

Coats UK Pension Scheme – Implementation Statement for the Scheme year 1 April 2024 to 31 March 2025

Introduction

This Implementation Statement has been prepared by the Trustee of the Coats UK Pension Scheme (“the Trustee”) and relates to the Coats UK Pension Scheme (“the Scheme”).

The Trustee is required to produce an annual Implementation Statement setting out how the policies described in the Scheme’s Statement of Investment Principles (“the SIP”) have been followed. This statement covers the period 1 April 2024 to 31 March 2025, the Scheme year-end.

The statement aims to set out how, and the extent to which, in the opinion of the Trustee the SIP policies have been followed during this year. In addition, the document explains any changes made to the SIP during the year and describes the voting behaviour on behalf of the Trustee (including the most significant votes cast) during the year.

Changes to the SIP over the period

The SIP was updated during the reporting period, becoming effective as of 12 November 2024, to reflect the Scheme’s position following implementation of a bulk annuity with Pension Insurance Corporation (“PIC”) in September 2024. This was a significant change in investment strategy and subsequently, the Scheme’s governance, objectives, and risk exposures within the SIP have been amended to reflect this.

The latest SIP can be found here at the following web address:

https://www.coatspensions.co.uk/forms_factsheets/CUKPS_SIP_2024.pdf

Overview of Trustee’s Actions

Summary of how investment decisions are taken

Prior to the bulk annuity contract entered with PIC, the Trustee had established an Investment and Funding Committee (“IFC”) to whom it delegated: the review of the Scheme’s investment strategy, recommendations of long-term strategic asset allocations, the monitoring of Scheme’s funding position and performance and the appointment and removal of Asset Managers. This was done in conjunction with the Scheme’s Investment Adviser and reported to the Trustee Board as required.

Following the entrance into the bulk annuity contract the Scheme’s governance structure was amended. The Trustee no longer delegates investment-related matters to a separate Investment Funding Committee (“IFC”). All previous delegated authorities and responsibilities of the IFC have been assumed by the Trustee.

The Principal Employer is consulted on investment strategy decisions, and ensures a representative regularly attends relevant parts of the Trustee meetings when required.

The Trustee and the Principal Employer have also formed a Joint Working Group (JWG) to oversee the Scheme’s activities following the entrance into the bulk annuity contract. Among other responsibilities, the JWG monitors the remaining managers in which the Scheme is still invested.

Investment Objectives and Strategy

Significant changes were made to the Scheme’s investment strategy over the period; all changes were in line with the Scheme’s stated investment objectives and the investment beliefs articulated by the Trustee.

During the period, the Scheme entered the contract with PIC in September 2024. To cover the cost of the contract, the Scheme transferred c.£1,200m to PIC, through a combination of cash and in-specie transfers of certain assets. In preparation for this transfer, the Scheme sold down the pooled investment vehicles held with LGIM, M&G and Aegon, with the proceeds being held predominantly in cash.

Investment Objectives and Strategy (continued)

The Trustee relies on investment managers for the day-to-day management of the Scheme's assets but retains control over the Scheme's investment strategy. The Trustee continues to review and monitor the Scheme's Asset Managers as per the policies outlined in SIP.

The Scheme no longer has an agreed Strategic Asset Allocation ("SAA") following the entrance into the bulk annuity contract. The bulk annuity contract with PIC contains a deferred premium, allowing time for the Scheme to realise the value of the illiquid investments. The intention is therefore, to use the proceeds of the investments to pay the deferred premium.

The objectives and policies in the SIP are followed by the Trustee in various ways. The Trustee's principal objective to invest Scheme assets to meet liabilities has been followed through the second bulk annuity contract with PIC. The monitoring of risk and activities of asset managers (including ESG and stewardship) have been followed through regular monitoring and reporting from the Investment Adviser. ESG factors were also considered in the selection of PIC over the period. The objectives and policies related to the Additional Voluntary Contributions (AVCs) and the Corah Defined Contribution Section are followed through reporting and advice from the Investment Adviser.

Concluding Remarks

The Trustee confirms that the policies set out in the SIP have been appropriately followed over the year to 31 March 2025.

Appendix 1: Engagement Examples

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments and is not restricted to equity investments. With this in mind, below are examples of engagement within the credit mandates which occurred during the period in which the Scheme invested in them.

Manager:	BlackRock
Company:	Barclays Plc
Focus of the engagement:	BlackRock engaged with Barclays to understand its approach to climate-related risks and opportunities.
Details of the engagement:	BlackRock has engaged regularly with Barclays over the last several years to discuss a variety of business relevant matters that, in its experience, support companies' ability to deliver long-term financial returns over time. This has included the discussion of corporate governance, and the company's approach to material sustainability-related risks and opportunities. Proposed at Barclays' 2022 AGM was a management proposal requesting shareholder approval on the company's Climate Strategy, Targets and Progress during the year. This followed successive proposals being submitted by shareholders for a vote at the 2020 and 2021 AGMs. In BlackRock's assessment, Barclays has made progress in developing, implementing, and disclosing its plans to address a transition to a low-carbon economy. At the 2023 AGM, BlackRock supported management's recommendation on all items. Almost all proposals received over 90% support; the remuneration report received 87.7% support.
Outcome of the engagement:	In BlackRock's assessment, Barclays has made progress in developing, implementing, and disclosing its plans to address a transition to a low-carbon economy. BlackRock continues to engage with Barclays board, executive, and sustainability teams to further understand its approach to climate-related risks and opportunities, including opportunities to further enhance reporting.

Manager:	Aegon
Company:	Various Residential Mortgage-backed Securities and Consumer Asset-backed Security issuers
Focus of the engagement:	The objective is to increase availability of ESG related (loan level) data. For Aegon to make a proper and meaningful ESG analysis of the collateral, it is essential to have access to specific ESG related data, like energy performance certificates of houses in case of mortgages, CO2 emission data about cars in case of auto loans.
Details of the engagement:	As is Aegon's common practice, they start with sending the ABS issuer their ESG questionnaire specific for RMBS and consumer loan ABS. Then Aegon have several meetings with C-suite to discuss the answers to the questionnaire and express their recommendations. A very common recommendation for the originator is to increase the availability of ESG related data. These engagements are led by the portfolio managers.
Outcome of the engagement:	Over the last year the availability of ESG-related data across European RMBS/ABS originators is growing but is still limited. The availability of EPC data (Energy Performance Certificates) remains the main challenge to investors incorporating ESG factors in their RMBS assessments. This is also one of Aegon's most important engagement topics. Dutch and UK originators typically perform better, whereas southern European originators tend to lag. French originators are showing an improvement in data availability.

Voting Disclosures

Voting rights are only directly applicable to the listed equity holdings within the Scheme, however, asset managers of other investments within the fund will engage with underlying issuers to instigate change. Where managers have separate listed equity businesses, they may leverage the combined engagement capabilities across the firm and agree combined voting policies.

Over the period the Scheme was invested into the LGIM Low Carbon Transition Index Fund. Its voting activity is outlined below.

	Legal & General Investment Management Low Carbon Transition Global Equity Index Fund
How many meetings were you eligible to vote at over the year to 31/03/2025?	4,703
How many resolutions were you eligible to vote on over the year to 31/03/2025?	47,050
What % of resolutions did you vote on for which you were eligible?	99.75%
Of the resolutions on which you voted, what % did you vote with management?	79.56%
Of the resolutions on which you voted, what % did you vote against management?	19.24%
Of the resolutions on which you voted, what % did you abstain from?	1.20%
In what % of meetings, for which you did vote, did you vote at least once against management?	61.36%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	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 we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	10.88%

*Although the scheme disinvested from this fund on 24 June 2024, the voting statistics provided by the fund manager cover the full scheme year (1 April 2024 – 31 March 2025). As such, the figures presented may include activity beyond the Scheme's holding period.

Most significant votes

Significant votes have been defined by the Trustee as votes which meet one or more of the following criteria. Please note the more of these criteria a vote meets, then the more significant the vote is likely to be deemed, with the most significant votes to be disclosed in the Implementation Statement (rather than all significant votes):

- Votes relating to the Trustee's key stewardship theme (climate change).
- Votes relating to an issuer to which the Scheme has a large £ exposure.
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

Below we outline the most significant votes cast on behalf of the Trustee.

Legal & General Investment Management Low Carbon Transition Global Equity Index Fund:

Company:	Unilever Plc
Date:	1 May 2024
Resolutions:	Resolution 4 – Approve Climate Transition Action Plan
LGIM Vote:	LGIM voted for the resolution.
Outcome of vote:	The proposal passed
Rationale:	A vote for the Climate Transition Action Plan was applied as LGIM understand it to meet LGIM's minimum expectations. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short, medium and long-term GHG emissions reduction targets consistent with a 1.5°C Paris goal. Despite the SBTi recently removing their approval of the company's long-term scope 3 target, LGIM note that the company has recently submitted near term 1.5 degree aligned scope 3 targets to the SBTi for validation and therefore at this stage believe the company's ambition level to be adequate. LGIM therefore remain supportive of the net zero trajectory of the company at this stage.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

**Legal & General Investment Management Low Carbon Transition Global Equity Index Fund
(continued)**

Company:	ConocoPhillips
Date:	14 May 2024
Resolutions:	Resolution 5: Revisit Pay Incentives for GHG Emission Reductions
LGIM Vote:	LGIM voted against the resolution.
Outcome of vote:	The proposal failed.
Rationale:	A vote against was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

Company:	The Goldman Sachs Group, Inc
Date:	4 April 2024
Resolutions:	Resolution 8: Report on Clean Energy Supply Financing Ratio
LGIM Vote:	LGIM voted for the proposal.
Outcome of vote:	The proposal failed.
Rationale:	LGIM believe that banks and financial institutions have a significant role to play in shifting financing away from “brown” to funding the transition to “green”. LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as LGIM consider this issue to be a material risk to companies.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

Legal & General Investment Management Low Carbon Transition Global Equity Index Fund
(continued)

Company:	Centene Corporation
Date:	14 May 2024
Resolutions:	Resolution 4: Adopt Near and Long-Term Science-Based GHG Emissions Reduction Targets Aligned with Paris Agreement Goal
LGIM Vote:	LGIM voted for the proposal.
Outcome of vote:	The proposal failed.
Rationale:	A vote in favour was applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

Company:	EDP-Energias de Potigal SA
Date:	10 April 2024
Resolutions:	Resolution 1.3: Approve Progress Report on 2030 Climate Change Plan
LGIM Vote:	LGIM voted for the proposal.
Outcome of vote:	The proposal passed.
Rationale:	LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.