

# IBM Pension Plan (‘the Plan’)

SIP Implementation Statement for the Year Ended  
31 December 2023

July 2024



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# Section 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 2023 to 31 December 2023 (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 relevant version of the SIP that was in place for the Plan Year, which was the SIP dated 4 November 2021 covering the period between 1 January 2023 and 12 March 2023, the SIP dated 13 March 2023 covering the period between 13 March 2023 and 1 November 2023, and the SIP dated 2 November 2023 covering the period between 2 November 2023 and 31 December 2023.

Sections 2.1 and 2.2 of this statement sets 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 Plan’s SIP dated 2 November 2023 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 information on the engagement and key voting activities of the underlying investment managers within each Section of the Plan.

# Section 2

## Statement of Investment Principles

### 2.1 Investment Objectives of the Plan

The Trustee has set the following objectives for the Plan as specified in the SIP:

#### DB Section

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.

The Trustee has agreed a target, as set out in the Climate Change-related Disclosures Report, with the aim of reducing the level of carbon intensity within the Plan's investment portfolio by 20% over the 3 years from 31 December 2021 (where carbon emissions data is available and can be reported). It should be noted that the target applies for the assets where Weighted Average Carbon Intensity (WACI) is reportable.

#### DC Section

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 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 suitable and cost effective.
- Make sure the DC Section of the Plan meets all regulatory requirements as set out by the Pensions Regulator.
- Ensure effective governance of climate-related risks and opportunities.
- 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 default investment strategies that are suitable for the profile of defaulting members based on their expected risk tolerances and retirement objectives and embed climate change risk and opportunity considerations in their design.
- To offer a range of self-select investment options which are appropriate for the profile of most members and offer options for sustainable investment.

The Trustee has agreed a target, as set out in its Climate Change-Related Disclosures Report, with the aim of reducing the level of carbon intensity within the Plan's DC investment portfolio by 20% over a 3-year period from 31 December 2021. It should be noted that the target applies for the assets where Weighted Average Carbon Intensity (WACI) data is reportable.

## 2.2 Review of the SIP

In Q1 2023, the Trustee reviewed the Plan's SIP, taking formal advice from its Investment Adviser (Mercer Limited ("Mercer")). The review reflected the Trustee's requirement to comply with the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021. Accordingly, the SIP was updated to reflect the Trustee's consideration of climate change risks and opportunities in its investment decision-making process. The updated SIP was signed on 13 March 2023.

The updated SIP also specifies that:

- The Trustee requires detailed information on significant votes, as determined by the Trustee, to be provided by the investment managers on an annual basis. The significant votes are 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) and are disclosed on an annual basis in the Implementation Statement. The Trustee defines a 'significant vote' to be one that aligns with one of the Trustee's beliefs and stewardship priorities (which are climate change, diversity, equity and inclusion and energy efficiency).
- Reports on corporate governance produced by the investment managers along with their voting and stewardship policies are considered as part of the annual Stewardship Report which is discussed at ESG Sub-Committee meetings.
- The Trustee engages with managers on climate-related risks and exposure to these risks within the Plan's investments. These risks and opportunities are reported annually in compliance with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. Further information can be found in the Climate Change-related Disclosures Report (available at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>).
- The Trustee has agreed a target, as set out in the Climate Change-related Disclosures Report, with the aim of reducing the level of carbon intensity within the Plan's investment portfolio by 20% over the 3 years from 31 December 2021 (where carbon emissions data is available and can be reported). The Trustee's target has been incorporated into the Investment objectives for the SIP for the DB and DC sections of the Plan.
- As part of the Plan's triennial default investment strategy reviews, the Trustee considers opportunities to improve ESG integration into the portfolio.

There were no changes made to the investment arrangements for the DB section as part of this SIP update.

For the DC section, additional updates to the SIP and accompanying Investment Policy Implementation Document ("IPID") were made to reflect the agreed changes to the investment arrangements following conclusion of the 2022 investment strategy review. The review considered the retirement objective of the default Lifecycle Balanced 2020 strategy, as well as factors such as the impact of rising levels of inflation and the financial consequences of climate change on members' pension savings. The DC section of the SIP reflected further changes made to increase ESG and climate change integration, notably the introduction of a range of sustainable and ethical investment options.

The changes are 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
  - 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 lifecycle arrangements, where applicable
- The Trustee also introduced the following funds within the Freestyle range: Future World Global Equity Index Fund, Future World Developed (ex UK) Equity Index Fund, Future World UK Equity Index Fund, Future World Emerging Markets Equity Index Fund, Future World GBP Corporate Bond Index Fund and HSBC Islamic Global Equity Index Fund.
- Closure of the Lifecycle to Annuity strategy, Lifestyle 97 strategy and Ex-DSL Lifestyle 97 strategy. Members were mapped across to the Lifecycle Balanced 2020 strategy and Data Science Limited Lifecycle Balanced 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 Q3 2023, further amendments were made to the Plan’s SIP. Additional wording was included on the Plan’s efforts to align with IBM’s net zero target and engage with investment managers on reducing carbon exposure. Details of the Trustee’s stewardship priorities were also added, outlining the most significant votes, as determined by the Trustee.

For the DB section, the Strategic Asset Allocation was updated to reflect the reduction in the target allocation to Private Equity and Property in favour of increased allocations to Long Term UK Core Credit and Liability Matching Assets. For the DC section, the Trustee included its views and approach to investing in illiquid assets classes. The SIP was also updated to reflect the closure of the Lifecycle to Lump Sum and the Lifecycle to Drawdown strategies and these members were mapped across to the respective Lifecycle to Lump Sum 2020 and the Lifecycle to Drawdown 2020 strategies. The updated SIP was signed on 2 November 2023.

## 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 work undertaken by the Trustee during the year, and longer term where relevant, and sets out how this work followed the Trustee’s policies in the SIP, relating to the DB section and DC section of the Plan. References made to the SIP sections are to the SIP signed on 2 November 2023.

**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.

DB	DC
<p><b>How has this policy been met over the Plan Year?</b></p> <p>During the Plan Year, the Trustee recalibrated the Liability Matching portfolio and rebalanced the liability hedge to ensure that (a) the liabilities monitored continued to represent the Plan’s actual liabilities and (b) the asset portfolio closely matched the sensitivities of these liabilities. The Trustee also undertook a full review of the Plan’s investment strategy. This review covered:</p> <ul style="list-style-type: none"><li>• Suitability of the Plan’s strategic asset allocation relative to the Funding Target and Long-Term Objective, including analysis and commentary on the appropriateness of these goals.</li><li>• Liability hedging considerations, including analysis on optimal hedge ratios for interest rates and inflation use of leverage.</li><li>• Progress on sales of the Plan’s illiquid asset portfolios and implications for the broader strategy, including the allocation to Investment Grade Credit and the Liability Matching Assets.</li></ul> <p>The Trustee also considered the Plan’s strategic allocation to cash and residual level of unhedged currency risk.</p> <p>In addition, the Trustee receives, on an annual basis, written confirmation from its Investment Adviser that the DB section’s investment managers and underlying mandates remains suitable. During the Plan Year, this confirmation was received in November 2023.</p>	<p><b>How has this policy been met over the Plan Year?</b></p> <p>During the Plan Year, the Trustee received written advice from its DC Investment Adviser, covering the following:</p> <ul style="list-style-type: none"><li>• The closure of the Lifecycle to Annuity strategy, Lifestyle 97 strategy and Lifestyle 97 DSL strategy following initial advice in the 2022 triennial investment strategy review.</li><li>• The potential closure of the Lifecycle to Drawdown, Lifecycle to Lump Sum, Lifecycle 2012, and Lifestyle 2002 strategies. Accordingly, a decision was made to close the Lifecycle to Drawdown and Lifecycle to Lump Sum strategies in 2023.</li><li>• An ongoing review of the Growth and Growth Plus funds. The construction of their respective benchmarks was also reviewed.</li></ul> <p>In addition, the Trustee receives, on an annual basis, written confirmation from its Investment Adviser that the DC section’s investment managers and underlying mandates remains suitable. During the Plan Year, this confirmation was received in November 2023.</p>

## 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.

DB	DC
<p><b>How has this policy been met over the Plan Year?</b></p> <p>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.</p> <p>The Plan's cashflow requirements were considered as part of the review of the overall investment strategy and separately as part of the review of the target cash allocation and currency hedging arrangements.</p>	<p><b>How has this policy been met over the Plan Year?</b></p> <p>Members' investments within the DC section are traded and priced on a daily basis, allowing members to access their investments as and when required.</p>



# 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).

The Trustee does not take into account non-financial matters in the selection, retention and realisation of investments.

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.

### DB and DC

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

During the Plan Year, the Trustee produced the second Climate Change-related Disclosures report for the Plan year end 31 December 2022. The report is 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 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 and against criteria which include ESG considerations. ESG and the level of integration will differ across asset classes and by investment manager.

During the Plan Year, the Trustee completed an ESG Beliefs survey. The Trustee outlined what it believed to be the key stewardship priorities for the Plan. The key stewardship priorities decided upon by the Trustee were Climate Change, Energy Efficiency, and Diversity, Equity & Inclusion. There is ongoing training being provided to the Trustee on Energy Efficiency and Diversity, Equity & Inclusion. A Stewardship and ESG Ratings review was carried out in September 2023, updating the Trustee on whether the underlying fund managers were signatories of the Principles for the Responsible Investment and the 2020 UK Stewardship Code. The review also included the 2023 ESG score and how it compared to the peer group, the ESG assessment score, the alignment with the Trustee Stewardship priorities, Climate Target / Net Zero Asset Managers initiative signatory status, monitoring of percentage of women employed in leadership roles and exposure to UN Global Compact violators. The review concluded that:

- All managers have a stewardship or engagement policy which is publicly available.
- The majority of managers have exclusions against “key” controversies.
- Most of the managers are signatory to the Net Zero Asset Managers initiative and have a publicly available net-zero target
- All managers believe climate change risks and DE&I to be important and form part of their investment process. This aligns with the Trustee’s view / definition of significant vote.

## DB and DC

The Plan's 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.

# 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's 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.

The Trustee supports the aims of the Stewardship Code and its investment managers are invited to operate in accordance with the guidelines laid out therein. The investment managers are also encouraged to report their adherence to the Stewardship Code using the "comply or explain" principle where appropriate. 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.

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.

## DB and DC

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

During 2023, 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 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.

In 4Q 2023, the Trustee conducted a survey to gauge DC members' investment and retirement preferences. Whilst 23% of respondents did not consider responsible investment to be a consideration in their investment decisions, 18% of respondents selected Environmental, Social, and Governance as

## DB and DC

important factors in their decisions. The survey also identified that only a small number of respondents had reviewed the 2022 Climate-Related Disclosures Report.

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 carried out an ESG Beliefs survey during the Plan year, which concluded the Trustee's key stewardship priorities for the Plan are in relation to Climate Change, Energy Efficiency, and Diversity, Equity & Inclusion. Voting activity captured by the Plan's key stewardship themes are considered to be a significant vote. The significant votes were reviewed by the ESG Sub-Committee. The Trustee did not make the investment managers aware what it 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 those of the Plan's investment managers. 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.

The Trustee has appointed a Stewardship Manager role to ensure the Trustee's expectations for the Plan's investment managers to be compliant with the UK Stewardship Code were met where appropriate. All the Plan's investment managers within the DB section, where their mandates form part of the investment strategy, are signatories to the current UK Stewardship Code. The Plan has historic investments with Nephila and Securis, but they do not form part of the strategic asset allocation of the DB section of the Plan and are not signatories to the UK Stewardship Code. The Plan's investment managers within the DC section (LGIM and HSBC) are also signatories to the UK Stewardship Code.

# 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.

DB	DC
<p><b>How has this policy been met over the Plan Year?</b></p> <p>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.</p> <p>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.</p>	<p><b>How has this policy been met over the Plan Year?</b></p> <p>As the Trustee invests exclusively in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.</p> <p>In the year to 31 December 2023, the Trustee remained satisfied that the contractual arrangement in place with LGAS remained appropriate.</p> <p>In addition, the Trustee’s approach on assessing the investment managers’ stewardship and how ESG integration is monitored is set out earlier in this statement.</p>

The Trustee has communicated carbon emissions targets set out within the Climate Change-related Disclosures report 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.

**DB****How has this policy been met over the Plan Year?**

Over the year to 31 December 2023, quarterly performance reviews were held with most of the Plan's investment managers.

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

**DC****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 in 2023 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 2024. The Investment Adviser determined that the funds available to members were competitively priced, being positioned below the lower quartile of the peer group fees, with the exception of the Global Equity 70:30 Index, Global Equity 60:40 Index, UK Equity Index, Global Real Estate Equity and Future World funds which lie within the medium-upper quartile range.

**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.

**DB****How has this policy been met over the Plan Year?**

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB section of the Plan. 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.

**DC****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 by IBM Pensions Trust periodically throughout the year. The transaction costs are 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.

## 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.

DB	DC
<p><b>How has this policy been met over the Plan Year?</b></p> <p>Over the Plan Year, the Trustee terminated the Plan's allocation to Private Equity and continued to sell down the allocation to Property, revising down the Strategic Asset Allocation to 0.5% of total assets (noting that there are some Private Equity mandates that the Trustee decided not to sell at current pricing). This activity reflects the funding position for the DB section and desire for liquidity. The Trustee's policy is not to alter investment arrangements on a frequent basis, in line with the above.</p>	<p><b>How has this policy been met over the Plan Year?</b></p> <p>There remains no set duration for investment manager appointments. The final changes following the triennial investment strategy review carried out in 2022 were completed in February 2023, including the closure of the Lifecycle to Annuity strategy, Lifestyle 97 strategy and Lifestyle 97 DSL strategy.</p> <p>The Trustee conducted a further review of the Plan's legacy Lifecycle/Lifestyle arrangements in 2023 and the conclusions following this review are set out below, which were implemented in Q4 2023:</p> <ul style="list-style-type: none"><li>• Lifecycle to Drawdown was closed and the members invested in this strategy were transferred to the Lifecycle to Drawdown 2020.</li><li>• Lifecycle to Lump Sum was closed and the members invested in this strategy were transferred to the Lifecycle to Lump Sum 2020.</li><li>• Lifecycle 2012 and Lifestyle 2002 remained open and these arrangements are to be reviewed as part of the next triennial investment strategy review.</li></ul> <p>There have been no changes to the Plan's investment managers over the Plan Year.</p>

# Strategic Asset Allocation

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

DB	DC
<p data-bbox="120 363 215 400"><b>Policy</b></p> <p data-bbox="120 432 987 528">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, 6.2 and 6.3) in the SIP.</p>	<p data-bbox="1128 363 1223 400"><b>Policy</b></p> <p data-bbox="1128 432 2092 528">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:</p> <ul data-bbox="1128 539 2119 863" style="list-style-type: none"><li data-bbox="1128 539 1877 571">• Overall Aims and Objectives (SIP Section 6.11 – 6.12)</li><li data-bbox="1128 576 1800 608">• Investment Objectives (SIP Section 6.13 – 6.14)</li><li data-bbox="1128 612 1765 644">• Investment Policies (SIP Section 6.15 – 6.21)</li><li data-bbox="1128 649 2107 719">• Default Investment Strategy - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.22 – 6.31)</li><li data-bbox="1128 724 2119 794">• Legacy Default Investment Strategies - Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.31 – 6.39)</li><li data-bbox="1128 799 2040 863">• Additional Default Arrangements, Aims and Objectives, Investment Policies, Members' Best Interests (SIP Sections 6.40 – 6.45)</li></ul> <p data-bbox="1128 916 2107 1114">The default investment strategies 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 conducts regular assessments of the performance of the default investment strategies and their design to ensure they continue to remain appropriate for the membership.</p> <p data-bbox="1128 1166 2092 1294">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 arrangements and a range of self-select (Freestyle) funds.</p>



**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 0.5% / 99.5%, which has been updated relative to the prior Plan Year to reflect the termination of the Private Equity and Property portfolio (with proceeds reallocated across the Matching portfolio).

The revised target investment strategy was assessed to have an expected return sufficient to achieve the funding objective of the Plan, with a level of investment risk that was consistent with the return, whilst providing flexibility to be able to reallocate to adapt to any changes in funding objectives.

The SIP was updated in November 2023 to reflect the agreed changes to the investment arrangements.

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

As part of 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 arrangements. 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.

Over the Plan year, the Trustee reviewed the rebalancing policy for the underlying allocation of the Growth and Growth Plus funds. Additionally, the Trustee introduced ongoing reviews for the Growth and Growth Plus funds as well as for the Future World fund range invested by the Plan, providing analysis on performance against their benchmarks and peers.

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 managers' 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.

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

### DB

#### 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 6.10) 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 6.10 of the SIP.

During the Plan Year, the Trustee reviewed the investment strategy in full, which included a detailed quantitative assessment of the investment risks associated with the DB Section's assets. This strategy review was carried out in conjunction with an update to the Scheme's Liability Matching portfolio, with the purpose of ensuring that the interest rate and inflation risk associated with the Liability Matching Assets was in line with expectations.

The Trustee also reviewed its currency hedging arrangements to ensure the level of unhedged currency exposure is appropriate.

The Trustee has an LDI Implementation Policy which sets out the operational and governance processes established and implemented by the Trustee, and responsibilities of each of the stakeholders involved in the management of the Plan's LDI portfolio.

### DC

#### 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 6.20)

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 6.20 of the SIP.

The Trustee received administration reports quarterly which were reviewed by the Trustee to ensure that core financial transactions were processed within agreed service levels and regulatory timelines.

## DB and DC

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. Updates were made to risks considered by the Plan surrounding the climate risks, with ESG integration in every triennial investment strategy.

As part of the Climate Change-related Disclosure requirements, the Trustee has decided to carry out climate scenario analysis again. The Trustee also received updates from its Investment Adviser on developments concerning the Plan's investment managers as required on an ongoing basis.

# Section 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 second Climate Change-related Disclosures report for the Plan year end 31 December 2022 with the third annual report being finalised after this Plan Year. The latest edition of this report is publicly available online at <https://www.smartpensionsuk.co.uk/#/page/governance-documentation>.

The key takeaways from the second year report are:

- The Trustee has processes in place and has increased its 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.
- Four metrics have been chosen to monitor the progress against climate change risk. This includes the reporting of a new 'Portfolio Alignment' metric in line with the current regulatory requirements.
- Significant progress has been made to report on carbon metrics as far as possible – in particular for the DB Section, where the coverage at mandate level has increased year to year from 35% to 91% (based on the strategic asset allocation, excluding the buy-in policy).
- The Trustee is required to report on Scope 3 emissions for Climate Change-related Disclosures reports produced from the second year onwards and has included this where the data is available from the investment managers. However, the Trustee notes that the data in this area is still very limited and expects this position to improve over time.
- The Trustee carried out the triennial investment strategy review for the DC Section over the reporting period and agreed to implement changes proposed by the Plan's Investment Advisor to improve the focus on sustainability. Some of these changes were implemented over 2022 with five new sustainable funds added to the Freestyle range.
- The Trustee will continue to engage with the investment managers to help progress towards its WACI target and will review the appropriateness of the DB target as part of future DB investment strategy reviews.
- Significant progress has been made towards the target for the DC Section over 2022 and further progress is expected in 2023 following the implementation of the agreed changes to the Lifecycle arrangements.

The Trustee is required to publish its Climate Change-related Disclosures report annually, with the next report in respect of the Plan year end as at 31 December 2023 due to be published by 31 July 2024.

## 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 2023. RITE assesses how well the Trustee integrates ESG factors into the Plan’s investment decision-making. By undertaking this assessment, the Trustee has made further steps to improve the level of ESG factors within its 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. Following the 2023 RITE assessment, the RITE rating is a **B+** for the DB Section and **A+** 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. These training sessions included:

- Understanding the key findings from the Climate Scenario Analysis for the DC Section, which was carried out in the Plan Year.
- A detailed annual Stewardship and ESG Rating Review covering how ESG is integrated into each manager’s investment process, the extent to which investment managers’ key themes and priorities align with the Trustee’s key ESG beliefs, ESG assessment (considering climate change, biodiversity, and DEI), and the extent of managers’ exclusion criteria against UN Global Compact violators, and Mercer’s ESG ratings.
- Education in relation to Energy Efficiency and Diversity, Equity and Inclusion (DEI).
- Education on the developments relevant to pension schemes from a sustainability investment perspective, such as considerations in relation to nature and biodiversity.

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<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.mercer.com/en-gb/insights/investments/investing-sustainably/responsible-investing-for-uk-pension-schemes/>.

# Section 4

## Engagement Activity by the Plan's Investment Managers

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

DB	DC
<p><b>Wellington engages with Duke Energy Corporate on its Climate Transition Plan</b></p> <p>Wellington met with Duke during the fourth quarter of 2023 as a follow up from a previous engagement in 2022 to receive an update on its climate transition plan.</p> <p>Duke stated that it had an updated goal of 30,000 MW wind and solar by 2035 and is making a significant investment in storage by 2025. This compares with 6,650 MW of regulated wind &amp; solar that was achieved in 2022.</p> <p>Duke also noted that they have had conversations with the SBTI about the adoption of science-based targets. However, in terms of reliability and affordability, as it stands, Duke does not think the SBTI allows them to deliver reliable and affordable power.</p> <p>Overall, Duke remains an industry leader on emissions reductions, having reduced emissions from electricity generation by over 40% since 2005. This reduction is primarily attributed to its significant retirement of coal, with a target to exit coal by 2035.</p>	<p><b>LGIM All World Equity Index Fund – Engaging with Nucor Corporation to achieve net-zero emissions</b></p> <p>The company was pleased to observe that Nucor, one of the selected "dial-mover" companies, has recently made a commitment to achieve net-zero emissions. Nucor, the largest steel producer in the US and among the top 20 globally, plays a crucial role in the energy transition. Steel is essential for the automotive industry and renewable energy infrastructure. Nucor's commitment includes interim targets and a published decarbonisation plan.</p> <p>This represents a significant milestone in the company's journey. While acknowledging that corporate decisions are influenced by various factors, LGIM's engagements under the Climate Impact Pledge are guided by sector-specific principles and "red lines," which include a commitment to achieving net-zero operational emissions. LGIM had voted against the Chair of the company in its 2023 Annual General Meeting (AGM) for failing to meet this "red line" of commitment to achieving net-zero operational emissions at the time. Therefore, the company's recent announcement of their commitment, interim targets, and plan is highly appreciated.</p> <p>It is worth noting that this is not the first instance where the company has made a commitment following a vote against their Chair. In 2021, a vote against was cast due to a lack of emissions reduction targets, but the company subsequently established these targets the following year, resulting in no sanctions from the organisation in 2022.</p>

## Western engaged with Volkswagen over Human Rights concerns

Volkswagen (“VW”) was being investigated for human rights concerns with a specific focus on its supply chain stemming from China’s treatment of Uyghurs and the Xinjiang Autonomous Region.

Western engaged with VW and learned that they were unable to fully address these matters due to limited alternatives for the commodities and parts needed for automobile manufacturing outside the region.

VW announced that an audit has found no indications of use of forced labour, although Western, and the industry at large, are skeptical of the impartiality of the auditor used given they are Chinese domiciled. VW have been placed on Western’s ‘ESG Watch List’, meaning portfolio managers have discretion to divest from this issuer but are not mandated to do so.

## GSAM engage with AB Inbev on plans for plastic packaging

Members of GSAM’s Global Stewardship Team and Fixed Income Investment team engaged with the company’s Investor Relations team to discuss its plans for reducing the use of plastics within its packaging. In December 2023, the company confirmed it has now set a target to have 100% of packaging to be returnable or made from majority recycled content by 2025. The company advised it remains on track to meet this target.

## Northern Trust engage with EDF over safety concerns at the Company’s nuclear reactors

Loomis Sayles (on behalf of Northern Trust) met with EDF in June to discuss the progress made on corrosion repair works. The company communicated 10 of the 56 reactors had already been fixed, 3 were under repair, with 3 additional reactors scheduled for repair soon. The remaining 40 reactors did not require immediate attention and could be inspected according to the original schedule.

EDF management is increasingly confident that they will complete the repairs on schedule and meet output guidance for 2024. Loomis Sayles was pleased with the company’s attention to this issue and will continue to monitor progress toward their repair and inspection goals.

## HSBC Islamic Global Equity Fund – Engaging with Hong Kong Gas Provider on net zero strategies

A prominent Hong Kong company, which plays a crucial role in Hong Kong’s net zero ambitions, is facing concerns regarding its governance practices, independence, and decision-making. The company’s board is entrenched, its audit committee lacks independence, and it does not have a net zero strategy in place. Additionally, the company’s all-male board falls short of the updated requirements set by HKEx, exposing it to reputational and regulatory risks. Furthermore, there are concerns about the data quality and accuracy of the company’s reported information, particularly in relation to environmental data. These issues highlight the need for improvements in governance, transparency, and sustainability practices within the company.

In meetings between HSBC and the company, discussions were held to address various issues and gain insights into the company’s perspectives and strategies. HSBC’s voting intentions for the upcoming Annual General Meeting (AGM) were shared during the meetings. The discussions also revolved around peer strategies, approaches to achieving net zero, and the company’s role in Hong Kong’s net zero strategy. Emphasis was placed on the importance of having ESG (Environmental, Social, and Governance) expertise at the board level, and it was encouraging to learn that this is being considered in candidate appointments. However, due to the company’s all-male board and a perceived lack of sufficient independence, HSBC voted against several director re-elections.

Hong Kong Gas Provider has responded to the feedback received and made commitments towards achieving net zero in alignment with the Hong Kong Government’s target of “carbon neutrality” by 2050. They have also acknowledged the importance of assuring their ESG data by involving an audit firm, rather than solely relying on verification. Furthermore, the Company has committed to adding an additional female board member by the end of the year and is actively sourcing candidates with suitable skillsets and experience, taking into account the feedback provided. Efforts are being made to address issues related to board independence. A follow-up engagement is scheduled to take place in March 2024 to continue the dialogue.

# Section 5

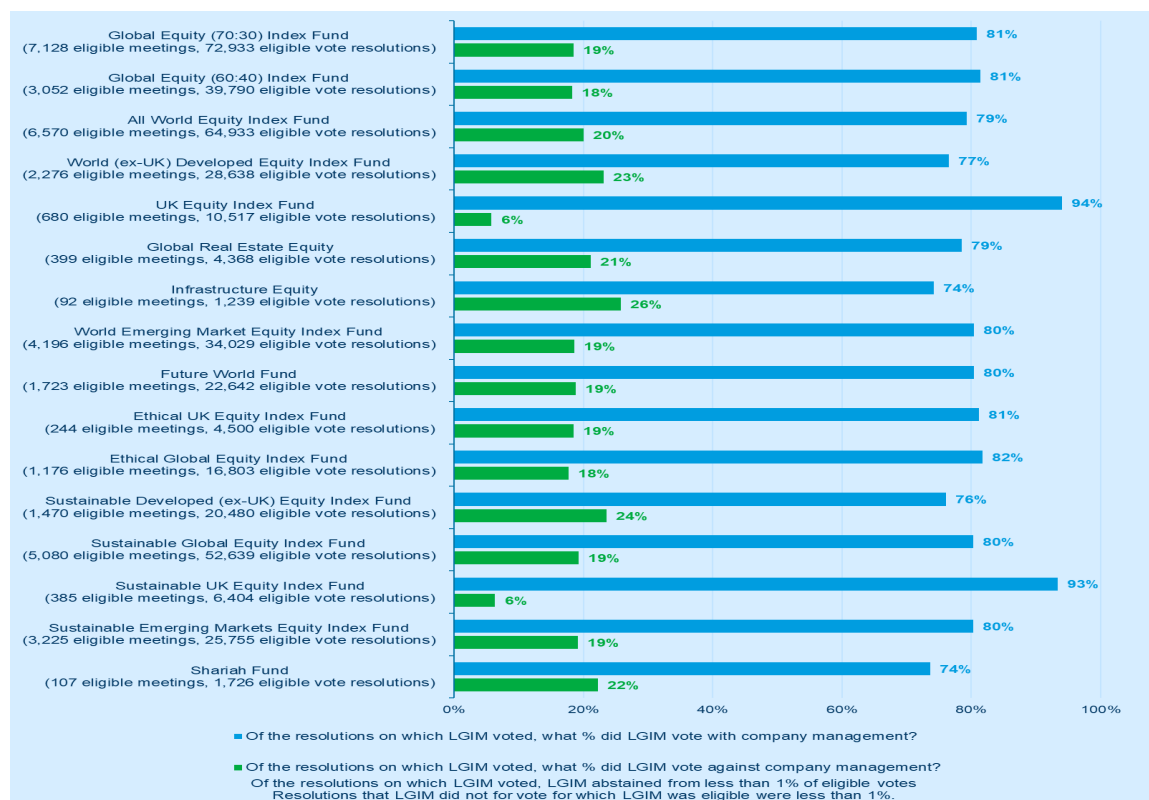
## Voting Activity during the Plan year

### DC Section

Set out on the right is 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.

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.

Except for certain Additional Voluntary Contributions (AVCs) 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/landg-assets/lgim/\\_document-library/capabilities/lgim-uk-corporate-governance-and-responsible-investment-policy.pdf](https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-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 they 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 a 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 relate to Climate Change, Energy Efficiency, and Diversity, Equity & Inclusion; and
- the top 10 holdings of the underlying funds invested in the Plan’s default investment strategy (the Lifecycle Balanced 2020 Strategy) which has equity exposure (i.e. All World Equity Index Fund, Future World Fund and Global Real Estate Equity Index Fund).

 Resolution not passed  Resolution passed

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted *	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Next Steps
All World Equity / Future World	4.1 / 5.4	Microsoft	07/12/2023	Report on Gender-Based Compensation and Benefits Inequities	Against	Shareholder Resolution - Environmental and Social: A vote against this proposal is warranted, as the company appears to provide sufficient information for investors to be able to determine how the company is managing pay equity and health and wellness benefits related risks.		Diversity, Equity, and Inclusion	N/A
				Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy	Against	Shareholder Resolution - Environmental and Social: A vote against this proposal is warranted, as the company appears to be taking appropriate steps to protect itself against risks related to discrimination based on political ideology or viewpoint.		Diversity, Equity, and Inclusion	N/A
				Report on Climate Risk in Retirement Plan Options	Against	Shareholder proposal - Report on retirement funds - Climate risks: A vote against is applied because the company’s retirement plan is managed by a third-party fiduciary and employees are offered a self-directed option.		Climate Change	N/A
4.2 / 4.8	Apple	10/03/2023	Report on Civil Rights and Non-Discrimination Audit	Against	A vote against this resolution is warranted as the company has adequate disclosures related to its DEI initiatives and commitments, and it has already committed to conducting a civil rights audit.		Diversity, Equity, and Inclusion	N/A	
			Report on Median Gender/Racial Pay Gap	For	Shareholder Resolution - Inequality - Gender Pay Gap transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.		Diversity, Equity, and Inclusion	N/A	

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted *	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Next Steps
2.0 / 1.7	Amazon	24/05/2023	Report on Climate Risk in Retirement Plan Options	Against	Shareholder Resolution - Environmental: A vote against this resolution is warranted. The company's retirement plan is managed by a third-party fiduciary and employees are offered an option for investing more responsibly.	✗	Climate Change	N/A	
			Report on Impact of Climate Change Strategy Consistent With Just Transition Guidelines	For	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	✗	Climate Change	N/A	
			Report on Climate Lobbying	For	Shareholder Resolution: Climate Change Lobbying - a vote in favour is applied, LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.	✗	Climate Change	N/A	
			Report on Median and Adjusted Gender/Racial Pay Gaps	For	Shareholder Resolution - Inequality - Gender Pay Gap transparency: A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.	✗	Diversity, Equity, and Inclusion	N/A	
			Report on Cost/Benefit Analysis of Diversity, Equity and Inclusion Programs	Against	Shareholder Resolution - Diversity: A vote AGAINST this proposal is applied as the intention of the proposal as disclosed in the supporting statement is not in line with LGIM's view. LGIM support the adoption of strong diversity and inclusion policies as wit consider these issues to be a material risk to companies.	✗	Diversity, Equity, and Inclusion	N/A	
			Consider Pay Disparity Between Executives and Other Employees	For	Shareholder Resolution - Remuneration - Inequality:- A vote in favour is applied as LGIM regards such reports to be valuable in order to assess pay disparity between executives and employees.	✗	Diversity, Equity, and Inclusion	N/A	
			Establish a Public Policy Committee	For	Shareholder Resolution - Board structure: A vote in favour is applied as LGIM considers such a committee to be beneficial to board discussions on environmental and social issues.	✗	Climate Change	N/A	
			Report on Efforts to Reduce Plastic Use	For	Shareholder Resolution - Environment: A vote in favour is applied as LGIM believes that improving the recyclability of products will have a positive impact on climate change and biodiversity.	✗	Climate Change	N/A	

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted *	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Next Steps
	1.7 / 2.4	Nvidia	22/06/2023	Elect Director Stephen C. Neal	Against	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: 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.	✓	Diversity, Equity, and Inclusion	N/A
	1.2 / 1.2	Meta Platforms	31/05/2023	Report on Government Take Down Requests	Against	Shareholder Resolution - Environmental and Social: A vote against this proposal is warranted, as the company provides enough information for shareholders to understand its policies and processes for removing content.	✗	Climate Change	N/A
				Report on Executive Pay Calibration to Externalized Costs	For	Shareholder Resolution - Transparency: A vote FOR this proposal is warranted, as the request is not considered burdensome, the company's executive compensation metrics do not clearly disclose weightings or metrics, and there is ambiguity into the impact that environmental and other globally-focused goals have on the annual bonus payout.	✗	Climate Change	N/A
				Report on Framework to Assess Company Lobbying Alignment with Climate Goals	For	Shareholder Resolution: Climate Change Lobbying - a vote in favour is applied, LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.	✗	Climate Change	N/A
	A: 1.2, C: 1.1 / A: 1.0	Alphabet A / Alphabet C	02/06/2023	Elect Director John L. Hennessy	Against	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: 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. Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.. Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. LGIM expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure.	✓	Diversity, Equity, and Inclusion	N/A

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted *	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Next Steps
				Publish Congruency Report on Partnerships with Globalist Organizations and Company Fiduciary Duties	Against	Shareholder Resolution - Environmental and Social: A vote against this proposal is warranted. Shareholders would benefit from more disclosure on the company's lobbying efforts, but the requested report is overly broad and would likely not produce useful information on the company's direct and indirect lobbying.	✗	Climate Change	N/A
				Report on Framework to Assess Company Lobbying Alignment with Climate Goals	For	Shareholder Resolution: Climate Change Lobbying - a vote in favour is applied, LGIM encourages all companies to report their climate lobbying activity in line with the Global standard on responsible corporate climate lobbying.	✗	Climate Change	N/A
1.0 / 1.0	Tesla	16/05/2023	Elect Director Robyn Denholm	Against	Classified Board: A vote against is applied as LGIM supports a declassified board as directors should stand for re-election on an annual basis. Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executive officers to include at least 1 female. A vote AGAINST audit committee chair Robyn Denholm is warranted given concerns on the risk oversight function of the board, in light of the pledging of a significant amount of the company's stock by certain directors and executives.	✓	Diversity, Equity, and Inclusion	N/A	
<b>All World Equity</b>	0.7	Eli Lilly & Co	01/05/2023	Report on Effectiveness of Diversity, Equity and Inclusion Efforts and Metrics	For	Shareholder Resolution - Inequality: A vote in favour is applied as LGIM believes that disclosing the level of information contained in the EEO report may lead to reduced inequality.	✗	Diversity, Equity, and Inclusion	N/A
	0.7	JP Morgan Chase & Co	16/05/2023	Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development	For	Shareholder Resolution - Climate change: A vote in support of this proposal is applied as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company's stated commitments and recent global energy scenarios. This includes but is not limited to, devising sector exclusion policies for thermal coal and a time-bound policy to phase-out investment in new exploration and development of oil and gas supply.	✗	Climate Change	N/A
				Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	For	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as LGIM considers this issue to be a	✗	Climate Change	N/A

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted *	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Next Steps
						material risk to companies. Such reporting will help the company to demonstrate to investors and other stakeholders how it is implementing its climate transition strategies and emissions reduction targets.			
				Report on Risks Related to Discrimination Against Individuals Including Political Views	Against	Shareholder Resolution - Diversity: A vote against this proposal is applied as the intention of the proposal as disclosed in the supporting statement is not in line with LGIM's view. LGIM supports the adoption of strong diversity and inclusion policies as it considers these issues to be a material risk to companies.	✗	Diversity, Equity, and Inclusion	N/A
				Disclose 2030 Absolute GHG Reduction Targets Associated with Lending and Underwriting	For	Shareholder Resolution - Climate change: A vote in favour 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. 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.	✗	Climate Change	N/A
<b>Future World</b>	0.9	Broadcom	03/04/2023	Elect Director Henry Samueli	Against	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.	✓	Climate Change	N/A
<b>Global Real Estate Equity</b>	7.5	Prologis	04/05/2023	Elect Director Jeffrey L. Skelton	Against	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: 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. Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background. Diversity: A vote against is applied as the company has an all-male Executive Committee.	✓	Diversity, Equity, and Inclusion	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	2.9	Public Storage	02/05/2023	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	For	Shareholder Resolution - Climate change: A vote in favour 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. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-,	✗	Climate Change	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.

Fund	Portion of the fund (%)	Company	Date of vote	Resolution	How the Manager voted *	Rationale of Manager vote	Final outcome following the vote	Significant Vote Theme	Next Steps
						medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.			
2.4	Digital Realty Trust	08/06/2023	Report on Risks Associated with Use of Concealment Clauses	For		Shareholder Resolution - Diversity: A vote in favour is applied as LGIM supports proposals related to improvement in information available in respect of diversity and inclusion policies as LGIM considers these issues to be a material risk to companies.	✗	Diversity, Equity, and Inclusion	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
2.4	Realty Income	23/05/2023	Elect Director Michael D. McKee	Against		Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	✓	Climate Change	LGIM will continue to engage with the company and monitor progress.
2	Vici Properties	27/04/2023	Elect Director James R. Abrahamson	Against		Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.	✓	Climate Change	LGIM will continue to engage with the company and monitor progress.
1.6	AvalonBay Communities, Inc.	24/05/2023	Elect Director Susan Swanezy	Against		Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.	✓	Diversity, Equity, and Inclusion	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Source: LGIM. "N/A" – data is not available at time of writing.

\*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.