Implementation Statement, covering the Scheme Year from 1 April 2021 to 31 March 2022

The Trustees of the Harsco Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustees (including the most significant votes cast by the Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12.

This Statement is based on and uses the same headings as the Scheme's latest SIP which was in place during the Scheme Year – dated October 2021 (with accompanying Addendum dated 31 March 2022). This Statement should be read in conjunction with the SIP which can be found online.

1. Introduction

The SIP was reviewed and updated during the Scheme Year in October 2021, mainly to reflect changes to the DB investment strategy (including the removal of time-based triggers) and changes to the DC investment strategy following the conclusion of the triennial review. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which they have done so.

2. Investment objectives

DB Section

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

As at 31 March 2022 the Scheme was on track to achieve full funding on a Technical Provisions basis by the target date of 31 August 2025. The Trustees remain satisfied that the Scheme's current investment strategy met their stated policy under the SIP of achieving additional returns above government bonds without excessive risk.

DC Section

As part of the performance and strategy review of the DC default arrangements in December 2020, the Trustees considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme. The review was followed up by further recommendations in May 2021 to build on feedback from the Investment Committee ("IC").

The analysis concluded that the target of the default arrangement as cash lump sum remained appropriate and average projected pot sizes at retirement for the membership as a whole were not so large as to support targeting drawdown or annuity purchase. The Trustee also concluded that, whilst the default option has been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members, there were some amendments that could be made to improve the strategy. These changes were implemented in March 2022.

The Trustees also provide members with access to a range of investment options which they believe are suitably broad for members and enable appropriate diversification, since they cover the key asset classes of equities, bonds and cash. The Trustees have made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes as set out in Part 3 of the Addendum to the SIP. The Trustees monitor the take up of these funds and it has been limited.

3. Investment strategy

DB Section

As set out in the SIP, as the Scheme matures, the Trustees will seek to de-risk the investment strategy in line with changes in the liability profile of the Scheme. This means that the investment strategy is expected to target a higher allocation to lower risk assets gradually as the Scheme matures. The Trustees took a number of actions over the Scheme Year to de-risk the investment strategy as set out in the following paragraphs.

In April 2021, the Scheme hit the first trigger of its de-risking trigger mechanism. This involved redeeming the Scheme's holdings of circa £70m in the Ruffer Diversified Growth Fund and reducing the Scheme's allocation to UK and Overseas Equities by c£26m. The proceeds were used to top up the assets held in the Scheme's matching portfolio by investing c£25m into the BMO money market fund, c£58m into BMO short duration credit and c£13m into LGIM corporate bonds.

In May 2021, the Scheme subsequently hit the second trigger of its de-risking trigger mechanism. This involved disinvesting a further c£11m from LGIM UK equities, £15m from Lazard listed infrastructure and £12m from Fundsmith equities. The proceeds were used to increase the Scheme's allocation to the BMO money market fund by c£27m and BMO short duration credit by c£11m.

During June 2021 c£48m was transferred from the Scheme's overseas passive equity holdings with LGIM to the LGIM Low Carbon Transition Regional Equity Index Funds. This was agreed to help reduce the Scheme's climate risks in its equity allocation, meet increasing climate focused regulation, and align with the policies set out in the Scheme's SIP.

In January 2022, the Trustees agreed to a new strategic allocation for UK and Overseas equities. This was implemented in three phases from January 2022 to May 2022. The Scheme disinvested c£5m of the Scheme's UK equities holdings and the c£5m proceeds were invested across the LGIM overseas climate-tilted equities. In March 2022, a further c£5m was disinvested from UK equities and the proceeds were invested across the LGIM overseas climate-tilted equities. The final phase will be implemented post year-end.

As part of agreeing the 31 March 2018 actuarial valuation, a schedule of contributions was put in place, with contributions to be paid to the Scheme until 31 August 2025. Therefore, the Trustees' target is to achieve full funding on a Technical Provisions basis by 31 August 2025 or sooner. The Trustees are satisfied that the Scheme's current investment arrangements are making good progress towards that target.

The Trustees monitor the required return triggers put in place as part of the Scheme's de-risking mechanism using LCP Visualise, an online software tool which monitors the required return automatically on a daily basis. If a trigger were to be hit, LCP Visualise would notify the Trustees via email. The Trustees would then discuss the appropriate course of action with their investment consultant. The Trustees also review the Scheme's progress against the triggers, using the quarterly performance monitoring reports which they receive from LCP. If a trigger were hit, the Trustees would consider the appropriateness of the proposed de-risking action before it is implemented. Over the Scheme year, two of these triggers were hit in April 2021 and May 2021 respectively. Two further triggers were hit but the Trustees agreed to halt any further de-risking, and the de-risking mechanism, until the 2021 Actuarial Valuation results are finalised.

DC Section

The Trustees, with the help of their advisers, reviewed the strategy and performance of the default arrangement as part of the triennial strategy review over the previous Scheme Year. The Trustees concluded that cash lump sum withdrawal remains an appropriate retirement target. The Trustees reviewed the glidepath of the strategy and the underlying funds used (in other words, the changing mix of assets which members are invested in throughout their journey to their target retirement date). In principle, the Trustees concluded that the default strategy remains suitable for members, however the Trustees agreed some refinements which were implemented in March 2022. The changes made were as follows:

- Added the Harsco Scheme Low-Carbon Equity Fund (used in lifestyles and added to self-select range) and the Harsco Scheme Short Maturity Bond Fund (to be used only in the lifestyles) to the Scheme
- Changed the underlying funds of the Harsco Scheme Active UK Equity Fund and the Harsco Scheme Diversified Growth Fund
- Reduced the Harsco Scheme Cash Fund annual management charge to 0.10%.
- Removed the Harsco Scheme Absolute Return Bond Fund.

- Changed the glidepath of the Lump Sum Strategy, Flexible Income Strategy and Annuity Targeting Strategy.
- Removed the legacy “Cash Lifestyle”, “Annuity Purchase Lifestyle”, “Drawdown Lifestyle A”, “Drawdown Lifestyle B” and “Old Lifestyle” as available investment options.
- Switched all members’ benefits from the legacy lifestyles to the Harsco Scheme Cash Fund (following the AMC reduction).

As part of its review, the Trustees made sure the Scheme's default arrangement was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

The Trustees are monitoring retirement data in respect of how members are taking their benefits on an ongoing basis and no specific actions have been taken during this Scheme Year in relation to the retirement options available to members.

4. Considerations in setting the investment arrangements

The Trustees did not formally update their investment beliefs over the Scheme Year. However, over the Scheme Year, the Trustees have considered responsible investment (“RI”) and environmental, social and governance (“ESG”) issues. The Trustees asked the Scheme’s investment managers questions relating to their views on various topics over the Scheme Year such as quality of UK Company audits and benchmarking corporate climate actions (June 2021), the Taskforce on Nature-Related Financial Disclosures (October 2021); impact of employee financial wellbeing and the UK Stewardship Code (November 2021); and views on COP26 and sustainable practices (February 2022).

DB Section

The Trustees reviewed the allocation between UK and Overseas equities in the DB investment strategy over the Scheme Year. The Trustees had agreed during the Scheme year to lower the UK equity strategic weight from 6.0% to 3.5% and increase the overseas equities allocation from 7.0% to 9.5%. During the Scheme Year transfers had taken place to move the Scheme toward that new allocation, but at the Scheme year end the SIP had not yet been updated. It will be updated in due course following completion of a review of the Scheme’s investment strategy which started shortly after the Scheme year end.

The Trustees considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. Over the Scheme year, the Trustees also considered if the Scheme had adequate collateral to meet de-leveraging events on the LDI portfolio.

DC Section

When the Trustees undertook a performance and strategy review of the DC default arrangement in December 2020, they considered the investment risks set out in Part 2 of the Addendum of the SIP. They also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. During the Scheme Year, the Trustees conducted a follow up to this review and agreed changes to the investment strategy (as set out in section 3), which were implemented in March 2022.

5. Implementation of the investment arrangements

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

The Trustees regularly invite the Scheme's investment managers to present at Trustee meetings, seeing each manager approximately once every year. Over the Scheme Year, the Trustees met with Lindsell Train, LGIM, BMO, JP Morgan, abrdn, Fundsmith, and Lazard to discuss the Scheme's investments.

The Trustees were comfortable with most of their investment manager arrangements over the Scheme Year, except for the BlackRock Active UK equity mandate in the DC Section, which was replaced in March 2022 with the Lindsell Train Active UK equity mandate (see DC Section below). The Trustees also replaced the LGIM overseas equities mandate in the DB Section with the LGIM Low Carbon Transition Regional Equity Index Funds following a review to reduce climate risks within the Scheme's equity portfolio.

The Scheme’s investment consultant considered portfolio turnover and associated transaction costs as appropriate in its advice to the Trustees as stated in the SIP. Transaction costs resulting from portfolio turnover are also reviewed as part of producing the annual DC chair’s statement and the Trustees’ investment consultants confirmed that the transaction costs are as expected.

DB Section

The Trustees monitor the performance of the Scheme’s investment managers on a quarterly basis, using the quarterly performance monitoring report. Performance is considered in the context of the manager’s benchmark and objectives and the Trustees consider performance over both shorter and longer term periods as available.

The most recent quarterly DB report shows that overall the Scheme’s investment managers have produced performance ahead of the benchmark return over the long-term. The Trustees noted that the Fundsmith Equity Fund underperformed its target over one-year and three-year periods to 31 March 2022 (although has produced positive returns on an absolute basis). The Trustees remain confident in Fundsmith’s ability to add value over the long term and decided to remain invested in the fund.

On a biennial basis the Trustees assess the DB investment managers' fees in light of LCP's fee survey. This assessment last took place in May 2022. The Trustees believe that the fees paid to investment managers continued to provide good value for money during the Scheme Year, with the Scheme overall paying slightly lower fees compared to a comparable median.

DC Section

Due to a number of concerns, the Trustees made the decision to replace the BlackRock UK Equity Fund with the Lindsell Train UK Equity Fund in March 2022. The Trustees also appointed LGIM and BlackRock to manage a passive low-carbon equities mandate and a short duration credit mandate respectively. Before investing the Scheme’s assets in these funds, the Trustees received information on the investment process and philosophy, the investment team and past performance of the funds. The Trustees also considered the managers’ approach to responsible investment and stewardship. The Trustees received formal written advice from their investment adviser on the funds’ suitability, which considered suitable and appropriate diversification.

The Trustees monitor the performance of the Scheme’s investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each fund over the quarter, bi-annually and over one year and three years. Performance is considered in the context of the manager’s benchmark and objectives.

The most recent quarterly DC report shows that all current managers have produced performance broadly in line with expectations over the long-term, apart from the Harsco Scheme Active Global Equity Fund (MFS Global Equity Fund) and the Harsco Scheme Diversified Growth Fund (BlackRock Aquila Life Market Advantage Fund). The Trustees’ investment adviser presented its research view on the MFS Global Equity Fund which highlighted its belief that the strategy will outperform over the longer term. The Trustees decided to retain the MFS Global Equity Fund but will continue to monitor its performance closely. The Harsco Scheme Diversified Growth Fund was modified to a passive strategic mix of funds (thus removing active manager risk) in March 2022 following the strategy review over the previous and current Scheme Year.

The Trustees undertook a value for members’ assessment in May 2022 covering the Scheme Year, which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be reasonable when compared against schemes with similar sized mandates.

6. Realisation of investments

DB Section

The Trustees policy under the SIP is to decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements. The Trustees do this with the assistance of the employer’s in house pensions team who reports to the Trustees on this monthly and works with the Trustees to inform the relevant investment manager of the cash requirement. In line with the SIP the Trustees ensured that the Scheme’s assets were sufficiently liquid to meet the cashflow needs of the Scheme, by sharing information with their investment consultants about the Scheme’s cashflow requirements when reviewing the investment strategy from time to time.

Over the Scheme Year, the Trustees used cashflow to help rebalance the Scheme's assets towards the strategic asset allocation. On several occasions the Trustees disinvested from the BMO Sterling Liquidity Fund to meet benefit payments.

The Trustees receive income from Lazard global infrastructure, Fundsmith equities, and LGIM UK and Overseas equities which is retained in the Trustees' bank account and used towards paying benefit payments.

DC Section

It is the Trustees' policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All the DC Section funds that the Trustees offered during the Scheme Year are daily priced.

7. Financially material considerations and non-financial matters

As part of its advice on the investment managers, the Trustees' investment consultant considers the managers' approaches to financially material considerations (including climate change and other ESG factors), voting and engagement. The Trustees receive a quarterly report from their investment consultants on the investment managers in the DB section and how they have responded to topical ESG matters.

In February 2022, the Trustees reviewed LCP's Responsible Investment assessment and scores for the Scheme's existing managers and funds. These scores cover the manager's approach to ESG factors, voting and engagement. The scores and assessments are based on LCP's ongoing manager research programme and 2022 Responsible Investment Survey. The Trustees were satisfied with the results of the review.

During the Scheme Year the Trustees engaged with several of their managers on their practices, collaboration with other investors and applications of the UK Stewardship Code. Lindsell Train, LGIM, BMO, JP Morgan, abrdn, Fundsmith, and Lazard presented to the Trustees over the Scheme Year. When these managers presented at Trustee meetings, the Trustees asked several questions about the managers' ESG, voting and engagement practices. For example, the Trustees used ESG portfolio and holding data provided by LCP to review the environmental and governance profile of holdings in the JP Morgan Emerging Markets Equity fund and the Fundsmith Equity fund.

DB Section

Following discussions in the previous Scheme Year, the Trustees decided to transfer the Scheme's passive LGIM overseas equity holdings within the DB Section to the LGIM Low Carbon Transition Fund range (similar passively managed regional equity funds but with a reduction in exposure to climate related risks). These transfers were implemented during June 2021. The Trustees made the decision to reduce climate risks in the Scheme's equity allocation, and act consistently with the policies on financially material considerations as set out in the Scheme's SIP (since the Trustees believe climate risk to be a financially material risk to be addressed).

DC Section

Over the Scheme Year, the Trustees decided to reduce climate-related risks within the equity allocation of the DC Section of the Scheme. The Harsco Scheme Low-Carbon Global Equity Fund was added to the lifestyle strategies and to the self-select fund range in March 2022. The underlying pooled fund is the LGIM Low Carbon Transition Developed Markets Equity Index Fund.

8. Voting and engagement

As the Trustees invest Scheme's assets in pooled funds, they do not engage directly with debt or equity issuers and are not able to direct how any votes are exercised. The Trustees have not used any proxy voting services over the Scheme Year. Any voting and engagement activities in respect of the underlying assets of the pooled funds held by the Scheme are undertaken by the investment managers of those funds.

9. Investment governance, responsibilities, decision-making and fees (Part 1 of Addendum to the SIP)

The Investment Committee meets quarterly to monitor the performance of the investments of both the DB and DC Sections of the Scheme. In these meetings the Trustees' investment consultants present investment advice, such as on a strategic change. The investment consultant also includes a quarterly update in the packs for these meetings on any new developments that may impact the Trustees' investment governance and responsibilities (for example if there are new requirements the Trustees must comply with).

As mentioned in Section 5, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports they receive from LCP. The Trustees do not monitor changes to the custodian appointments since there is no direct relationship between the Scheme and any of the custodians of the pooled funds. The pooled fund custodians are appointed by the investment manager of the pooled funds based on their own thorough due diligence. The Trustees' investment consultants monitor the investment managers internal controls as part of an annual review, and as part of their ongoing manager research.

The performance of the professional advisers is considered on an ongoing basis by the Trustees.

The Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis. The last review was concluded in the previous Scheme Year on 5 March 2021. The Trustees were satisfied with the performance of their investment advisor against the objectives and will aim to continue to review performance regularly.

There is not a formal process in place to independently evaluate the performance and effectiveness of the Trustees. However, the Trustees maintain a training log and review a training programme annually, to help identify any gaps in their knowledge and understanding and self-evaluate their effectiveness. The Trustees also rely on their advisers to highlight any areas for improvement, either specifically perceived in their dealings with the Trustees or by comparison with areas of good practice displayed by other clients. All Trustees have completed Trustee fitness and propriety questionnaires, based on the Regulator's own questionnaire for those wishing to be included on its register of independent Trustees.

As part of any change to the SIP the Trustees consult the employer on those changes. The SIP was changed over the Scheme Year and the employer was consulted.

10. Policy towards risk (Part 2 of Addendum to the SIP)

Risks were monitored by the Trustees during the Scheme Year with the help of their investment adviser.

The Trustees maintain a risk register to identify material risks relevant to the Scheme (including its administration) and use the risk register to consider ways to reduce those risks. The Trustees also use LCP's Spotlight On All Risks (SONAR) which is a tool that shows how the Scheme's key risk exposures compare with other schemes.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

Risks are reviewed as part of the quarterly performance report provided to the Trustees, and ad-hoc when required. Over the Scheme Year, risks were considered as part of the DC strategy review and the changes agreed by the Trustees (covered in Section 3) were made taking these risks into consideration. Investment risk (standard deviation of returns) of the DC strategy is considered as part of the quarterly reports produced by the investment consultants.

Regarding the risk of inadequate returns in the DB Section, as part of the last investment strategy review, the Trustees considered the required return for the Scheme to be fully funded on a Technical Provisions basis by the end of the recovery plan and set the investment strategy such that the best estimate expected return on the Scheme's strategic asset allocation was in excess of this. Therefore, the expected return on the Scheme's assets was expected to be sufficient to produce the return needed over the long-term. This is monitored by the Trustees on an ongoing basis using LCP Visualise and as part of quarterly meetings.

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

The Scheme's interest and inflation hedging levels are monitored on an ongoing basis in the quarterly monitoring report. Over the Scheme Year the Scheme's hedging levels were broadly in line with the target levels.

Regarding collateral adequacy risk, the Trustees ensure that the Scheme has a sufficient allocation to cash and other highly liquid assets which can be readily realised, so that cash can be posted to the LDI manager at short notice if required. In the investment consultant's quarterly reports to the Trustees, they include information on collateral adequacy, confirming an estimate of how much cash the LDI may realistically call for in the short term, and confirming the assets available to meet that call. As at 31 March 2022 the Scheme held more than enough liquid assets in the BMO Sterling Liquidity Fund and the BMO Global Low Duration Credit Fund to meet the next capital call on the LDI funds.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustees formally review the Scheme's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustees review the funding position allowing for membership and other Scheme experience. The Trustees monitor the funding position in their quarterly meetings and can obtain an approximate daily update of it on their investment consultant's online system "LCP Visualise".

The Trustees have put in place a "required return" de-risking trigger mechanism, designed to reduce the risk of the investment strategy as appropriate. If the required return to be fully funded on a Technical Provisions basis by 31 August 2025 falls to a pre-determined level (ie there is good news, such as better than expected returns on the Scheme's assets), then the Scheme's assets will be moved to a new lower risk investment strategy. If there is bad news and the required return increases (meaning the de-risking triggers are now far from being reached), then the Trustees will engage with the Company about potential actions the Trustees should take, including reviewing the trigger mechanism. As mentioned in Section 3, the de-risking trigger mechanism is paused until the 2021 Actuarial Valuation results are finalised.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7. The Trustees consider other non-investment risks when setting the Scheme's investment strategy. For example if the Trustees become aware of a material change in the sponsor's covenant following professional advice or if the Scheme Actuary advises of any material change in longevity assumptions. Where this applies the Trustees will bring this to the attention of their investment consultants. During the Scheme Year, the Trustees became aware of an improvement in the sponsor's covenant rating from "tending to weak" to "tending to strong".

11. Investment manager arrangements (Part 3 of Addendum to the SIP)

There are no specific policies in this section of the Scheme's SIP.

12. Description of voting behaviour during the Scheme Year

All the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association guidance, for the DB Section on the Scheme's funds that hold equities as follows:

- Fundsmith Equity Fund
- JP Morgan Life All Emerging Markets Equity Fund / JP Morgan Emerging Markets Fund
- Lazard Global Listed Infrastructure Equity Fund
- LGIM UK Equity Index Fund
- LGIM Low Carbon Transition North America Equity Index Fund – GBP Hedged
- LGIM Low Carbon Transition Europe Ex UK Equity Index Fund – GBP Hedged
- LGIM Low Carbon Transition Asia Pacific Ex Japan Equity Index Fund – GBP Hedged
- LGIM Low Carbon Transition Japan Equity Index Fund – GBP Hedged

We have omitted the Ruffer Absolute Return Fund on materiality grounds since the Trustees disinvested from the fund in April 2021, shortly after the start of the Scheme Year. We have also omitted the LGIM regional overseas equity funds which were removed in June 2021, when the Trustees switched the Scheme's holdings into LGIM's low carbon transition funds.

For the DC Section we have sought to include voting data on the Scheme's funds in the main default arrangement, the Lump Sum Strategy, that hold equities as follows:

- BlackRock UK Equity Index Fund
- BlackRock World (ex-UK) Equity Index Fund
- BlackRock Emerging Markets Equity Index Fund

- BlackRock Aquila Life Market Advantage Fund[1]
- BlackRock Global Property Securities Equity Index Fund[2]
- LGIM Infrastructure Index Fund[2]
- LGIM Low Carbon Transition Developed Markets Equity Index Fund[3]

For the DC Section we have included only the funds used in the main default arrangement and not any self-select funds since these are the funds with the most members invested.

In addition to the above, the Trustees contacted the Scheme's other asset managers that do not hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the Scheme Year. Abrdn confirmed that there were voting opportunities in the abrdn Corporate Bond Pension Fund over the Scheme Year. We have provided brief details of these votes in Section 12.3. None of the other pooled funds that the Scheme invested in over the Scheme Year held any assets with voting opportunities.

12.1 Description of the voting processes

The following statements have been provided by the Scheme's investment managers.

BlackRock

BlackRock reviews its Global Principles ("Principles") annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year. These high-level Principles are the framework for BlackRock's more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe BlackRock's philosophy on stewardship (including how it monitors and engages with companies), its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. The Principles are reviewed annually and updated as necessary, to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship Group ("BIS"), which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa – located in seven offices around the world. The analysts within each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Principles and custom market-specific voting guidelines. While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services ("ISS") and Glass, Lewis & Company, it is just one among many inputs into its vote analysis process, and BlackRock does not blindly follow its recommendations on how to vote. BlackRock primarily uses proxy research firms to synthesise corporate governance information and analysis into a concise, easily reviewable format so that its investment stewardship analysts can readily identify and prioritise those companies where BlackRock's own additional research and engagement would be beneficial. Other sources of information that BlackRock use includes the company's own reporting (such as the proxy statement and the website), BlackRock's engagement and voting history with the company, and the views of BlackRock's active investors, public information and ESG research.

BlackRock ordinarily refrain from abstaining from both management and shareholder proposals, unless abstaining is the valid vote option (in accordance with company by-laws) for voting against management, there is a lack of disclosure regarding the proposal to be voted, or an abstention is the only way to implement our voting intention. In all situations the economic interests of BlackRock's clients will be paramount.

Fundsmith

Fundsmith assess each vote on a case-by-case basis and will vote in the best interest of their clients, supporting the long-term performance of the company in question. Fundsmith use ProxyEdge to organise their voting activity. Details of the votes for each AGM is sent to the analyst covering the company and the portfolio manager. Each party assesses the vote and forwards their recommendation, with the portfolio manager making the ultimate

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[1]The BlackRock Aquila Life Market Advantage Fund was replaced as the underlying fund in the Harsco Scheme Diversified Growth Fund in March 2022 with a strategic diversified mix of funds set by the Trustees and their adviser. Given the BlackRock Aquila Like Market Advantage Fund was in the Scheme for the majority of the period covered by this statement, voting data for it has been included.

[2] The BlackRock Global Property Securities Equity Index Fund and the LGIM Infrastructure Index Fund were removed from the growth phase of the Lump Sum Strategy in March 2022, where thereafter they form part of the Harsco Scheme Diversified Growth Fund.

[3]The LGIM Low Carbon Transition Developed Markets Equity Index Fund was added to the growth phase of the Lump Sum Strategy in March 2022. Given the LGIM Low Carbon Transition Developed Markets Equity Index Fund was only available in the Scheme for a few days, voting data has been included for indicative purposes.

decision. Votes are submitted through ProxyEdge, with confirmation that votes have been submitted sent to the portfolio manager.

JP Morgan

JP Morgan investment professionals monitor the corporate actions of the companies held in their clients' portfolios. JP Morgan has developed a Corporate Governance Policy & Voting Guidelines (the "Guidelines") which is intended to assist is investment professionals in determining how to vote on behalf of its clients. JP Morgan's objective is to vote proxies and encourage corporate action that enhances shareholder value and is in the best interest of its clients.

To assist JP Morgan investment professionals with public companies' proxy voting proposals, a JP Morgan Entity may, but shall not be obligated to, retain the services of an independent proxy voting service ("Independent Voting Service"). The Independent Voting Service is assigned responsibility for various functions, which may include one or more of the following: coordinating with client custodians to ensure that all proxy materials are processed in a timely fashion; providing JP Morgan with a comprehensive analysis of each proxy proposal and providing JP Morgan with recommendations on how to vote each proxy proposal based on the Guidelines or, where no Guideline exists or where the Guidelines require a case-by-case analysis, on the Independent Voting Service's analysis; and executing the voting of the proxies in accordance with Guidelines and its recommendation, except when a recommendation is overridden by JP Morgan.

Lazard

Lazard's policy is to vote proxies on a given issue in the same manner for all clients. With full proxy authority, Lazard attempts to vote on 100% of the portfolio on a best-effort basis. This is subject to market restrictions due to share-blocking, custodial support, and the availability of timely research on agenda items. Lazard has approved specific proxy voting guidelines regarding various common proxy proposals. These guidelines set out whether Lazard professionals should vote for or against a specific agenda item in every instance or whether an issue should be or considered on a case-by-case basis.

If an investment professional seeks to vote in a manner that contradicts the guidelines, which is rare, Lazard's Proxy Committee must approve the vote. The investment professional must provide the committee with a detailed rationale for their recommendation, and the Proxy Committee will then determine whether or not to accept and apply that vote recommendation to the specific meeting's agenda. Case-by-case agenda items are evaluated by Lazard's investment professionals based on their research of the company and evaluation of the specific proposal. Lazard's approach is based on the view that Lazard, in its role as investment manager, must vote proxies based on with it believes will maximise sustainable shareholder value as a long-term investor and is in the best interest of its clients.

Legal & General

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and consider feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually by LGIM. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. ISS' recommendations are used to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

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

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

12.2 Summary of voting behaviour over the Scheme Year

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

DB Section

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	Fundsmith	JP Morgan	Lazard	Legal & General	Legal & General
Fund name	Equity Fund	Life All Emerging Markets Equity Fund	Global Listed Infrastructure	UK Equity Index Fund	Low Carbon Transition North America Equity Index Fund – GBP Hedged
Total size of fund at end of reporting period	£25,800m	£285m	£1,634m	£18,537m	£90m
Value of Scheme assets at end of reporting period (£s / % of total assets)[4]	£48.2m / 7.6%	£36.3m / 5.8%	£36.1m / 5.7%	£29.4m / 4.6%	£19.6m / 3.1%
Number of holdings at end of reporting period	29	71	26	566	584
Number of meetings eligible to vote	26	115	29	772	206
Number of resolutions eligible to vote	419	984	342	10,813	2,315
% of resolutions voted	100.0	92.0	100.0	99.9	100.0
Of the resolutions on which voted, % voted with management	92.6	94.0	88.3	93.1	65.2
Of the resolutions on which voted, % voted against management	7.2	5.0	11.7	6.9	34.7
Of the resolutions on which voted, % abstained from voting	0.2	1.0	0.0	0.0	0.0
Of the meetings in which the manager voted, % with at least one vote against management	81.0	23.0	44.8	43.6	95.2
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor[5]	N/a	1.0	8.5	5.4	24.1

	Fund 6	Fund 7	Fund 8
Manager name[6]	Legal & General	Legal & General	Legal & General

Fund name	Low Carbon Transition Europe Ex UK Equity Index Fund – GBP Hedged[7]	Low Carbon Transition Asia Pacific Ex Japan Equity Index Fund – GBP Hedged[7]	Low Carbon Transition Japan Equity Index Fund – GBP Hedged[7]
Total size of fund at end of reporting period	£74.0m	£29.9m	£42.6m
Value of Scheme assets at end of reporting period (£s / % of total assets)[4]	£20.6m / 3.3%	£9.5m / 1.5%	£9.6m / 1.5%
Number of holdings at end of reporting period	384	160	325
Number of meetings eligible to vote	227	125	324
Number of resolutions eligible to vote	3,210	806	3,931
% of resolutions voted	99.4	100.0	100.0
Of the resolutions on which voted, % voted with management	82.0	72.6	86.8
Of the resolutions on which voted, % voted against management	16.7	27.4	13.2
Of the resolutions on which voted, % abstained from voting	1.3	0.0	0.0
Of the meetings in which the manager voted, % with at least one vote against management	67.3	60.0	74.4
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	9.1	15.3	10.4

[4]The % of total assets figure displayed in these columns excludes the Trustees bank account balance.
[5]Fundsmith do not use proxy advisers, instead they analyse their votes in-house.
[6]We have not included voting data on Ruffer, as the Scheme disinvested shortly after the start of the Scheme year.
[7]The voting data for the Legal & General Low Carbon Funds covers the entire Scheme year as Legal & General are unable to provide part-period voting data. The Scheme invested in these funds in June 2021, so the Scheme was invested for the majority of the period.

DC Section

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	BlackRock	Legal & General	Legal & General
Fund name	UK Equity Index Fund	World (ex-UK) Equity Index Fund	Emerging Markets Equity Index Fund	Aquila Life Market Advantage Fund	Global Property Securities Equity Index Fund	Infrastructure Index Fund	Low Carbon Transition Developed Markets Equity Index Fund
Total size of fund at end of the Scheme Year	£11,583m	£11,087m	£1,551m	£1,230m	£6,516m	£2,133m	£1,725m
Value of Scheme assets at end of the Scheme Year (£s / % of total assets)	£8.8m / 16.0%	£14.3m / 25.8%	£2.3m / 4.1%	N/A[8]	£2.1m[9] / 3.8%	£2.1m[9] / 3.8%	£11.2m[10] / 20.2%

Number of equity holdings at end of the Scheme Year	415	1,920	1,385	3,335	372	82	1,548
Number of meetings eligible to vote	1,112	2,118	2,526	5,305	390	97	941
Number of resolutions eligible to vote	14,860	24,777	21,938	52,301	3,705	1,106	11,175
% of resolutions voted	99.9	99.8	100.0	99.8	99.8	100.0	99.8
Of the resolutions on which voted, % voted with management[11]	93.8	92.0	89.7	91.7	94.8	83.5	80.7
Of the resolutions on which voted, % voted against management	6.6	8.0	10.3	8.3	5.2	16.4	18.9
Of the resolutions on which voted, % abstained from voting	2.0	0.6	3.9	1.9	0.2	0.2	0.4
Of the meetings in which the manager voted, % with at least one vote against management	31.1	36.4	37.9	34.1	20.3	75.3	72.5
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.1	0.3	1.6	0.8	0.1	12.2	12.6

[8]Note that this Fund ceased to be the underlying fund for the white-labelled Harsco Scheme Diversified Growth Fund and was removed from the Scheme on 24 March 2022. However, as at 31 March 2022, the allocation to the Harsco Scheme Diversified Growth Fund was £16.8m / 30.4%.
[9]These Funds were removed from the growth phase of the main default strategy on 24 March 2022 as a direct holding, however as at 31 March 2022, they formed part of the Harsco Scheme Diversified Growth Fund and therefore their respective proportional allocations to the Harsco Scheme Diversified Growth Fund is shown.
[10]This Fund was added to the Scheme on 24 March 2022.
[11]BlackRock has indicated that votes may not sum to 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

DB Section

Fundsmith Equity Fund

Fundsmith has confirmed the voting situations which are considered as "most significant' are:

- generates a material impact on performance or is a key issue;
- the size of its holding in the company;
- the weighting of the company in the portfolio; and
- removed from typical voting behaviour.

Phillip Morris International, May 2021, **Vote**: Against. **Outcome**: Pass.

Summary of the resolution: Vote to approve executive compensation.

Rationale: The company's long term incentive plan goes against Fundsmith's preferred remuneration policy.

Criteria against which this has been assessed as "most significant": Topic is of significance to the company.

JP Morgan Life All Emerging Markets Equity Fund / JP Morgan Emerging Markets Fund

JP Morgan defines "most significant" votes as the following:

- votes where JP Morgan are a major shareholder in its portfolios;
- where the vote is likely to be close or contentious; and
- where there may be potential material consequences for its clients.

Tencent Holdings Limited, May 2021, **Vote**: Against. **Outcome**: Pass.

Summary of the resolution: Approve Issuance of Equity or Equity-Linked Securities without Pre-emptive Rights

Rationale: JP Morgan voted against the approving the Equity or Equity-Linked Securities without Pre-emptive Rights for H Shares due to concerns over the issuance limits, relating to concerns over dilution.

Criteria against which this has been assessed as "most significant": The relative size of the scheme holdings in the companies involved.

Lazard Global Listed Infrastructure

Lazard define "most significant" votes as the following:

- all shareholder proposals;
- any non-salary compensation or remuneration related proposals; and
- any votes against management (excluding routine items) not included in the first two criteria.

The resultant proposals are then ranked by the company's average holding within the fund/or portfolio over the period under review to identify the votes for disclosure.

Ferroval SA, April 2021, Vote: For. **Outcome:** Pass.

Summary of the resolution: Advisory vote on the company's climate strategy report

Rationale: Lazard warranted a vote for this item as the board's proposal to grant an advisory say on climate to shareholders allows shareholders to voice their position on the company's climate transition plans and progress towards them.

Criteria against which this has been assessed as "most significant": Lazard consider this vote as significant because the vote relates to shareholder proposals which Lazard deems as criteria for significant votes.

LGIM

LGIM has confirmed the following voting situations are considered as "most significant", but has noted that this is not an exhaustive list:

- High profile vote which has such a degree of controversy that there is high client and/or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where it notes a significant increase in requests from clients on a particular vote;
- Sanction vote because of a direct or collaborative engagement; and
- Vote linked to an LGIM engagement campaign.

LGIM UK Equity Index Fund

The Sage Group Plc, February 2021, Vote: Against. **Outcome:** Pass.

Summary of the resolution: Re-elect Drummond Hall as Director.

Rationale: LGIM voted against this because of a lack of progress on gender diversity on the board. LGIM expects boards to have at least one-third female representation on the board.

Criteria against which this has been assessed as "most significant": LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

LGIM Low Carbon Transition North America Equity Index Fund – GBP Hedged

Apple Inc, March 2022, Vote: For. **Outcome:** Pass.

Summary of the resolution: Vote to approve report on civil right audit

Rationale: LGIM voted for this as it supports proposals related to diversity and inclusion policies as they consider these issues to be a material risk to companies.

Criteria against which this has been assessed as "most significant": LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

LGIM Low Carbon Transition Europe Ex UK Equity Index Fund – GBP Hedged

Volkswagen AG, July 2021, Vote: Against. **Outcome:** Pass.

Summary of the resolution: Approve discharge of management board and supervisory board members

Rationale: A vote against the annual formal discharge of the management board and supervisory board is applied. Whilst LGIM notes the progress made by the company in its strategy towards the transition to a lower emission world, LGIM remain concerned regarding the handling of the diesel emissions scandal of 2015 by the management and supervisory boards and the overall governance structure of the company. In particular, LGIM note a lack of transparency regarding the handling of the crisis, including any lessons learnt by the boards, how sufficient internal control mechanisms have been put in place, and any progress made around improvement of corporate culture.

Criteria against which this has been assessed as "most significant": LGIM considers this vote to be significant as a vote against the discharge of responsibility of both the management and supervisory boards is a rare step in LGIM's escalation policy.

LGIM Low Carbon Transition Asia Pacific Ex Japan Equity Index Fund – GBP Hedged

AusNet Services Ltd, July 2021, Vote: Against. **Outcome:** Pass.

Summary of the resolution: Vote to elect Alan Chan Heng Loon and Robert Milliner as directors

Rationale: LGIM voted against this as they view gender diversity as a financially material issue for their clients, with implications for the assets they manage on their clients' behalf. LGIM expect all companies in which they invest globally to have at least one woman on their board. On these grounds, LGIM warranted a vote against this resolution. LGIM have stronger requirements in the UK, North American, European and Japanese markets, in line with its engagement in these markets.

Criteria against which this has been assessed as "most significant": LGIM views gender diversity as a financially material issue for its clients, with implications for the assets they manage on their clients' behalf.

LGIM Low Carbon Transition Japan Equity Index – GBP Hedged

Mitsubishi UFJ Financial Group Inc, June 2021, Vote: For. **Outcome:** Fail.

Summary of the resolution: Vote to amend articles to disclose plan outlining company's business strategy to align investments with the goals of the Paris Agreement

Rationale: LGIM voted in favour of this shareholder proposal as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively note the company's recent announcements around net-zero targets and exclusion policies, they think that these commitments could be further strengthened and believe the shareholder proposal provides a good directional push.

Criteria against which this has been assessed as "most significant": LGIM views climate change as a financially material issue for our clients, with implications for the assets we manage on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

DC Section

BlackRock

BlackRock prioritises its work around themes it believes will encourage sound governance practices and deliver sustainable long-term financial performance at the companies in which it invests on behalf of its clients. BlackRock's year-round engagements with clients to understand their focus areas and expectations, as well as its active participation in market-wide policy debates, help inform these priorities. The themes BlackRock has identified are reflected in its global principles, market-specific voting guidelines and engagement priorities, which underpin its stewardship activities and form the benchmark against which it looks at the sustainable long-term financial performance of investee companies.

BlackRock periodically published "vote bulletins" on key votes at shareholder meetings to provide insight into details on certain vote decisions it expects will be of particular interest to clients. These bulletins are intended to explain its vote decisions relating to a range of business issues including ESG matters that it considers, based on its global principles and engagement priorities, potentially material to a company's sustainable long-term financial performance. Other factors it may consider in deciding to publish a vote bulletin include the profile of the issue in question, the level of interest it expects in the vote decision and the extent of engagement it has had with the company. The bulletins include relevant company-specific background, sector or local market context, and engagement history when applicable. BlackRock publishes vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders on its approach to the votes that it considers to be most significant and thus require more detailed explanation. It publishes details of other significant votes (including vote rationales, where applicable) quarterly on the BlackRock website. As mentioned above, the votes selected below as significant are a subset of those provided by the manager, which the Trustees' investment advisor believes covers a range of E, S and G issues.

BlackRock UK Equity Index Fund

Berkshire Hathaway Inc., May 2021. Vote: For. **Outcome of the vote:** Fail.

Summary of resolution: Publish Annually a Report Assessing Diversity and Inclusion Efforts

Rationale: The shareholder proposal requested that Berkshire Hathaway's "holding companies publish annual reports assessing their diversity and inclusion efforts, at reasonable expense and excluding proprietary information. At a minimum the report should include: the process that the Board follows for assessing the effectiveness of diversity, equity and inclusion programs, and; the Board's assessment of program effectiveness, as reflected in any goals, metrics, and trends related to its promotion, recruitment and retention of protected classes of employees. BIS agrees with the intent of advancing DEI and on its assessment, the shareholder proposal was found to be reasonable and not unduly constraining to management.

Criteria against which this has been assessed as "most significant": BIS believes that as a shareholder with a significant economic exposure to the company on behalf of its clients, it is important to provide direct feedback or signal its concerns about governance and sustainability factors affecting long-term performance to management and the board, and therefore considers this vote significant.

Union Pacific Corporation, May 2021. Vote: For. **Outcome of the vote:** Fail

Summary of resolution: Annual Vote and Report on Climate Change

Rationale: While BIS is supportive of the company's efforts to date with respect to this material climate issue, particularly the company's SBTi's certification, it supported this proposal because it believes that voting in favour may accelerate the company's disclosure progress. In addition, as a long-term investor on behalf of its clients, BlackRock believes it is important to understand how effectively a company is transitioning its business and positioning itself to deliver sustainable shareholder value as the global economy decarbonizes. As BlackRock set out in its Global Principles, it expects companies to articulate how they are aligned to a scenario in which global warming is limited to well below 2° C, consistent with a global aspiration to reach net zero GHG emissions by 2050.

Criteria against which this has been assessed as "most significant": As stewards of its clients' assets, BIS has a responsibility to make sure companies are adequately managing and disclosing ESG risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. BIS believes that voting in favour may accelerate the company's disclosure progress, and is therefore a significant vote.

BlackRock World ex-UK Equity Index Fund

Moody's Corporation, April 2021. Vote: For. **Outcome of the vote:** Pass.

Summary of resolution: Approve 2020 Decarbonization Plan

Rationale: At the 2021 annual general meeting, management proposed an advisory shareholder vote on the company's decarbonization plan. In line with management, BIS voted for this proposal because it meets its expectations that companies have clear policies and action plans to manage climate risk and provides a roadmap towards the company's stated climate ambitions and targets. The plan includes targets based on climate science and commits the company to reduce greenhouse gas emissions, while setting targets for scope 1, 2 and 3 emissions among other initiatives.

Criteria against which this has been assessed as "most significant": As stewards of its clients' assets, BlackRock have a responsibility to make sure companies are adequately managing and disclosing ESG risks and opportunities that can impact their ability to generate long-term financial performance — and to hold them accountable if they are not. BIS considers Moody's to be an industry leader on climate disclosure and so views the vote as significant.

Exxon Mobil Corporation, May 2021. Vote: Against **Outcome of the vote**: Fail.

Summary of resolution: Require Independent Board Chair

Rationale: The shareholder proposal requested that the Board adopt a policy to require an independent Chair. BlackRock voted for this proposal in 2020, as it was the most appropriate way to signal its concern about the Board's apparent lack of independence from management. However, in this case, BlackRock voted against as it believes its vote in support of the directors nominated by Engine No. 1 would introduce the necessary balance of independent perspective in the boardroom.

Criteria against which this has been assessed as "most significant": BlackRock's approach is from the perspective of long-term, minority shareholders in public companies on behalf of its clients and it looks to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Therefore, BlackRock views the Board structure as an important consideration and deems this vote as significant.

BlackRock Emerging Markets Equity Index Fund

JBS SA, April 2021. Vote: Abstain. **Outcome of the vote**: Pass.

Summary of resolution: Approve financial statements and statutory reports for fiscal year ended December 31, 2020

Rationale: JBS SA ("JBS") is a Brazilian food products company that processes mainly beef, poultry, and pork. The company operates in 15 countries, has more than 400 production plants, and employs more than 250,00 people. BIS abstained from voting JBS' financial statements to preserve the legal rights of shareholders, because it remains concerned that the financial position of the company may be meaningfully impaired by the investigation proceedings related to allegations of bribery, corruption, and anti-competitive practices involving J&F Investimentos SA and the Batista family, JBS' controlling shareholders. BlackRock's concerns are informed in part by fact that, despite the unqualified opinion of an independent external auditor, they could not give assurance that there would be no new information arising from the investigation that might impact the company's financial statements in the future.

Criteria against which this has been assessed as "most significant": As a minority shareholder on behalf of its clients, BIS is concerned when a company's board is not focused on serving the interests of all shareholders, which may be the case at controlled companies. BIS engages with these companies, such as JBS, in certain circumstances to encourage governance mechanisms that afford additional protections for minority shareholders. It therefore considers this vote significant.

China Shenhua Energy Company Limited, June 2021. Vote: For. **Outcome of the vote**: Pass.

Summary of resolution: Elect Yang Rongming as Director

Rationale: China Shenhua Energy Co, Ltd. (Shenhua) is one of the world's largest energy companies. BIS voted for the election of the new nominee – Mr. Yang Rongming – as non-executive director. BlackRock believes Shenhua has been responsive to shareholder concerns regarding climate-related risks, recognises the need for clear plans to transition to a low-carbon economy and that the Board will benefit from an opportunity to deliver on those commitments.

Criteria against which this has been assessed as "most significant": BlackRock's approach is from the perspective of long-term, minority shareholders in public companies on behalf of its clients and it looks to boards and executive management to serve the interests of long-term shareholders and other stakeholders. Therefore, BlackRock views the composition of Board members as an important consideration and deems this vote as significant.

BlackRock Aquila Life Market Advantage Fund

Johnson & Johnson, April 2021. Vote: For. **Outcome of the vote**: Fail.

Summary of resolution: Report on Civil Rights Audit

Rationale: The shareholder proposal requests the company "conduct and publish a third-party audit (within a reasonable time, at a reasonable cost, and excluding confidential/proprietary information) to review its corporate policies, practices, products, and services, above and beyond legal and regulatory matters; to assess the racial impact of the company's policies, practices, products and services; and to provide recommendations for improving the company's racial impact. BIS agrees with the intent of advancing diversity, equity and inclusion and supports the company's existing efforts to recruit, retain, support, and develop a diverse set of employees. BIS therefore voted for this proposal as it believes that an audit would reinforce the effectiveness of the company's current programs to advance racial equity and is not overly prescriptive or unduly constraining for management.

Criteria against which this has been assessed as "most significant": BIS believes that corporate governance issues drive long-term shareholder value and has engaged with the company for several years to discuss these issues. While BIS recognizes and supports the considerable efforts Johnson & Johnson has made to date on diversity, equity and inclusion and racial equity, it supported the proposal as it believes that an audit would complement the company's current programs to advance racial equity and might yield further insights to accelerate its progress, therefore considers this vote significant.

Rio Tinto Limited, May 2021. Vote: For. **Outcome of the vote**: Pass.

Summary of resolution: Item 19 – Approve Emissions Target, Item 20 – Approve Climate-Related Lobbying

Rationale: Item 19 requested the company to disclose short, medium, and long-term targets for its scope 1 and 2 GHG emissions and performance against those targets. All targets should be independently verified as aligned with the climate goals of the Paris Agreement. BIS supported this proposal as it is consistent with its expectation that companies to disclose scope 1 and 2 emissions and accompanying GHG emissions reduction targets. Item 20 requested that the company enhance its annual review of industry associations to ensure that areas of inconsistency with the Paris Agreement are identified, and that if identified those memberships be subsequently suspended for a period deemed suitable by the Board. The proposal would not limit the Board's discretion to make decisions it deems are in the best interests of the company. In line with management's recommendation, BIS supported this proposal to signal the importance of the opportunity for Rio Tinto to engage its trade associations to further advance their policy positions in support of the global energy transition.

Criteria against which this has been assessed as "most significant": As stewards of its clients' assets, BIS has a responsibility to make sure companies are adequately managing and disclosing ESG risks and opportunities that can impact their ability to generate long-term financial performance – and to hold them accountable if they are not. BIS believes that improved disclosures regarding the company's ability to influence its industry associations would help investors understand and assess the possible misalignment in public positions on key strategic policy issues with those of certain associations of which it is a member. Therefore, BIS considers this vote significant.

BlackRock Global Property Securities Equity Index Fund

BlackRock has reviewed the votes it cast over the Scheme Year and does not deem any of the votes cast as significant.

LGIM

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

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

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

LGIM Infrastructure Index Fund

AusNet Services, July 2021. Vote: Against. **Outcome of the vote**: Pass.

Summary of resolution: Elect Alan Chan Heng Loon as Director and Robert Milliner as Director

Rationale: LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf. For 10 years, LGIM has been using its position to engage with companies on this issue. As part of its efforts to influence its investee companies on having greater gender balance, LGIM expect all companies in which it invests globally to have at least one woman on their board. LGIM has stronger requirements in the UK, North American, European and Japanese markets, in line with its engagement in these markets.

Criteria against which this has been assessed as "most significant": LGIM views gender diversity as a financially material issue for its clients, with implications for the assets it manages on their behalf.

The Southern Company, May 2021. Vote: Against. **Outcome of the vote**: Pass.

Summary of resolution: Elect Director Thomas A. Fanning

Rationale: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 it is voting against all combined board chair/CEO roles. Furthermore, it has published a guide for boards on the separation of the roles of chair and CEO (available on its website), and it has reinforced its position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.

Criteria against which this has been assessed as "most significant": LGIM considers this vote to be significant as it is in application of an escalation of its vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

LGIM Low Carbon Transition Developed Markets Equity Index Fund

Apple Inc. Corporation, March 2022. Vote: For. **Outcome of the vote**: Pass.

Summary of resolution: Report on Civil Rights Audit

Rationale: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as it considers these issues to be a material risk to companies.

Criteria against which this has been assessed as "most significant": LGIM views gender diversity as a financially material issue for our clients, with implications for the assets it manages on their behalf.

Mitsubishi UFJ Financial Group, Inc., June 2021. Vote: For. **Outcome of the vote**: Pass.

Summary of resolution: Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement.

Rationale: A vote in favour of this shareholder proposal is warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change. While LGIM positively note the company's recent announcements around net-zero targets and exclusion policies, it thinks that these commitments could be further strengthened and believes the shareholder proposal provides a good directional push.

Criteria against which this has been assessed as "most significant": LGIM views climate change as a financially material issue for our clients, with implications for the assets it manages on their behalf. This was also a high-profile proposal in Japan, where climate-related shareholder proposals are still rare.

12.4 Votes in relation to assets other than listed equity

DB Section

The following comments were provided by the Scheme's DB Section asset managers who don't hold listed equities, but invest in assets that had voting opportunities during the Scheme Year:

abrdn Corporate Bond Pension Fund

abrdn's Corporate Bond Fund is the only fund that does not hold listed equities but invests in assets that had voting opportunities during the period. abrdn were eligible to vote at 5 meetings over the period, of which they voted at 3. However, none of these satisfied abrdn's criteria for 'significant votes', hence we have not included this information. abrdn has provided the below comments regarding how it determines significant votes.

abrdn has identified five categories of votes it considers as significant and have ordered these based its view of their importance. This enables abrdn to provide a specified number of votes across a client's portfolio upon request. Members of abrdn's Central ESG Investment Function carry out a monthly review to identify and categorise significant votes. These categories and details of the underlying votes captured are as follows:

1. High Profile Votes
    - Focus on votes which received public and press interest with a focus on large, active holdings
    - Focus on votes which reflect significant governance concerns regarding the company
    - Resolutions proposed by abrdn

2. Shareholder and Environmental & Social (E&S) Resolutions

- Votes on shareholder E&S proposals where abrdn has engaged with the proponent or company on the resolution
- Votes on management-presented E&S proposals
- Focus on shareholder proposals where abrdn has voted contrary to management recommendations

3. Engagement
    - Focus on resolutions where abrdn has engaged with the company on a resolution
    - Focus on resolutions where post-engagement, abrdn voted contrary to its custom policy

4. Corporate Transactions
    - Focus on selected votes which have a financial impact on the investment with a focus on acquisitions

5. Votes contrary to custom policy
    - Focus on large active holdings where abrdn has voted contrary to custom policy following analysis