

# IBM Pension Plan ('the Plan')

## Annual Implementation Statement for the Year Ended 31 December 2022

### 1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 January 2022 to 31 December 2022 (the "Plan Year"). This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

The statement is based on, and should be read in conjunction with, the SIP dated 4 November 2021. An updated SIP dated March 2023 has been produced but falls outside of the Plan Year.

Sections 2.1 and 2.2 of this statement set out the investment objectives of the Plan and changes which have been made to the SIP during the Plan Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Plan Year.**



A copy of the SIP is available at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.

Section 3 of this statement provides some highlights of the activity undertaken by the Trustee in relation to Responsible Investment and Environmental, Social and Governance (ESG) over the Plan Year.

Sections 4 and 5 include further information on the engagement and key voting activities of the underlying investment managers of the Plan, and also sets out how the Plan's engagement and voting policy has been followed during the Plan Year in respect of the Plan's DB and DC assets.



### 2. Statement of Investment Principles

#### 2.1. Investment Objectives of the Plan

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.



The objectives for the DB Section of the Plan specified in the SIP are as follows:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with any new contributions from the Company, the cost of current benefits that the Plan provides.
- To limit the risk of the assets failing to meet the liabilities, both over the long-term and on a shorter-term basis.



For the DC section of the Plan, the Trustee's principal mission is to help members to maximise their retirement outcomes with an appropriate level of investment risk, by providing an appropriate investment framework which represents value for members, considers climate-related risks and opportunities where feasible, and which is in line with recognised market "good practice", taking into account guidance from the Pensions Regulator and other appropriate industry and regulatory bodies.

In addition to the principal mission as stated above and the investment objectives below, the Trustee also aims to:

- Ensure that the DC Section's operational structure is sensible and cost effective.
- Provide members with adequate tools and timely information to enable them to make informed contribution, investment and retirement decisions.

The Trustee has the following investment objectives related to the DC section of the Plan:

- To offer suitable default investment strategies that are appropriate for the profile of defaulting members based on their expected risk tolerances and retirement objectives.
- To offer a range of self-select investment options which are appropriate for the profile of most members.

## 2.2. Review of the SIP



During the Plan Year, the Trustee reviewed and amended the Plan's SIP, taking formal advice from its Investment Adviser, Mercer Limited ("Mercer"). This review of the SIP was ultimately completed after the Plan year end with a revised SIP being finalised in February 2023 and signed in March 2023. The aim of the review was to ensure that the Plan was compliant under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021 by demonstrating that the Trustee is taking proper account of climate change when it is making decisions about the Plan, and that its advisers are helping the Trustee to do this. For completeness, the Investment Objectives for the DC Section set out above reflect those included in the SIP signed in March 2023.

No changes were made over the year to the investment arrangements of the DB section.

## 2.3. Assessment of how the policies in the SIP have been followed for the Plan Year

The information provided in this section highlights the actions undertaken by the Trustee during the Plan Year, and longer term where relevant, in meeting the policies set out in the SIP. References to the SIP sections refer to the SIP signed on 4 November 2021.



**In summary, it is the Trustee's view that the policies in the SIP have been followed during the Plan Year.**



## Investment Mandates

### Securing compliance with the legal requirements about choosing investments

#### Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Adviser. The policy is detailed in Section 2 (Plan Governance) of the SIP, which applies to the DB and DC Sections of the Plan.



#### How has this policy been met over the Plan Year?

In November 2022, the Trustee received written advice from its Investment Adviser confirming that the DB arrangements of the Plan remained suitable.



#### How has this policy been met over the Plan Year?

During 2022, the Trustee reviewed the DC investment arrangements of the Plan, including receiving written advice from its Investment Adviser, taking into consideration the member profile, industry trends, results from a member survey completed in 2021 and actual experience of how members had elected to draw on their benefits at retirement. Following the review, the Trustee agreed to the changes recommended by the Trustee's Investment Adviser as summarised below:

- Replacement of two of the underlying funds within the Growth Fund and the Growth Plus Fund with the Legal & General Investment Management Limited ("LGIM") Future World equivalent funds:
  - The All-World Equity Index Fund was replaced with the Future World Global Equity Index Fund, maintaining a 90% currency hedge by investing 90% in the hedged version of this fund and 10% in the unhedged version; and
  - The Investment Grade Corporate Bond All Stocks Index Fund was replaced with the Future World GBP Corporate Bond Index Fund.
- Replacement of the 10% Over 15 Year Gilts Fund allocation within the Growth Fund with the All-Stocks Index Linked Gilts fund (already used within the Growth Fund).
- Replacement of the Pre-Retirement (Annuity Target) Fund with the Pre-Retirement (Annuity Target) Inflation-Linked Fund across all ifecycle arrangements, where applicable.
- Inclusion of the following funds within the Freestyle range: IBM Pension Plan Sustainable Global Equity Index, IBM Pension Plan Sustainable Developed (ex UK) Equity Index, IBM Pension Plan Sustainable UK Equity Index, IBM Pension Plan Sustainable Emerging Markets Equity Index, IBM Pension Plan Sustainable Corporate Bond and IBM Pension Plan Shariah Fund.
- Closure of the Lifecycle to Annuity strategy, Lifestyle 97 strategy and Ex-DSL Lifestyle 97 strategy. The implementation of the new funds in the Freestyle range were completed in November 2022 with the implementation of the remaining changes completed in February 2023.

In addition, the Trustee requests, on an annual basis, to receive written advice from its Investment Adviser on the continued suitability of the DC Plans' investment managers and underlying mandates. During the Plan Year, this advice was received in November 2022.

## Realisation of Investments

### Policy

The Trustee's policy is that there should be sufficient liquidity within the Plan's assets to meet short-term cashflow requirements in the majority of foreseeable circumstances, so that realisation of assets will not disrupt the Plan's overall investment policy. The policy is detailed in Section 2 (Realisation of Investments) of the SIP, which applies to the DB and DC Sections of the Plan.



#### How has this policy been met over the Plan Year?

Over the Plan Year, the Plan held a diversified portfolio consisting mostly of readily realisable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. In addition, the liquidity profile of the Plan was periodically reviewed by the Trustee.

Following an unprecedented rise in gilt yields the collateral sufficiency of the Plan was reduced, as the value of gilt collateral fell. The Trustee's Investment Committee maintained an ongoing review of the situation through October 2022. It was deemed that no action was required as collateral headroom was sufficiently high. Gilt yields have subsequently fallen and the collateral sufficiency for the Plan is deemed to be strong. Work is currently ongoing with the Plan's LDI manager to update the collateral monitoring framework. LDI collateral sufficiency is also being reviewed as part of the broader investment strategy review for DB assets.

#### How has this policy been met over the Plan Year?



Members' investments within the DC Section are traded and priced on a daily basis allowing members to access their investments as and when required.



## Environmental, Social and Governance (“ESG”)

### Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

#### Policy

The Plan’s SIP outlines the Trustee’s beliefs on ESG factors (including climate change). Further details are included in Section 3 of the SIP, which applies to the DB and DC Sections of the Plan. The Trustee keeps its policies under regular review.

#### How has this policy been met over the Plan Year?



The Pension Schemes Act 2021 introduced legislation requiring specified pension schemes to ensure that there is effective governance with respect to the effects of climate change. The Plan is required to have in place effective governance, strategy, risk management, and accompanying metrics and targets for the assessment and management of climate risks and opportunities from 1 October 2021, under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (as amended) and report against these on an annual basis.

During the Plan Year, the Trustee produced its first Climate Change-related Disclosures report for the Plan year end 31 December 2021 with the second annual report being finalised after this Plan Year. Both reports are publicly available at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>. The Trustee has delegated responsibility for the selection, retention, and realisation of investments to its underlying investment managers and, accordingly, the Trustee seeks to manage the risks and opportunities associated with these ESG factors by selecting industry leaders in investment management who are committed to the UK Stewardship Code and the Principles for Responsible Investment (UNPRI) (as they apply to the sector in which the manager invests or the strategy pursued by the manager) and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager. The Trustee has also appointed a Stewardship Manager to ensure that the Plan’s investment managers are compliant with the UK Stewardship Code and the UNPRI where appropriate.

During the Plan Year, the Trustee analysed the compliance of the investment managers against the UK Stewardship Code. At the time, the majority of managers were signatories of the Code. The only managers that were not signatories at the time of the report were:

- CBRE had made an application which has subsequently been approved and hence CBRE are now signatories
- Nephila and Securis are not signatories as they believe the UK Stewardship Code does not apply to the reinsurance contracts. However, current holdings in these funds represented only c.0.4% and c.0.2% of the Plan’s DB section assets (excluding the value of the buy-in insurance annuity contract), respectively, as at 31 December 2022.

All of the managers are signatories to the United Nations Principles of Responsible Investment.

The Investment Adviser reports any change in managers’ ESG ratings to the Trustee on an ongoing basis and makes recommendations to the Trustee, as appropriate. ESG ratings are also monitored as part of the annual Value for Members Assessment in respect of the DC Section.

The Trustee does not require the Plan’s investment managers to take non-financial matters into account in their selection, retention and realisation of investments. However, the Trustee has considered and assessed member views (regarding both financial and non-financial factors) in relation to the range of DC lifecycles/lifestyles and self-select (‘Freestyle’) funds offered to members.

The Trustee has considered ESG factors as part of the DC 2022 triennial investment strategy review.

In order to provide members with a range of sustainable investment options the Trustee added a range of sustainable funds across the default and self-select (Freestyle) fund range as set out earlier in this statement. The underlying funds are part of the LGIM’s Future World fund range which integrates ESG into the funds’ portfolio through exclusions of companies that fail to meet LGIM’s minimum standards in low carbon transition and corporate governance standards, and UN Global Compact Violators. They also have strong decarbonisation targets built into each fund.

The Trustee also added the IBM Pension Plan Shariah Fund to the self-select (Freestyle) fund range to provide members the option to invest in a Shariah fund. While Shariah law prohibits investing in certain financial securities on moral grounds, norms based exclusionary filters do the same, on the basis of ESG and other considerations. This is a fund which ultimately recognises that long-term sustainable growth is only possible within the right environmental and social context.



## Voting and Engagement Disclosures

**The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

### Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Plan's investments to the investment managers. Further details are set out in Section 4 (Rights Attaching to Investments (Stewardship)) of the SIP, which applies to the DB and DC Sections of the Plan. In addition, the Trustee has appointed a Stewardship Manager to ensure the Trustee's expectations for the Plan's investment managers to be compliant with the UK Stewardship Code were met. It is also the Trustee's policy to obtain reporting on voting and engagement and to periodically review the reports to ensure the policies are being met.

### How has this policy been met over the Plan Year?



During 2022, voting and engagement summary reports from the Plan's investment managers were provided to the Trustee and responsibility to consider these has been delegated to the ESG Sub-Committee. The Trustee has delegated responsibility for the exercising of rights (including voting rights) attaching to the Plan's DB and DC investments to the investment managers. Managers are encouraged to exercise these rights. The Trustee does not use the direct services of a proxy voter.

Following the DWP's consultation response and outcome regarding Implementation Statements on 17 June 2022 ("Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement: Statutory and Non-Statutory Guidance") one of the areas of interest was the significant vote definition. The most material change was that the Statutory Guidance provides an update on what constitutes a "significant vote":

- A significant vote is defined as one that is linked to the Plan's stewardship priorities/themes.
- A vote could also be significant for other reasons, e.g. due to size of holdings.
- Trustees are to include details on why a vote is considered significant and rationale for the voting decision.

Section 4 includes examples of engagement activity undertaken by the Plan's investment managers with investments in equities and credit, and section 5 sets out a summary of voting activity and the most significant votes cast on behalf of the Trustee by these investment managers for the Plan's equity investments. The Trustee has decided to consider any voting aligned with the Plan's key stewardship themes of ESG and Climate Change and/or if the vote is a significant proportion of the portfolio to be a significant vote. The significant votes were reviewed by the ESG Sub-Committee (a dedicated group which was set up by the Trustee to oversee ESG considerations in respect of the Plan). The Trustee did not make the investment managers aware what they considered to be the most significant votes in advance of voting undertaken by the managers during the year. However, the Trustee notes that their key stewardship themes are broadly aligned with the areas the Scheme's investment managers are currently focusing on in terms of voting and engagement. The level of climate-related engagement will also be monitored as one of the chosen metrics under the Climate Change-related Disclosures reporting requirements. As part of this monitoring, the Trustee has engaged with the Plan's investment managers where appropriate to understand the climate-related engagement activity undertaken.



## Monitoring the Investment Managers

### Incentivising asset managers to align their investment strategies and decisions with the Trustee's policies

#### Policy

The Trustee's policy is set out in Section 5 (Aligning Investment Manager Appointments with the Trustee's Investment Strategy) of the SIP, which applies to the DB and DC Sections of the Plan.



#### How has this policy been met over the Plan Year?

For the investments in pooled funds, the Trustee accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.

For the DB Section's segregated mandates, the Trustee has specified criteria in the investment manager agreements for the managers to meet the Plan's specific investment requirements and to have regard to the Trustee's policies set out in the SIP.



#### How has this policy been met over the Plan Year?

As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.

In the year to 31 December 2022, the Trustee remained satisfied that the contractual arrangement in place with LGAS remained appropriate.

In addition, the Trustee's approach on assessing the investment managers' stewardship and how ESG integration is monitored is set out earlier in this paper.



The Trustee has communicated carbon emissions targets set as part of the Climate Change-related Disclosures report requirements with the Plan's investment managers and engaged on the approaches to ensure alignment towards the determined targets.



## Evaluation of asset managers' performance and remuneration for asset management services

### Policy

The Trustee's policy is set out in Section 5 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC Sections of the Plan.



#### How has this policy been met over the Plan Year?

Over the year to 31 December 2022, quarterly performance reviews were held with most of the Plan's investment managers. This included quarterly meetings of the Trustee's 'Liability Driven Investments ("LDI") Governance Sub-Committee' with BlackRock to oversee and make an ongoing assessment of the LDI mandate. Following the UK government's 'mini-budget' in September 2022 which saw a sharp rise in both real and nominal yields the Trustee convened two interim meetings to discuss the performance of the LDI portfolio.

In addition, both quarter and longer-term performance metrics for all of the Plan's investment mandates were reported to the Investment Committee quarterly at both an asset class and investment manager level.



#### How has this policy been met over the Plan Year?

The performance of each of the Plan's funds, including those used in the Lifecycle and Lifestyle arrangements, were reviewed by the Investment Committee at each of its quarterly meetings. This included fund performance against their benchmarks over both quarter and longer-term periods.

The charges paid to LGIM for their services were analysed as part of the annual Value for Members assessment for the DC Section, which was conducted by the Plan's Investment Adviser in March 2023. The Investment Adviser determined that the funds available to members were competitively priced. As part of the investment strategy review the performance of the funds against their objectives was reviewed.



## Monitoring the Investment Managers

### Monitoring portfolio turnover costs

#### Policy

The Trustee's policy is set out in Section 5 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC Sections of the Plan.



#### How has this policy been met over the Plan Year?

The Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Plan. Over the year, investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets), and where possible, performance objectives for investment managers were set on a net basis. In this way, managers were incentivised to keep portfolio turnover costs to the minimum required to meet or exceed their objectives.



#### How has this policy been met over the Plan Year?

Transaction costs were reviewed by the Investment Committee at each of its quarterly meetings and were also disclosed in the annual Chair's Statement. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. IBM Pensions Trust have also held discussions with LGIM to understand the underlying costs incurred at a fund level.

### The duration of the arrangements with asset managers

#### Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy are set out in Section 5 (Manager Turnover) of the SIP, which applies to the DB and DC Sections of the Plan.



#### How has this policy been met over the Plan Year?

Over the course of the Plan year the Trustee reviewed the DC investment arrangements of the Plans in accordance with its triennial strategy review. Following the review, the Trustee agreed to the changes as summarised earlier in this statement. Whilst no funds or managers were terminated as part of the review, certain legacy default strategies were closed and a number of new funds were added to the Freestyle fund range.

Over the course of the Plan year the investment arrangements of the DB section of the Plan have not been changed and have been consistent with the above policy to not alter investment arrangements on a frequent basis.



## Strategic Asset Allocation

### Kinds of investments to be held, the balance between different kinds of investments and expected return on investments



#### Policy

The Trustee's policy on the kinds of investments to be held and the balance between different kinds of investments can be found under Objectives and Policy (Section 6.1 and 6.2) in the SIP.

#### How has this policy been met over the Plan Year?

The Trustee regards the basic distribution and balance of the assets to be appropriate for the Plan's objectives and liability profile.

Currently the Plan targets a Growth / Matching portfolio of 9.3% / 90.7%, which is consistent with the previous Plan year.

The Trustee continues to review the investment strategy to ensure the risk and return investment objectives of the DB Section are met. The triennial investment strategy review, which typically takes place when the Statutory Funding Valuation is carried out, commenced in 2023. Details will be provided in the 2023 statement.

Following the sharp rise in gilt yields over September / October 2022 the value of gilt collateral fell in the Plan. The Investment Committee maintained an ongoing review of the situation through October. It was deemed that no action was required as collateral headroom was deemed sufficient. LDI collateral sufficiency is being reviewed as part of the broader investment strategy review to see if the current level of investment remains suitable for the Plan.



#### Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Overall Aims and Objectives (SIP Section 6.10 – 6.11)
- Investment Objectives (SIP Section 6.12)
- Investment Policies (SIP Section 6.13 – 6.19)
- Default Investment Strategy - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.20 – 6.28)
- Legacy Default Investment Strategies - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.29 – 6.36)
- Additional Default Arrangements, Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.37 – 6.42)

The default investment arrangements are designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to the needs of the Plan's members. The Trustee carries out regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership.

The Trustee recognises that the default investment strategies will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative Lifecycle strategies and a range of self-select (Freestyle) funds.

#### How has this policy been met over the Plan Year?

As part of the triennial investment strategy review and the quarterly Investment Committee meetings, the Trustee reviewed the performance of the funds within the Plan's investment range, including the funds that form part of the Lifecycle and Lifestyle strategies. This included fund performance against benchmarks over both short and longer-term periods. The Trustee was satisfied with the performance of the majority of the funds over the Plan Year which had performed in line with their underlying aims and objectives

Additionally, as part of the triennial investment strategy review, the membership demographic, the kind of investment held, and the balance between investments were taken into consideration. Following this the Trustee agreed to include a range of ESG focussed funds within the Lifecycles/Lifestyles and Freestyle range. In addition a Shariah fund was also introduced within the Freestyle range.

Where performance is not in line with expectations, the Trustee will continue to monitor funds closely and take action if this is felt appropriate. However, changes to existing funds or new fund additions are generally made as part of a more holistic assessment within the broader context of the Plan's aims and not just based on historic performance. Mercer's investment manager research and their assessment and view on the manager's ability to achieve the performance objective of the funds is also factored in alongside wider strategy considerations. The Trustee will continue to monitor the funds' performance at the quarterly Investment Committee meetings and as part of the next triennial investment strategy review.



# Strategic Asset Allocation

## Risks, including the ways in which risks are to be measured and managed



### Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks can be found under the following section of the SIP:

- Risk Management (Section 6.9) in the SIP.

The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and asset managers.

### How has this policy been met over the Plan Year?

Details of how the specific risks identified in the SIP are measured and managed can be found under section 6.9 of the SIP.

During the Plan Year, the Trustee periodically reviewed its currency hedging arrangements to ensure the level of unhedged currency exposure was maintained within acceptable limits.

Quarterly meetings of the Trustee's LDI Governance Sub-Committee were held with BlackRock to oversee the LDI hedging arrangements. Further interim committee meetings were held following the volatility in UK gilt markets in Q4 2022. Other risks were managed during the year as described in the SIP (Section 6.9).



The Trustee maintains a register of key risks, including investment risks, which is reviewed annually by the Governance Committee or more frequently if new risks are identified. 'Top' risks are also reviewed quarterly. The register of key risks rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken. A review of the register of key risks was carried out in December 2022 and necessary updates were made.

As part of the Climate Change-related Disclosure requirements, the Trustee has continued to carry out climate scenario analysis and a covenant assessment which considers the impact of climate-related risks on future funding position and the employer supporting the Plan.

The Trustee also received updates from its Investment Adviser on developments concerning the Plan's investment managers as required on an ongoing basis.



### Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks can be found under the following section of the SIP:

- Investment Policies (SIP Section 6.18 – 6.19)

In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

### How has this policy been met over the Plan Year?

Details of how the specific risks identified in the SIP are measured and managed can be found under section 6.18 of the SIP.

As part of the investment strategy review which took place during the Plan year, the Trustee has considered these risks when evaluating the suitability of the DC investment arrangements of the Plan.

### 3. Responsible Investment and ESG Activity by the Trustee during the Plan Year



#### Climate Change-related Disclosure Reporting

During the Plan Year, the Trustee produced its first Climate Change-related Disclosures report for the Plan year end 31 December 2021 with the second annual report being finalised after this Plan Year. Both reports are publicly available online at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.

The key takeaways from the first report are:

- The Trustee has processes in place and increased their level of governance to identify, assess and mitigate climate change risk.
- Climate change risk can have an impact on the long-term funding objectives of the DB portfolio and outcomes for DC members.
- Three metrics have been chosen to monitor the progress against climate change risk. A fourth, portfolio alignment, metric will be introduced in the 2022 report which will be available in July 2023.
- The Trustee has set a target to **reduce the level of carbon intensity within the Plan’s investment portfolio by 20% over the next 3 years, under Scope 1 and 2 emissions\* for assets that are reportable**. Actions have been determined to move towards the agreed target including continuing to engage with the Plan’s investment managers and review of the investment strategies in the DB and DC sections referred to earlier in this statement.

\* Scope 1 emissions are “direct” emissions from sources owned or controlled by the company (e.g., direct combustion of fuel from vehicles). Scope 2 emissions are “indirect” emissions from those caused by the generation of energy (e.g., electricity) purchased by the company.



#### ESG Integration Assessment (RITE<sup>1</sup>)

A quantitative Responsible Investment Total Evaluation (“RITE”) assessment was commissioned by the Trustee and undertaken by the Plan’s Investment Adviser in 2022. RITE assesses how well the Trustee integrates ESG factors into the Plan’s investment decision-making. By undertaking this assessment, the Trustee has made significant steps to improve the level of ESG factors within their investment decision-making and the actions from the assessment has also led to enhanced compliance in each area of the Climate Change-related Disclosures requirements. This is evidenced by an improvement in the RITE rating from **B** in 2021 to **B+** in 2022 for the DB Section and an improvement in the RITE rating from **B** in 2021 to **A** in 2022 for the DC Section.

Further details of the RITE assessment can be found in the Trustee’s Climate Change-related Disclosures report.



#### Trustee Training

Over the Plan Year, Mercer held training sessions covering a variety of topics for the ESG Sub-Committee meetings. The ESG Sub-Committee report to the Trustee, who has the ultimate responsibility for ensuring the effective governance of climate-related risks and opportunities. These training sessions included:

- Reviewing and updating the Trustee’s beliefs on ESG.
- Discussion on how ESG is integrated into the Plan’s decision-making and, considering the outcome of the RITE assessment.
- Understanding of potential impacts of climate-change risks and opportunities in relation to the Plan’s funding and investment strategies.
- Considering appropriate climate-related targets for the Plan, which are disclosed as part of the Plan’s Climate Change-related Disclosures reporting.
- Annual Stewardship assessment covering how ESG is integrated into each managers’ investment process but also including Mercer’s ESG ratings and what the managers are doing around Stewardship.

<sup>1</sup>Responsible Investment Total Evaluation (RITE) assesses the extent to which schemes integrate ESG factors. Schemes are scored on a scale from 0-100, with those scores then mapped to a rating of C/C+/B/B+/A/A+/A++. Any rating/ score has been determined at the sole discretion of Mercer, as professional adviser to the Plan. Mercer does not accept any liability or responsibility to any third party in respect of these findings, RITE is an evaluation at a point in time, informed by Mercer’s Sustainable Investment Pathway, more details on the Pathway can be found here <https://www.uk.mercer.com/our-thinking/wealth/responsible-investing-for-uk-pension-schemes.html>.

## 4. Examples of Engagement Activity by the Plan's Investment Managers



The following are examples of engagement activity undertaken by the Plan's investment managers.



### Fixed income managers – Engagement in Practice

Manager	Fund	Industry / Company	Reason for Engagement	Action Taken	Outcome
Wellington	Global Credit	Altice	Wellington had concerns over the labour practices at the company. For instance the company was involved in a number of controversies relating to its aggressive billing practices, and excessive executive bonuses.	Wellington's in-house ESG Research team downgraded the issuer's Social rating. This was the outcome of their research which concluded the company was showing no desire to improve its practices and mitigate these social and governance risks the company faced.	Given inadequate action following the multiple engagements, Wellington removed all exposure to the company in its portfolio.
PIMCO	Global Credit	Deutsche Bank	PIMCO engaged with Deutsche Bank to discuss its green credentials. This included information on engagements with their clients and climate disclosures.	PIMCO met with senior management at Deutsche Bank to discuss their green bond program. Such discussions included conversations on deforestation, biodiversity and their current climate disclosure practices.	Deutsche noted that they will no longer finance coal mining by 2025, and that they are increasing ESG disclosures and strengthening their frameworks. PIMCO will monitor these developments.
Western	Long-term UK Core Credit	LaFarge Holcim	Western sought an engagement with LaFarge Holcim following a press release of the company pleading guilty to being involved in paying a subsidiary to negotiate with armed groups in the Syrian Civil War back in 2013-2014.	When the news became public Western met with the company and asked what actions they had taken as a result of the action against them. Western followed this up with regular updates on the case, and a thorough analysis of their earnings over the years.	The engagement confirmed the steps the company had taken following the findings especially in terms of governance, processes and auditing. Western will continue to seek updates and clarifications as more stories become public.
Goldman Sachs Asset Management ("GSAM")	Long-term UK Core Credit	Financial (company name not disclosed)	Members of the GSAM Global Stewardship Team and Fundamental Equity Team met with a US financial company to provide feedback on their ESG reporting and practices. This followed a previous engagement in 2020 where they pushed for greater disclosures.	The meeting with the company showed the progress made in terms of ESG disclosures. This included new information on director diversity, board composition metrics, and more information on corporate governance practices.	GSAM noted the increased disclosures of the company. However, they pushed for greater disclosures especially concerning workforce and management diversity and more information on how they promote diversity at leadership levels. This engagement will be followed up by GSAM to monitor progress.
Northern Trust	Global Bonds	Vonovia	Northern Trust engaged with Vonovia on climate change as the issue of environmental efficiency of buildings, and exposure to regulation was highlighted in their research.	Through their engagement with Vonovia they were able to get further details on the efficiency of buildings in Vonovia's portfolio, and its plans to refurbish any such buildings.	As a result of the engagement Northern Trust were more comfortable with their understanding on Vonovia's exposure to the energy transition, as well as the impact of sector wide regulation on Vonovia. Northern Trust will continue to monitor their progress and plan to engage annually.



## LGIM - Microsoft Corporation on Electing Director Satya Nadella



In 2021, without seeking prior shareholder approval, Microsoft took the decision to recombine the roles of chair and CEO, which had previously been separate for many years. At the annual general meeting held on 13 December 2022, LGIM voted against the resolution 1.4 to Elect Director Satya Nadella. LGIM expect companies to have a separate chair and CEO on account of risk management and oversight considerations, and also because the roles are substantially different and require different skills. Previously, in Microsoft's 2021 AGM, LGIM voted against both the re-election of the chair and of the board nomination committee chair/lead independent director, and LGIM have conveyed their disappointment at this change.

94.8% shareholders voted for the resolution (for the re-election of Satya Nadella). Nevertheless, LGIM maintain their belief in the importance of the separation of the chair and CEO roles, on account of the different skillsets and different responsibilities of these roles. LGIM were disappointed that Microsoft took the decision to recombine these roles, and will continue to engage with them on this and other topics.



## HSBC – Engaging with Apple Inc. on Supply Chain Labour Practices



HSBC requested an engagement with Apple to discuss supply chain labour practices, amongst other concerns. HSBC raised concerns about the human rights allegations and wanted to know what the company was doing to investigate these and provide adequate remedy on the ground where violations were found. HSBC requested that the company provide additional transparency of its labour and human rights due diligence, including for its suppliers and sub-suppliers. In addition to the engagement, at the company AGM HSBC supported a shareholder resolution calling for a report on forced labour so that the company can address how its policies and procedures protect workers in the supply chain. HSBC also supported shareholder resolutions calling for a report on a civil rights audit, median gender/racial pay gap, as well as the use of concealment clauses.

The company acknowledged the concerns of HSBC and reiterated that it has robust policies and practices in place. HSBC will continue to monitor the matter and will engage with the company in 2023 on this and other areas of concern. HSBC will assess any potential further reports on labour and supply chains that the organisation may publish.

*Source: LGIM, HSBC*

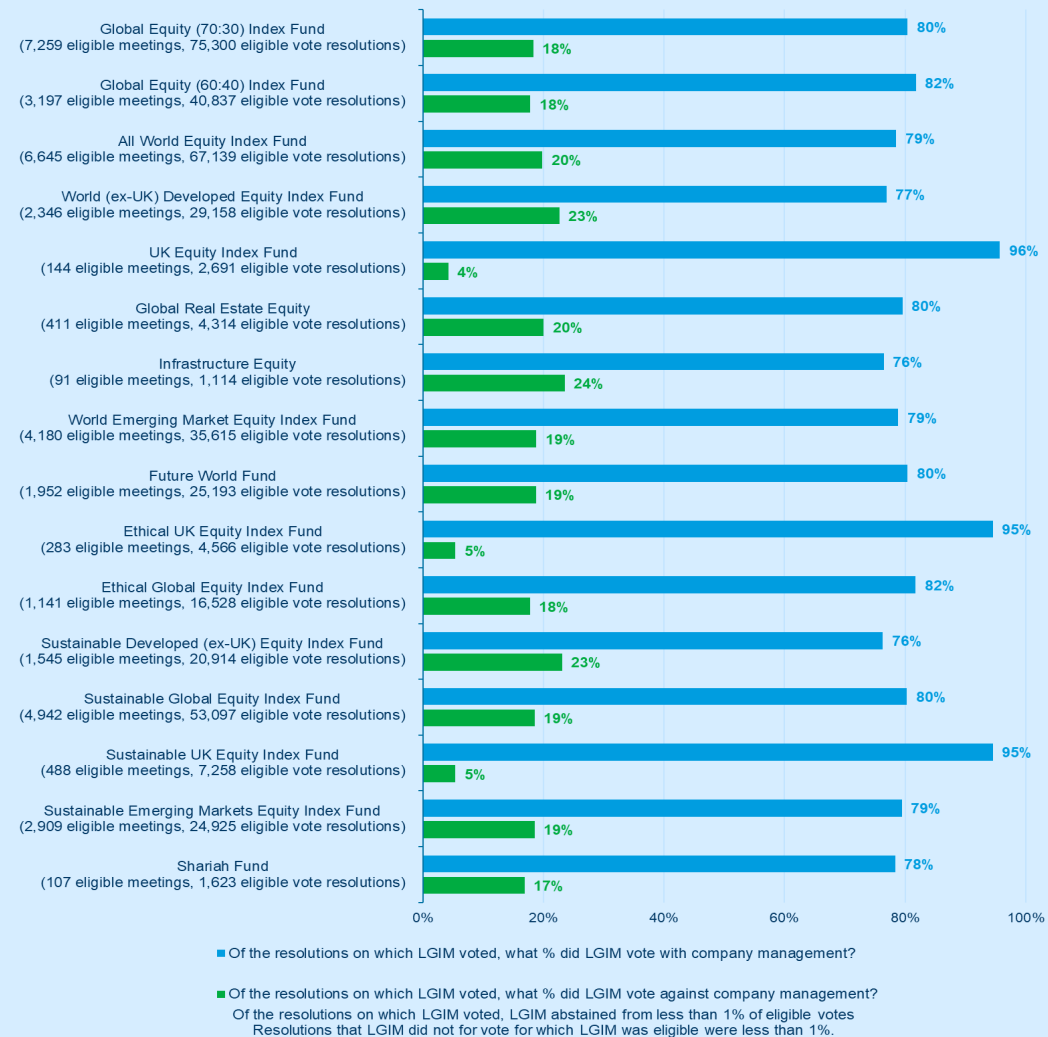


## 5. Voting Activity during the Plan Year

Due to the nature of the underlying assets of the DB Section, no voting data is available from the investment managers (i.e., there are no equity exposures in the underlying investments). This section therefore focuses on the data available in the DC Section of the Plan.

The Trustee has chosen a metric as part of their Climate Change-related Disclosures reporting requirements, which monitors engagement or voting on climate-related risks and opportunities. This allows the Trustee to assess the extent to which an asset manager is engaging and/or voting on the topic of climate change and will enable the Trustee to monitor improvement in engagement levels over time which is an area of focus for the Trustee. The chosen metric covers the DB and DC Sections of the Plan and more details on the metric can be found in the Trustee's Climate Change-related Disclosures report.

The chart shows a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Plan. Funds where voting is not applicable (i.e., non-equity funds) are not included in the list on the right. Except for certain Additional Contributions invested with Aviva, the DC investments are managed by LGIM and HSBC and held on the Legal & General investment platform.



Source: LGIM and HSBC.

Extracts from LGIM's voting policy (full voting policy can be found on <https://www.lgim.com/landq-assets/lqim/document-library/capabilities/lqim-uk-corporate-governance-and-responsible-investment-policy.pdf>):

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.

LGIM's Investment Stewardship team uses Institutional Shareholders Services' (ISS) '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."

HSBC states that they exercise their voting rights as an expression of stewardship for their client assets. They have global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills. HSBC uses the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of HSBC's voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC's guidelines. HSBC reviews voting policy recommendations according to the scale of HSBC's overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines. HSBC's Global Voting Guidelines can be found on <https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/resource-documents/global-voting-guidelines-en.pdf>.



## Most significant votes



A “Significant Vote” is defined as one that is related to the Plan’s beliefs and stewardship priorities, and/or it is significant because of the size of the Plan’s holdings portfolio. The votes included below are those that the Trustee believe to be significant based on the Trustee’s beliefs and stewardship priorities which are ESG and Climate Change.

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
Global Equity (70:30) Index	2.2	BP Plc	12 May 2022	LGIM voted in favour of the Net Zero – From Ambition to Action Report	While LGIM notes the inherent challenges in the decarbonisation efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM’s view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing their constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote. Engaging with energy companies on their climate commitments has been made a priority.
Global Equity (60:40) Index	1.9						
All World Equity Index	0.1						
Future World	<0.1						
Sustainable UK Equity Index	1.9						
Sustainable Global Equity Index	0.1						
UK Equity Index	3.6						
Global Equity (70:30) Index	4.8	Royal Dutch Shell	24 May 2022	LGIM voted against the Shell Energy Transition Progress Update (in line with management)	LGIM acknowledges the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remains concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of their targets.	Resolution passed	The Trustee has deemed votes related to the <b>climate change</b> to be a significant vote. Engaging with energy companies on their climate commitments has been made a priority.
Global Equity (60:40) Index	4.1						
All World Equity Index	0.3						
UK Equity Index	7.9						
Ethical UK Equity Index	9.3						
Ethical Global Equity Index	0.6						
Future World	<0.1						
Sustainable Global Equity Index	0.2						
Sustainable UK Equity Index	4.6						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
Global Equity (70:30) Index	1.9	Glencore Plc	28 April 2022	LGIM voted against the Climate Progress Report	LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. While LGIM notes the progress the company has made in strengthening its medium-term emissions reduction targets to 50% by 2035, LGIM remain concerned over the company's activities around thermal coal and lobbying, which they deem inconsistent with the required ambition to stay within the 1.5°C trajectory.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Global Equity (60:40) Index	1.6						
All World Equity Index	0.1						
UK Equity Index	3.1						
Future World	<0.1						
Global Equity (70:30) Index	0.3	Alphabet Inc.	1 June 2022	LGIM voted in favour of a report on the physical risks of climate change	A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	Resolution <b>not</b> passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Global Equity (60:40) Index	0.2						
All World Equity Index	1.1						
World (ex-UK) Developed Equity Index	1.3						
Future World	2.2						
Ethical Global Equity Index	2.0						
Sustainable Developed ex-UK Equity Index	1.1						
Sustainable Global Equity Index	0.9						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
Global Equity (70:30) Index	0.6						
Global Equity (60:40) Index	0.4						
All World Equity Index	1.7						
World (ex-UK) Developed Equity Index	2.0	Amazon.com, Inc.	25 May 2022	LGIM voted against Elect Director Daniel P. Huttenlocher	A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices (under the <b>ESG</b> scope) to be a significant vote
Future World	1.3						
Sustainable Developed ex-UK Equity Index	2.0						
Sustainable Global Equity Index	1.7						
Global Equity (70:30) Index	0.2						
Global Equity (60:40) Index	0.1						
All World Equity Index	0.6	Exxon Mobil Corporation	25 May 2022	LGIM voted in favour of setting GHG Emissions Reduction targets Consistent With Paris Agreement Goal.	A vote for is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. 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.	Resolution <b>not</b> passed	The Trustee has deemed votes related to the <b>climate change</b> to be a significant vote. Engaging with energy companies on their climate commitments has been made a priority
World (ex-UK) Developed Equity Index	0.7						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
Global Equity (70:30) Index	1.2	Apple Inc.	4 March 2022	LGIM voted in favour of a report on Civil Rights Audit	A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as LGIM consider these issues to be a material risk to companies.	Resolution passed	The Trustee has deemed votes related to social issues best practices (under the <b>ESG</b> scope) to be a significant vote
Global Equity (60:40) Index	0.8						
All World Equity Index	3.8						
World (ex-UK) Developed Equity Index	4.5						
Future World	3.6						
Ethical Global Equity Index	7.0						
Sustainable Developed ex-UK Equity Index	6.3						
Sustainable Global Equity Index	5.3						
Global Equity (70:30)	0.2	NVIDIA Corporation	2 June 2022	LGIM voted against Elect Director Harvey C. Jones	A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023.LGIM are targeting the largest companies as LGIM believe that these should demonstrate leadership on this critical issue. A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices and diversity (under the <b>ESG</b> scope) to be a significant vote
Global Equity (60:40)	0.2						
All World Equity Index	0.7						
World (ex-UK) Developed Equity Index	0.8						
Future World	0.1						
Ethical Global Equity Index	1.3						
Sustainable Developed ex-UK Equity Index	1.4						
Sustainable Global Equity Index	1.2						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
Global Equity (70:30) Index	0.4	Standard Chartered Plc	4 April 2022	LGIM voted against approving Net Zero Pathway	A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Global Equity (60:40) Index	0.3						
All World Equity Index	<0.1						
Future World	<0.1						
Sustainable Global Equity Index	<0.1						
UK Equity Index	0.7						
Sustainable UK Equity Index	0.8						
Ethical Global Equity Index	<0.1						
Ethical UK Equity Index	0.8						
Global Equity (70:30) Index	1.9	Rio Tinto Plc	8 April 2022	LGIM voted against the resolution to Approve Climate Action Plan	LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while LGIM acknowledges the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, LGIM remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Global Equity (60:40) Index	1.6						
All World Equity Index	0.1						
UK Equity Index	3.1						
Ethical Global Equity Index	0.2						
Ethical UK Equity Index	3.7						
Future World	<0.1						
Sustainable Global Equity Index	0.2						
Sustainable UK Equity Index	5.0						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
Global Equity (70:30) Index	1.4	Anglo American	19 April 2022	LGIM voted against the resolution to Approve Climate Change Report.	LGIM recognises the substantial progress the company has made in climate reporting, primarily on transparency and the expansion of GHG emissions reduction targets (including the ambition to work to decarbonise its value chain), as well as the importance of the company's products in enabling the low-carbon transition. However, LGIM remains concerned that the company's interim operational emissions targets (to 2030) are insufficiently ambitious to be considered aligned with the 1.5C trajectory.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Global Equity (60:40) Index	1.2						
All World Equity Index	0.1						
UK Equity Index	2.4						
Ethical Global Equity Index	0.2						
Ethical UK Equity Index	2.7						
Future World	<0.1						
Global Equity (70:30) Index	0.7	Barclays Plc	4 May 2022	LGIM voted against Barclay's Climate Strategy, Targets and Progress for 2022	While LGIM positively note the Company's use of absolute emissions targets for its exposure in the Energy sector, as well as the inclusion of capital markets financed emissions within its methodology, LGIM have concerns that the ranges used for interim emissions reduction targets and the exclusion of US clients from the 2030 thermal coal exit falls short of the actions required.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Global Equity (60:40) Index	0.6						
All World Equity Index	<0.1						
UK Equity Index	1.2						
Ethical Global Equity Index	0.1						
Ethical UK Equity Index	1.4						
Future World	<0.1						
Sustainable Global Equity Index	<0.1						
Sustainable UK Equity Index	1.2						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
World Emerging Market Equity Index	0.3	Xiaomi Corporation	2 June 2022	LGIM voted against the Election of Lei Jun as Director	A vote against is applied as LGIM expects the roles of Chair and CEO to be separate. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors. Diversity: A vote against is applied as LGIM expects a company to have at least one female on the Board mandates: A vote against is applied as LGIM expects a CEO not to hold too many external roles to ensure they can undertake their duties effectively.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices and diversity (under the <b>ESG</b> scope) to be a significant vote
All World Equity Index	<0.1						
Sustainable Global Equity Index	<0.1						
Sustainable Emerging Market Equity Index	0.3						
World Emerging Market Equity Index	1.3	Meituan	18 May 2022	LGIM voted against the election of Wang Xing as Director	A vote against is applied as LGIM expects a company to have at least one female on the board.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices and diversity (under the <b>ESG</b> scope) to be a significant vote
All World Equity Index	0.1						
Sustainable Global Equity Index	<0.1						
Sustainable Emerging Market Equity Index	0.8						
World Emerging Market Equity Index	0.3	Pinduoduo Inc.	31 July 2022	LGIM voted against electing Director Lei Chen	A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Lead Independent Director: A vote against is applied as LGIM expects companies to elect an independent lead director where there is a combined Board Chair and CEO.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices (under the <b>ESG</b> scope) to be a significant vote
All World Equity Index	<0.1						
Sustainable Global Equity Index	<0.1						
Sustainable Emerging Market Equity Index	0.4						



Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
World Emerging Market Equity Index	1.1	China Construction Bank Corporation	23 June 2022	LGIM voted against electing Graeme Wheeler as Director	Climate Impact Pledge: A vote against is applied under LGIM's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
All World Equity Index	0.1						
Sustainable Emerging Market Equity Index	0.1						
World Emerging Market Equity Index	0.8	Industrial & Commercial Bank of China Limited	23 June 2022	LGIM voted against electing Chen Siqing as Director	Climate Impact Pledge: A vote against is applied under LGIM's Climate Impact Pledge. LGIM positively notes the Company's increased willingness to engage with LGIM and highlight responsiveness to investor concerns, including ESG-related amendments to strengthen the bank's Articles of Association in this area. However, LGIM continues to note their concern with the lack of a clear thermal coal policy in place and no disclosure of scope 3 emissions associated with investments. LGIM will continue to monitor the Company's progress in this area.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
All World Equity Index	<0.1						
Sustainable Emerging Market Equity Index	0.2						
Infrastructure Equity	1.8	Getlink SE	27 April 2022	LGIM voted against the Company's Climate Transition Plan (Advisory)	A vote against is applied due to the lack of clarity around long-term goals and net zero ambitions.	Resolution passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote
Sustainable Global Equity Index	<0.1	VINCI SA	12 April 2022	LGIM voted against re-electing Xavier Huillard as Director	A vote against is applied as LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices (under the <b>ESG</b> scope) to be a significant vote
Ethical Global Equity Fund	0.1						
All World Equity Index	0.1						
Infrastructure Equity	2.9						

Fund	Portion of Fund (%)	Company	Date of vote	How the Manager voted*	Rationale of Manager vote	Final outcome following the vote**	Why Vote is Significant
All World Equity Index	0.2						
Sustainable Global Equity Index	0.2	Prologis, Inc	17 May 2022	LGIM voted against electing Hamid R. Moghadam as Director	LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices (under the <b>ESG</b> scope) to be a significant vote
Global Real Estate Equity	6.2						
HSBC Islamic Global Equity	7.6	Microsoft Corporation	13 December 2022	HSBC voted against the Advisory Vote to Ratify Named Executive Officers' Compensation	The company is on HSBC's UK Excessive Pay watch list, which means the quantum of the CEO pay is beyond what HSBC believes fair and appropriate for the size and complexity of the business. In terms of next steps, HSBC will continue to engage on the issue along with other issues of concern, and will likely vote against a similar proposal should they see insufficient improvements.	Resolution passed	The Trustee has deemed votes related to corporate governance best practices (under the <b>ESG</b> scope) to be a significant vote
HSBC Islamic Global Equity	4.1	Amazon.com Inc.	25 May 2022	HSBC voted for a report on efforts to reduce plastic use	Shareholders would benefit from additional information on how the company is managing risks related to the creation of plastic waste. In terms of next steps, HSBC plans to raise their concern at the company and will likely vote against such a proposal should there be no improvements.	Resolution <b>not</b> passed	The Trustee has deemed votes related to <b>climate change</b> to be a significant vote

\*LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics. HSBC communicates their thinking on the shareholder proposals ahead of the AGM meetings.

\*\*In terms of future steps, for all votes disclosed by LGIM, LGIM state they will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Source: LGIM and HSBC