Water Usage Effectiveness of nearly zero, with liquid-based cooling systems used where requested by customers and operated in closed-loop systems.

Outcome and next steps: Insight is satisfied that Company A has a best-in-class design from a water-use efficiency standpoint, although it is not yet able to report actual figures. From an energy perspective, the issuer's average PUE is relatively strong; however, the PUE threshold in the green financing framework remains weak at 1.5, and Insight recommends that this is updated.

This relates to the Trustee's stewardship priority of climate change and corporate transparency.

Arcmont – Direct Lending Fund III

Company B is a provider of education services to prepare students for medicine entrance exams.

The engagement focused on strategy, financial and reporting risk management, with the objective of encouraging the company to maintain a high overall customer satisfaction, improve its weakest material area (personal tutoring sessions), and design a more robust management tool for performance monitoring and decision-making, ultimately leading to improved financial outcomes.

Product quality and safety are key ESG issues for educational services, and student satisfaction is a direct reflection of Company B's quality of service. The company assesses service quality each semester through student satisfaction surveys, which are aggregated to annual results.

Arcmont set a ratchet of progressive targets based on Student Satisfaction Criteria ("SSC"), with threshold and tiered requirements linked to pricing benefits. At least 85% of the surveyed student base must be "very satisfied" or "highly satisfied" to meet the threshold requirement, with higher satisfaction levels required at each tier.

Discussions began in Q1 2022, with the ratchet agreed in Q2 2022. To date, the company has not met the desired performance levels and has not been awarded a margin discount, as it has been navigating operational challenges that required management focus on immediate business priorities.

The engagement has resulted in the company acknowledging the concern as a serious matter and developing a credible strategy to achieve the engagement objectives. Arcmont continues to engage with the company, with progress on sustainability targets expected to resume once operational challenges have been addressed.

This engagement indirectly relates to the Trustee's stewardship priority of corporate transparency - though its focus is more on performance monitoring, reporting and management information to support decision-making. It is one of Arcmont's 2 active engagements.