

Implementation Statement, covering 1 October 2023 to 30 September 2024 (the “Scheme Year”)

The Trustee of the Volkswagen Group Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Scheme 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 12 below.

In preparing the Statement, the Trustee has had regard to the [guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions \(“DWP’s guidance”\) in June 2022.](#)

This Statement is based on the SIPs currently in force. For the DB Section the SIP is unchanged over the year, dated May 2023. For the DC Section, the SIP was updated in April 2024 therefore the SIP dated May 2023 was in force from the start of the Scheme year up to April 2024. As a result, this Statement should be read in conjunction with the Scheme’s May 2023 SIPs and then also for DC Section, the April 2024 SIP which can all be found online via the links below.

- May 2023 SIP for the DB Section: <https://vw pensions.pensioncharges.com/wp-content/uploads/2024/01/SIP-DB-May-2023-clean-ver.pdf>
- May 2023 SIP for the DC Section: <https://vw pensions.pensioncharges.com/wp-content/uploads/2024/01/SIP-DC-May-2023-clean-version.pdf>
- April 2024 SIP for the DC Section: <https://vw pensions.pensioncharges.com/wp-content/uploads/2024/07/SIP-DC-March-2024-CLEAN.pdf>

1. Introduction

No changes were made to the DB SIP during the Scheme Year.

The DC SIP was reviewed and updated during the Scheme Year in April 2024 to reflect:

- The recent strategy review and subsequent change made (replacing the 20% allocation to diversified growth funds within the VWG Long Term Growth Fund with a greater allocation to equities); and
- New regulation requiring DC schemes to explain their policy on investment in illiquid assets policy.

As part of this update, the Employer was consulted and the SIP was published online during the Scheme Year.

The Trustee has, in its opinion, followed all of the policies in the Scheme’s SIPs during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

In 2023, the Employer took the decision to undertake a review of Master Trusts to understand the most suitable scheme arrangement for the membership. After a thorough selection process, the Aviva Master Trust was chosen for future contributions. Member contributions were invested into Aviva from 1 October 2024. The Trustee was also in agreement so current Scheme assets are also to be transferred to Aviva, planning for which is underway.

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2. Investment objectives

2.1 DB Section

The primary objectives of the Trustee are to pay benefits as they fall due to members, to reduce the risk that the Scheme's ongoing funding level deteriorates significantly and to be fully funded on a Technical Provisions basis (ie the asset value should be at least that of its liabilities on this basis).

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustee is also able to view the progress on an ongoing basis using LCP Visualise online (a tool provided by the Scheme's investment adviser which show key metrics and information on the Scheme including expected return and risks of the investment strategy).

As at 30 September 2024 the Scheme was estimated to be broadly fully funded on a Technical Provisions basis. The Scheme's long-term target is due to be re-considered as part of wider investment and funding strategy discussions which are ongoing. As part of this, the Trustee is considering the level of risk and expected returns associated with the Scheme.

2.2 DC Section

The Default is reviewed at least every three years. In 2021, the Trustee carried out a full review of the investment strategy and the self-select options available to members.

Whilst the move to Master Trust is ongoing, the Trustee carried out a high level review of the Default during the Scheme Year on 20 December 2023, focusing on the VWG Long Term Growth Fund, which is where majority of the DC Section's assets are invested. The review concluded that it would be appropriate to replace the 20% allocation to diversified growth funds (DGFs) within the VWG Long Term Growth Fund with a greater allocation to equities. The Trustee felt that this provided members with a better long term expected risk and return profile which also resulted in lower member-borne fees. The VWG Long Term Growth Fund is held within the default and alternative lifestyles as well as being offered to members on a self-select basis.

As part of the last full review in 2021, the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme. From this review, the Trustee concluded that the default option had been designed to be in the best interests of the majority of the DC Section members and reflected the demographics of those members. Consequently, the Trustee believes that the Default should continue to target income drawdown at retirement as it remains the most likely way members will access their benefits in retirement.

The Trustee provides members with access to a range of investment options which it believes are suitable for this purpose and enable appropriate diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes as set out in Appendix 3 of the DC Section SIP. The Trustee monitors the take up of these funds and it is limited.

The Trustee reviews changes in member investment choices and trends each quarter via the DC Scheme's performance reporting. The Trustee reviews the membership demographics of the Scheme as part of the triennial strategy review, or if there are any significant changes in membership demographics.

3 Investment strategy

3.1 DB Section

The Trustee, with the help of its advisers, reviewed the Scheme's investment strategy in September 2024, following the triennial actuarial valuation with the aim of maintaining the expected return target of the investment strategy. At the time of writing, this review is ongoing.

The Trustee monitored the asset allocation on a quarterly basis and compared this to the strategic asset allocation. No rebalancing transfers were required over the year to 30 September 2024 to bring the Scheme's asset allocation back in line with its strategic target.

The Scheme's Short Real Dynamic LDI fund, held with Columbia Threadneedle Investments, issued a collateral call of c£1.9m in November 2023 as the fund passed through its upper leverage threshold.. This call was funded with the cash held in the Scheme's Sterling Liquidity Funds with Columbia Threadneedle Investments. The Scheme's Nominal Dynamic LDI Fund, also held with Columbia Threadneedle Investments, distributed £2.8m of

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capital in August 2024 as the fund passed through its lower leverage threshold.. The proceeds were transferred to the Scheme’s Sterling Liquidity Funds held with Columbia Threadneedle Investments.

Total disinvestments of c£9.1m to meet the Scheme’s cash flow requirements were also taken from the Scheme’s Sterling Liquidity Funds with Columbia Threadneedle Investments over the year to 30 September 2024.

3.2 DC Section

The Trustee has made available a range of investment funds for members. Each member is responsible for specifying one or more funds for the investment of their account, having regard to their attitude to the risks involved. If a member does not choose an investment option, their account will be invested into the default option, which is managed as a “lifestyle” strategy (ie it automatically combines investments in proportions that vary according to the time to retirement age).

The default option was designed to be in the best interests of most members based on the demographics of the Scheme’s membership. The default option targets income drawdown at retirement, since the Trustee believes that most members will wish to take their benefits in this form. Therefore, in the initial growth phase the default option is invested to target a return significantly above inflation, and then in the 8 years before retirement, it switches gradually into assets expected to have less risk, with the asset allocation at retirement being designed to be appropriate for members taking drawdown.

To help manage the volatility that members’ assets experience in the growth phase of the default strategy, the Trustee has included an allocation to “diversified growth”, which over the long term is expected to generate returns materially above inflation, but with lower volatility than equities.

The Trustee reviews retirement data provided in the administration reports on a quarterly basis to see how members access their benefits.

As noted above, the Trustee undertook a detailed review of the default option as part of its DC strategy review over 2021 and 2022. This review included consideration of the structure of the lifestyle, the number of years of de-risking and the underlying funds used in the strategy. The investment strategy was deemed to be broadly suitable, and some enhancements were recommended and considered by the Trustee. The Trustee also undertook a review of the default, focusing on the VWG Long Term Growth Fund, in December 2023. Following this review, changes were made to the underlying allocation of the VWG Long Term Growth Fund, reducing the allocation to diversified growth funds and increasing the allocation to equities.

4 Considerations in setting the investment arrangements

Discussions relating to the DB Section’s investment strategy with the Employers are ongoing.

When the Trustee undertook a full performance and strategy review of the DC investment strategy during 2021 and 2022, it considered the investment risks set out in Appendix 2 of the DC Scheme SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustee reviewed its investment beliefs in February 2019. As part of this, the investment adviser held an interactive training session covering Environmental, Social and Governance (“ESG”) factors and provided a survey which gathered the opinions of the Trustee. As a result, in August 2019 the Trustee updated the investment beliefs in the SIPs. It added two new investment beliefs to the SIPs:

- “environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors”, and
- “long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions”.

The Trustee also discussed its DC investment principles over the Scheme Year, in September 2023. The Trustee considered the extent to which the current investment arrangements meet its principles and noted that the principles should be taken into account as part of the wider review of the pension arrangement and investment options available to members.

The Trustee regularly reviews its investment manager mandates to understand the extent to which ESG factors are incorporated in the funds currently held by the DB and DC Sections.

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The Trustee invests for the long term, to provide for the Scheme’s members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship¹ activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Scheme’s investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Scheme’s investment managers that may affect the managers’ ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustee monitors the performance of the Scheme’s investment managers on a quarterly basis, using a monitoring report prepared by the investment adviser. The report shows the performance of each fund over the quarter, one year, three years and five years. Performance is considered in the context of the manager’s benchmark and objectives.

5 Implementation of the investment arrangements

The Trustee has not made any changes to its manager arrangements over the Scheme Year within the DB section.

In April 2024, changes were made to the underlying allocation of the VWG Long Term Growth Fund within the DC section, reducing the allocation to diversified growth funds and increasing the allocation to equities. These changes introduced the L&G All World Index Fund into the VWG Long Term Growth Fund.

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives.

The most recent quarterly report dated 30 September 2024 shows that the majority of managers have achieved performance broadly in line with expectations.

Over the Scheme Year, the Trustee considered a value for members assessment as part of the 2023 Annual Chair’s Statement, which included consideration of the fees payable to managers in respect of the DC Section. The fees were found to be reasonable when compared against schemes with similar size mandates. A similar assessment has also been carried out as part of the 2024 Annual Chair’s Statement since the Scheme Year end.

6 Realisation of investments

The Trustee reviews the DB Scheme’s net current and future cashflow requirements on a regular basis. The Trustee’s policy is to have access to sufficient liquid assets in order to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The Trustee receives income from the LGIM Buy and Maintain credit portfolio to help meet benefit payments. The Scheme’s administrators determine the amount of cash required for benefit payments and other outgoings and informs the investment advisers of any required disinvestments or processes them directly.

In the DC Section, it is the Trustee’s policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offers are daily priced.

7 Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations (including climate change and other ESG considerations).

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues

¹The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

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in practice. The Trustee takes advice from its investment adviser in regard to the selection and monitoring of its investment managers on ESG related matters.

The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate. The Trustee holds audit meetings with the Scheme's investment managers to review their current practices and identify any areas for potential improvement.

Over the Scheme year the Trustee reviewed LCP's responsible investment ("RI") ratings for the Scheme's existing managers and funds. These scores cover the managers' approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The Trustee is satisfied with the RI scores for the Scheme's investment managers.

The Trustee has set a Net Zero Ambition to help mitigate climate risk. Over time, it aims to align the Scheme's assets with net zero greenhouse gas emissions by 2050 through selecting managers, and investing in funds, with credible net zero targets where possible. To assess the credibility of managers' plans to align their portfolios to net zero, the Trustee reviews LCP's net zero assessments for the Scheme's managers and funds.

In September 2024, the Trustee received training from its investment advisor, LCP on systemic stewardship with a focus on how LDI managers can influence climate policy. As part of this, the Trustee reviewed LCP's assessment of the Scheme's LDI manager, Columbia Threadneedle Investments and was comfortable with the findings.

No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

8 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 Scheme'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 Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. In the prior Scheme year, the Trustee discussed and agreed stewardship priorities for the Scheme which were: Climate change, Diversity, Equity & Inclusion, and Business Ethics. The Trustee communicated these priorities to its managers during the Scheme Year in December 2023, along with the Trustee's Net Zero ambition and expectations in this area.

Following the Scheme year end, the Trustee engaged with its investment managers to identify the extent to which the managers have taken the Scheme's stewardship priorities and Net Zero ambition on board. The Trustee reviewed case studies of the managers' votes and engagements which relate to the Trustee's stewardship priorities as part of this.

The Trustee invites the Scheme's investment managers to present at meetings as required.

The Trustee is conscious that responsible investment, 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 to clarify expectations and encourage improvements.

9 Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As mentioned in Section 5, the Trustee assesses the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports it receives. The performance of the professional advisers is considered on an ongoing basis by the Trustee.

The Trustee has put in place formal objectives for its investment adviser and reviews the adviser's performance against these objectives on a regular basis.

10 Policy towards risk (Appendix 2 of SIP)

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Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed at quarterly meetings.

The Trustee’s policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme’s investment adviser or information provided to the Trustee by the Scheme’s investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, collateral adequacy risk and ESG (including climate) risks.

With regard to the risk of inadequate returns within the DB Section, the Trustee considered the Scheme’s expected return as part of the investment strategy review during the year and the Scheme’s long-term target is due to be re-considered as part of wider investment and funding strategy discussions which are ongoing.

With regard to the risk of inadequate returns within the DC Section, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The Scheme’s interest rate and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Following the results of the actuarial valuation the Scheme’s hedging levels were rebalanced back to around 100%, in line with the Trustee’s target. This was implemented in December 2024, post Scheme year end..

With regard to collateral adequacy risk, the Trustee holds investments in the Columbia Threadneedle Investments Liquidity Fund and Absolute Return Bond Fund alongside the LDI portfolio, to be used should the LDI manager require cash to be posted for a deleverage event. The Scheme holds sufficient liquid assets to meet capital calls on the LDI funds. During the Scheme Year, the Scheme held more than enough liquid assets to meet the all the capital calls on the LDI funds.

Together, the investment and non-investment risks set out in Appendix 2 of the DB SIP give rise generally to funding risk. During the Scheme Year, the Trustee formally reviewed the DB Scheme’s funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings, and the Trustee has the ability to monitor this daily on LCP Visualise. In addition, the Trustee monitors the overall 1 year 90% Value at Risk of the funding position on a quarterly basis.

The following risks are covered earlier in this Statement: diversification risk in Section 4, investment manager risk in Section 4, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

The quarterly reports reviewed during the Scheme Year showed that all managers have produced performance broadly in line with expectations over the long-term.

11 Investment manager arrangements (Appendix 3 of SIPs)

There are no specific policies in this section of each Section’s SIP.

12 Description of voting behaviour during the Scheme Year

All of the Trustee’s holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Scheme Year. However, the Trustee considers managers’ voting and engagement behaviour, and intends to challenge managers where their activity has not been in line with the Trustee’s expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (“PLSA”) guidance, PLSA Vote Reporting template and DWP’s guidance, on the Scheme’s funds that hold equities as follows:

DB Section

- LGIM Diversified Multi Factor Equity Fund

DC Section

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- LGIM Infrastructure Fund;
- LGIM World Emerging Markets Equity Index Fund;
- LGIM Hybrid Property Fund (70:30);
- LGIM All World Equity Index Fund;
- BlackRock Long Term Global Equity Fund;
- BlackRock Aquila MSCI World Fund GBP Hedged;
- Nordea Diversified Fund; and
- Insight Broad Opportunities Fund.

The Trustee has sought to obtain the relevant voting data for Sections 12.2 and 12.3, from the Scheme's investment managers as listed above, which has been received for all relevant funds.

In addition to the above, the Trustee contacted the DB Section's asset managers that do not hold listed equities, to ask if any of those assets held by the Scheme had voting opportunities over the Scheme Year. None of the other funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

12.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place.

12.1.1 LGIM (DB and DC Sections)

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. Its voting policies are reviewed annually and take into account feedback from clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders are invited to express its views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as it continues to develop its voting and engagement policies and define strategic priorities in the years ahead.

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' (ISS) 'Proxy Exchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, it has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what it considers are minimum best practice standards which it believes all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to its voting judgement. It has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

12.1.2 BlackRock (DC Section)

BlackRock's approach to corporate governance and stewardship is explained in its Global Corporate Governance and Engagement Principles ("Principles"). These high-level Principles are the framework for its more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe its philosophy on stewardship (including how it monitors and engage with companies), its policy on voting, integrated approach to stewardship matters and how it deals with conflicts of interest. BlackRock

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reviews its Principles annually and updates them as necessary to reflect market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock’s proxy voting process is led by the BlackRock Investment Stewardship team (“BIS”), which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies it covers. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with BlackRock’s Principles and custom market-specific voting guidelines.

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Its voting guidelines are market-specific to ensure it takes into account a company’s unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engage as necessary. Engagement priorities are global in nature and are informed by BlackRock’s observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. It may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets.

BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get its perspective and better understand which issues are important to them. As outlined in its Principles, BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. Its voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company’s approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company’s unique circumstances where relevant. It informs vote decisions through research and engage as necessary.

While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (“ISS”) and Glass Lewis, it is just one among many inputs into its vote analysis process. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where its own additional research and engagement would be beneficial. Other sources of information it uses include the company’s own reporting (such as the proxy statement and the website), its engagement and voting history with the company, and views of its active investors, public information and ESG research.

12.1.3 Nordea (DC Section)

Nordea’s Corporate Governance Principles define how it acts in corporate governance-related matters and set the rules for which strategies apply and how the voting of the shares owned by the funds shall take place. A Corporate Governance Committee has been set up in order to ensure appropriate handling of the corporate-governance matters, and the operational responsibility rests with the Corporate Governance Function (outside the investment organization). The Corporate Governance function cooperates very closely with Nordea Asset Management’s Responsible Investment Team, which oversees its work on responsible investment together with the investment organisation.

Assessment of shareholder ESG proposals are made on a case-by-case basis. This assessment analyses the relevance and adequacy of the requests i.e. whether approval of the resolution supports better practices or shareholder value, whether the company’s current stance on the topic is likely to have negative effects in terms of litigation and reputational damage and whether the company has already put appropriate action in place to respond to the issue contained in the resolution.

Generally, Nordea’s line is to support proposals aiming to protect or enhance long term shareholder value creation, to improve transparency on material ESG issues and to address material ESG risks that have emerged. On climate proposals that require companies to disclose information about its governance, strategy, risk management and targets related to climate-related risks, Nordea’s funds will generally be positive. Its voting power will be used in cases of company’s failure to appropriately manage or mitigate ESG risks or when there is a lack of sustainability reporting in the company’s public documents.

Proxy voting is supported by two external vendors (ISS & Nordic Investor Services) to facilitate the voting and provide analytic input. In 2021 these two vendors merged.

12.1.4 Insight (DC Section)

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Insight does not consult clients prior to voting on resolutions. However, Insight is committed to voting all proxies where it is deemed appropriate and responsible to do so. Insight says it takes its responsibility to vote very seriously and votes in the best interest of clients.

Insight retains the services of Minerva Analytics (“Minerva”) for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified.

Insight would utilise Minerva to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable. Insight votes in line with the recommendations of the proxy voting agent and documents where it makes a voting decision against the recommendation. The rationale for, abstaining or voting against the voting recommendation is retained on the Minerva platform on a case-by-case basis.

9.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	Diversified Multi-Factor Equity Fund	Infrastructure Fund	World Emerging Markets Equity Index Fund	Hybrid Property (70:30)
Manager name	LGIM	LGIM	LGIM	LGIM
Scheme Section	DB	DC	DC	DC
Total size of fund at end of the Scheme Year (£m)	4,285	1,774	2,917	118
Value of Scheme assets at end of the Scheme Year (£m)	8.6	16	8	20
Number of equity holdings at end of the Scheme Year	1,141	87	1,803	353
Number of meetings eligible to vote	1,509	91	4,374	396
Number of resolutions eligible to vote	18,024	1,160	35,226	4,116
% of resolutions voted	100	99	100	100
Of the resolutions on which voted, % voted with management	81	73	80	79
Of the resolutions on which voted, % voted against management	19	26	19	21
Of the resolutions on which voted, % abstained from voting	1	1	1	0
Of the meetings in which the manager voted, % with at least one vote against management	66	89	56	70
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	14	23	7	17

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	All World Equity Index Fund	Long Term Global Equity Fund	Aquila MSCI World Fund (GBP Hedged)	Diversified Return Fund
Manager name	LGIM	BlackRock	BlackRock	Nordea
Scheme Section	DC	DC	DC	DC
Total size of fund at end of the Scheme Year (£m)	4,610	668	591	2,038
Value of Scheme assets at end of the Scheme Year (£m)	51	168	227	5
Number of equity holdings at end of the Scheme Year	4,193	13,427	1,393	153
Number of meetings eligible to vote	6,643	2,666	1,492	194
Number of resolutions eligible to vote	64,367	35,461	21,735	2,443
% of resolutions voted	100	95	98	96
Of the resolutions on which voted, % voted with management	79	95	96	86
Of the resolutions on which voted, % voted against management	20	4	4	12
Of the resolutions on which voted, % abstained from voting	1	0	0	2
Of the meetings in which the manager voted, % with at least one vote against management	63	23	24	66
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	11	0	0	3

	Broad Opportunities Fund
Manager name	Insight
Scheme Section	DC
Total size of fund at end of the Scheme Year (£m)	1,408
Value of Scheme assets at end of the Scheme Year (£m)	4
Number of equity holdings at end of the Scheme Year	11
Number of meetings eligible to vote	12
Number of resolutions eligible to vote	142
% of resolutions voted	100
Of the resolutions on which voted, % voted with management	100

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Of the resolutions on which voted, % voted against management	0
Of the resolutions on which voted, % abstained from voting	0
Of the meetings in which the manager voted, % with at least one vote against management	0
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0

9.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme’s asset managers who hold listed equities, is set out below. The Trustee did not inform its managers which votes it considered to be most significant in advance of those votes. However, the Trustee did inform its investment managers of its stewardship priorities during the Scheme Year end.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA’s criteria² or creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf.

The Trustee has interpreted “most significant votes” to mean those deemed as most significant by the investment managers that also align with the Trustee’s stewardship priorities.

The Trustee has reported on two of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

LGIM Diversified Multi Factor Equity Index Fund

Consolidated Edison, Inc., May 2024

- **Summary of resolution:** Elect Director Timothy P. Cawley
- **Relevant stewardship priority:** Business Ethics
- **Approx size of the holding at the date of the vote:** 0.35%
- **Why this vote is considered to be most significant:** It relates to the Scheme’s stewardship priorities and reflects escalation of LGIM’s vote on the topic of the combination of the board chair and CEO.
- **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM’s policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with their investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

²[Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select “most significant votes” from the long-list of significant votes provided by their investment managers.

Implementation Statement, covering 1 October 2023 to 30 September 2024 (Continued)

- **Chubb Limited, May 2026**
- **Summary of resolution:** Elect Director David H. Sidwell
- **Relevant stewardship priority:** Diversity, Equity and Inclusion and Business Ethics
- **Approx size of the holding at the date of the vote:** 0.28%
- **Why this vote is considered to be most significant:** It relates to the Scheme’s stewardship priorities.
- **Fund manager vote:** Against.
- **Rationale:** A vote against the chair of the Nomination & Governance committee is applied as LGIM expects a company to have at least one-third women on the board.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM’s policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

LGIM Infrastructure Fund

National Grid Plc, July 2024

- **Summary of resolution:** Approve Climate Transition Plan
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 3.0%
- **Why this vote is considered to be most significant:** LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
- **Company management recommendation:** For; **Fund manager vote:** For.
- **Rationale:** LGIM commends the company’s efforts in committing to net-zero emissions across all scopes by 2050 and setting 1.5C-aligned near term science-based targets. LGIM also appreciates the clarity provided in the ‘Delivering for 2035 report’ and look forward to seeing the results of National Grid’s engagement with SBTi regarding the decarbonisation of heating.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Xcel Energy Inc., May 2024

- **Summary of resolution:** Elect Director Christopher Policinski
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Approx size of the holding at the date of the vote:** 1.6%
- **Why this vote is considered to be most significant:** LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as LGIM expects a company to have at least one-third women on the board. LGIM has also had concerns with the remuneration practices for the past year.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM World Emerging Markets Equity Index Fund

Industrial and Commercial Bank of China Limited, June 2024

- **Summary of resolution:** Elect Liao Lin as Director
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 0.6%

Implementation Statement, covering 1 October 2023 to 30 September 2024 (Continued)

- **Why this vote is considered to be most significant:** LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting companies in climate-critical sectors.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Anglogold Ashanti Plc, May 2024

- **Summary of resolution:** Re-elect Jochen Tilk as Director
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Approx size of the holding at the date of the vote:** 0.1%
- **Why this vote is considered to be most significant:** LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as LGIM expects a company to have at least one-third women on the board.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM Hybrid Property Fund

VICI Properties Inc., April 2024

- **Summary of resolution:** Elect Director James R. Abrahamson
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 0.6%
- **Why this vote is considered to be most significant:** LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting companies in climate-critical sectors.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Simon Property Group, Inc., May 2024

- **Summary of resolution:** Elect Director Glyn F. Aeppel
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Approx size of the holding at the date of the vote:** 0.9%
- **Why this vote is considered to be most significant:** LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as LGIM expects a company to have at least one-third women on the board.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM All World Equity Index Fund

Shell Plc, May 2024

Implementation Statement, covering 1 October 2023 to 30 September 2024 (Continued)

- **Summary of resolution:** Approve the Shell Energy Transition Strategy
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 0.3%
- **Why this vote is considered to be most significant:** LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deems such votes to be significant, particularly when LGIM votes against the transition plan.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** LGIM acknowledges the substantive progress the company has made in respect of climate related disclosure over recent years, and views positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, LGIM expects the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

Apple Inc., February 2024

- **Summary of resolution:** Report on Risks of Omitting Viewpoint and Ideological Diversity from the Equal Opportunity (“EEO”) Policy
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Approx size of the holding at the date of the vote:** 4.0%
- **Why this vote is considered to be most significant:** LGIM views diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.
- **Company management recommendation:** Against; **Fund manager vote:** Against.
- **Rationale:** LGIM voted against this proposal as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.
- **Outcome of the vote and next steps:** Fail. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

BlackRock Long Term Global Equity Fund

Tesla, Inc., June 2024

- **Summary of resolution:** Shareholder Proposal Regarding Reporting on Harassment and Discrimination Prevention Efforts
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Approx size of the holding at the date of the vote:** 0.22%
- **Why this vote is considered to be most significant:** BlackRock deems this issue material to the long-term financial interests of shareholders.
- **Company management recommendation:** Against; **Fund manager vote:** For.
- **Rationale:** In BlackRock’s view, enhanced disclosures on this issue would help investors better assess risks at the company.
- **Outcome of the vote and next steps:** Fail. BlackRock has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, it monitors developments and assess whether the company has addressed its concerns.

The Walt Disney Company, April 2024

- **Summary of resolution:** Report on Gender-Based Compensation and Benefits Inequities
- **Relevant stewardship priority:** Diversity, Equity and Inclusion
- **Approx size of the holding at the date of the vote:** 0.06%

Implementation Statement, covering 1 October 2023 to 30 September 2024 (Continued)

- **Why this vote is considered to be most significant:** The vote was deemed significant as BlackRock expects companies to demonstrate a robust approach to human capital management and provide shareholders with the necessary information to understand how the approach taken aligns with the company's stated strategy and business model.
- **Company management recommendation:** Against; **Fund manager vote:** Against.
- **Rationale:** Disney already provides thorough reporting related to human capital management, and, in BlackRock's view, it is not the role of investors to intervene in the benefits offerings companies make to its employees.
- **Outcome of the vote and next steps:** Fail. BlackRock has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, it monitors developments and assess whether the company has addressed its concerns.

BlackRock Aquila MSCI World Fund (GBP Hedged)

Amplifon SpA, April 2024

- **Summary of resolution:** Proposal to enhance the increased voting rights mechanism currently in place
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote:** 0.004%
- **Why this vote is considered to be most significant:** This vote was deemed significant as it is directly related to the voting rights of the company's shareholders.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** BlackRock did not support management's recommendation on amending Amplifon's Articles of Association to further increase voting rights for certain shareholders. In BlackRock's view, the proposed share structure would significantly impact the fundamental rights of minority shareholders, including BlackRock's clients, to signal support for or concerns about a company's approach to delivering long-term financial returns.
- **Outcome of the vote and next steps:** Pass. BlackRock has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, it monitors developments and assess whether the company has addressed its concerns.

Temenos AG, May 2024

- **Summary of resolution:** Approve Remuneration Report
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote:** 0.01%
- **Why this vote is considered to be most significant:** This vote was deemed to be significant due to the link between performance-based pay and company performance.
- **Company management recommendation:** For; **Fund manager vote:** Against.
- **Rationale:** BlackRock did not support this proposal because, in its view, the proposed remuneration structure and disclosures lacked sufficient detail as to how it aligns with the long-term financial of interests of minority shareholders, including BlackRock's clients.
- **Outcome of the vote and next steps:** Fail. BlackRock has ongoing direct dialogue with companies to explain its views and how it evaluates their actions on relevant ESG issues over time. Where BlackRock has concerns that are not addressed by these conversations, it may vote against management for their action or inaction. Where concerns are raised either through voting or during engagement, it monitors developments and assess whether the company has addressed its concerns.

Nordea Diversified Fund

Mastercard Incorporated, June 2024

- **Summary of resolution:** Report on Gender-Based Compensation and Benefit Inequities
- **Relevant stewardship priority:** Diversity, Equity and Inclusion, business ethics

Implementation Statement, covering 1 October 2023 to 30 September 2024 (Continued)

- **Approx size of the holding at the date of the vote:** 1.5%
- **Why this vote is considered to be most significant:** Significant votes are those that are severely against Nordea’s principles, and where Nordea feels it needs to enact change in the company.
- **Company management recommendation:** Against; **Fund manager vote:** For.
- **Rationale:** Nordea voted for the shareholder proposal as it believes additional disclosure of the company's direct and indirect lobbying related expenditures would help shareholders better assess the risks and benefits associated with the company's participation in the public policy process.
- **Outcome of the vote and next steps:** Fail. Nordea will continue to support shareholder proposals on this issue as long as it is needed.

NextEra Energy Inc, May 2024

- **Summary of resolution:** Report on Climate Lobbying
- **Relevant stewardship priority:** Climate Change
- **Approx size of the holding at the date of the vote:** 0.6%
- **Why this vote is considered to be most significant:** Significant votes are those that are severely against our principles, and where Nordea feels it needs to enact change in the company.
- **Company management recommendation:** Against; **Fund manager vote:** For.
- **Rationale:** Nordea believes that additional disclosure around the company's framework for identifying alignments and its approach to addressing misalignments would allow shareholders to better evaluate the company's lobbying efforts. It would also align the company with best practices that have been undertaken by some of its peers and is unlikely to be unduly burdensome for the company.
- **Outcome of the vote and next steps:** Fail. Nordea will continue to support shareholder proposals on this issue as long as it is needed.

Insight Broad Opportunities Fund

Digital 9 Infrastructure plc, March 2024

- **Summary of resolution:** Adopt new investment objective and policy pursuing a managed wind-down of the company
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote:** 0.2%
- **Why this vote is considered to be most significant:** Insight assessed the proposed change in the company’s investment objective and policy to be significant. The previous investment policy sought to invest shareholder capital into a range of digital infrastructure assets in order to generate target returns. The company’s share prices have continued to trade at a material discount to its net asset value. A change to the investment objective and policy was considered to be appropriate in order to maximise shareholder value. The company will cease to exist in the medium term as underlying assets are disposed following the updated investment objective and policy.
- **Company management recommendation:** For; **Fund manager vote:** For.
- **Rationale:** The company’s board initiated a strategic review process in November 2023, concluding with a decision to implement a managed wind-down of the company in January 2024. The managed wind-down process required shareholder approval to adopt new investment objective and policy. Insight voted in favour of the resolution as a managed wind-down would be in the best interests of the shareholders. The process would seek to dispose company assets, repay borrowings and return capital to investors. This represents the most appropriate way to realise value for shareholders while the company trades at material discount to net asset value.
- **Outcome of the vote and next steps:** Pass. The implications of the outcome are that the company would delist in the medium term after underlying investments have been disposed and capital returned to shareholders. Insight plans to maintain regular discussions with the company as part of the managed wind-down process of maximising shareholder value.

Aquila European Renewables Income Fund, September 2024

- **Summary of resolution:** To approve that the Company should not continue as a closed ended investment company with its current investment policy
- **Relevant stewardship priority:** Business ethics

VOLKSWAGEN GROUP PENSION SCHEME ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2024

Implementation Statement, covering 1 October 2023 to 30 September 2024 (Continued)

- **Approx size of the holding at the date of the vote:** 0.4%
- **Why this vote is considered to be most significant:** Insight assessed the proposed change in the company's investment objective and policy to be significant and necessary to maximise shareholder value.
- **Company management recommendation:** For, **Fund manager vote:** For.
- **Rationale:** Following shareholder approval for the continuation of the company for a period of further four years in 2023, the Board announced a package of initiatives aimed at improving the marketability of the shares. The Board also proposed to give shareholders another opportunity to vote on its continuation in 2024. Despite initiatives and several other measures including consideration with potential mergers with other companies, the Board believes that shareholder value could be maximised through a managed wind down of the company. Insight engaged with the company and its Board over this period and agree with their assessment, resulting in a vote in favour of the resolution.
- **Outcome of the vote and next steps:** Pass. The implications of the outcome are that the company would delist in the medium term after underlying investments have been disposed and capital returned to shareholders. Insight plan to maintain regular discussions with the company as part of the managed wind-down process of maximising shareholder value.

Signed for and on behalf of the Trustee of the Volkswagen Group Pension Scheme, by the Chair of the Trustee, Alistair Shields