Harsco Pension Scheme

Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023

We, 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, we 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 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 9 below.

In preparing the Statement, we have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on 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 here.

1. Introduction

No review of the SIP was undertaken during the Scheme Year. The last time the SIP was updated was in October 2021. The accompanying Addendum was updated in March 2022. The SIP was reviewed in March 2023 but it was decided not to finalise the changes at that time due to ongoing discussions around the investment strategy. The SIP was updated following the Scheme Year end, and therefore our next Implementation Statement will comment on the updated SIP.

We have followed all of the policies in the Scheme's SIP during the Scheme Year. The following Sections provide further detail and commentary.

No changes were made to the voting and engagement policies in the SIP during the Scheme Year. We have followed the Scheme's voting and engagement policies during the Scheme Year.

2. Investment objectives

DB Section

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. We 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 shows key metrics and information on the Scheme).

As at 31 March 2023, the Scheme was on track to achieve full funding on a Technical Provisions basis ahead of the target date of 31 August 2025. Towards the Scheme year end, we agreed a phased approach to further de-risking the Scheme's investment strategy, and are currently in the process of updating the SIP to reflect the new strategy. We remain comfortable that the DB investment strategy level of investment risk and expected returns remains appropriate.

DC Section

As part of the performance and strategy review of the DC default arrangements in December 2020, we 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. We 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 next strategy review of the DC default arrangements is due to take place during the next Scheme Year and no membership analysis or changes to the DC investments took place during the period covered by this Statement.

We also provide members with access to a range of investment options which they believe are suitable for this purpose 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 asset classes as set out in Part 3 of the Addendum to the SIP.

3. Investment strategy

DB Section

As set out in the SIP, as the Scheme matures, we 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. We took a number of actions over the Scheme Year to de-risk the investment strategy as set out in the following paragraphs.

- With the help of our advisers and in consultation with the sponsoring employers, we reviewed the strategy in May 2022. As a result three de-risking triggers were set which, based on the required return for the Scheme to be fully funded on a self-sufficiency basis by the end of the Recovery Plan (31 August 2025). We also decided to invest in a global maturing buy & maintain credit portfolio to meet the Scheme's growing cashflow needs in an efficient way.

- In September 2022, following a sharp rise in nominal gilt yields, the Scheme's LDI Portfolio with Columbia Threadneedle ("CT") called for additional collateral on several occasions to reduce leverage. As the LDI Portfolio fell in value, the Scheme's allocation to growth assets became significantly overweight compared to the strategy. We transferred c£45m to the CT Sterling Liquidity Fund ("CT SLF") as additional collateral for the LDI portfolio, funded from the equity and listed infrastructure holdings.

- The Scheme hit the first de-risking trigger in September 2022. This trigger involved disinvesting c£14m from the equity holdings and investing the proceeds into the matching portfolio. We also placed instructions to disinvest c£5m from the abrdn long lease property fund, which is expected to take place in quarter four 2023.

- In December 2022, we decided to appoint the AXA Buy & Maintain Credit Fund as the new strategic allocation in global buy & maintain credit.

- In March 2023, we reviewed the funding position and agreed to implement a time-based phased approach to further de-risking the Scheme's assets. We are currently implementing the new investment strategy and the SIP has been updated following the Scheme Year end.

DC Section

We did not review the DC investment strategy over the Scheme Year.

4. Considerations in setting the investment arrangements

We did not make changes to our investment beliefs as stated in the SIP over the Scheme Year. The Trustees set new stewardship priorities in May 2023, shortly after the Scheme Year end. Further detail on these priorities is covered in Section 8 'Voting and engagement'.

We invest for the long term, to provide for the Scheme's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, we therefore seek to appoint managers whose stewardship activities are aligned to the creation of long-term value and the management of long-run systemic risks.

DB Section

As detailed in section 3, there were a number of changes in the investment strategy over the Scheme Year. As part of reviewing the investment strategy, we considered:

- the investment risks set out in Appendix 2 of the SIP.
- a range of asset classes for investment, and the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.
- the need for diversification and specific circumstances of the Scheme (eg the investment objectives, funding position, level of contributions and strength of the sponsor covenant).
- adequacy of collateral to meet LDI portfolio de-leveraging cash calls.

Our investment adviser, Lane Clark & Peacock LLP ("LCP"), monitors the investment managers on an ongoing basis, through regular research meetings. LCP monitors any developments at managers and informs us promptly about any significant updates.

We monitor the performance of the Scheme's investment managers on a quarterly basis, using investment reports prepared by LCP. The report shows the performance of each fund over the short term and long-term periods. Performance is considered in the context of the manager's benchmark and objectives.

DC Section

When we undertook a performance and strategy review of the DC default arrangement in December 2020, we considered the investment risks set out in Appendix 2 of the SIP. We also considered a range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. No changes were made to the DC arrangements during the period covered by this Statement.

5. Implementation of the investment arrangements

DB Section

We appointed a new manager and mandate, a bespoke Buy and Maintain Credit fund with AXA, over the Scheme Year. Before appointing the manager, we received information on the investment process and philosophy, the investment team and past performance. We also considered the manager's approach to RI and stewardship (as set out in Section 8 of this Statement). We obtained formal written advice from LCP before investing in the fund and made sure the investment portfolio of the fund chosen was adequately and appropriately diversified. We rely on LCP's research to understand managers' investment approaches, and ensure they are consistent with the our policies prior to any new appointment.

During the Scheme Year, we assessed the DB investment managers' fees considering LCP's fee survey. Overall, we believe that the investment managers provide reasonable value for money.

DC Section

We have not made any changes to their manager arrangements over the Scheme Year. The DC Value for Members assessment carried out during the Scheme Year concluded that the member borne fees on the DC funds are competitive overall and that the Scheme does offer value for members.

Both Sections

LCP considered portfolio turnover and associated transaction costs as appropriate in its advice to us as stated in the SIP. Transaction costs resulting from portfolio turnover are also reviewed as part of producing the annual DC Chair's Statement.

6. Realisation of investments

DB Section

Our 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. We do this with the assistance of the employer's in house pensions team who reports to us on this monthly and works with us to inform the relevant investment manager of the cash requirement. In line with the SIP we ensured that the Scheme's assets were sufficiently liquid to meet the cashflow needs of the Scheme. Over the Scheme Year, we used cashflow to help rebalance the Scheme's assets towards the strategic asset allocation. On several occasions we disinvested from the CT Sterling Liquidity Fund to meet benefit payments.

In September and October 2022, in response to changing market conditions caused by the rapid rise in UK gilt yields, the Trustees carried out a series of "deleveraging" events (known as capital calls) which meant paying money into the Scheme's LDI Portfolio held with CTI. We met the collateral calls using assets in the Sterling Liquidity Fund that were intended to be used as LDI collateral.

The Scheme receives 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

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

7. Financially material considerations, non-financial matters

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

During the previous Scheme Year, we reviewed LCP's responsible investment scores for the Scheme's 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. We were satisfied with the results of the review. We review the results to the survey every two years, or when LCP highlights a concern with a manager.

We currently do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

DB Section

We selected a new bespoke fund, the AXA Buy & Maintain Credit Fund in December 2022. In selecting this manager, we reviewed LCP's RI assessments of the shortlisted managers, and the shortlist of managers were signatories of the UK Stewardship Code. At the selection day, ESG issues including voting and engagement and climate change, were discussed with each manager and taken into consideration in the decision.

We received training on the DWP's stewardship guidance and used this in setting its stewardship priorities for the Scheme after the Scheme Year.

In addition, we also received information on its investment mandates concerning the following ESG topics: COP 15 and action on biodiversity, greenwashing, the UN's 'Advance' human rights initiative, health reporting and the exposure to Russian companies in light of the Russian invasion of Ukraine. We used this information to assess its investment managers' ESG frameworks when they presented at IC meetings and took no further action with respect to the managers' responses.

DC Section

No new funds were added to the DC Section over the Scheme Year. Reflecting climate change as a financial material consideration, a low carbon equity fund is used in the default strategy, alternative lifestyle strategies and this fund is available in the self-select fund range.

8. Voting and engagement

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, we take ownership of the Scheme's stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers' approaches to voting and engagement.

Following the introduction of DWP's guidance, we set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. In May 2023 (shortly after the Scheme Year end), we discussed and agreed stewardship priorities for the Scheme, namely:

- Business ethics
- Biodiversity and environmental considerations

We chose these priorities because they are market-wide areas of risk that are financially material for the investments and can be addressed by good stewardship.

We communicated these priorities to its managers (after the Scheme Year end), and as part of this reminded them of our expectations of them in relation to responsible investment – ie ESG considerations, climate change, voting and engagement.

We regularly invite the Scheme's investment managers to present at Trustee meetings, seeing each manager approximately once every two years (or more frequently as appropriate, for example if there were concerns over performance). Over the Scheme Year, we met with abrdn, CT and Lazard to discuss the Scheme's investments in the long-lease property and corporate bond funds, listed infrastructure and the LDI Portfolio respectively.

In particular when abrdn presented to us, we asked several questions about its approach to ESG to check alignment with their own preferences.

We are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, we aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

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 LCP presents investment advice, such as on a strategic change. LCP also includes a quarterly update in the packs for these meetings on any new developments that may impact our investment governance and responsibilities (for example if there are new requirements we, as Trustees, must comply with).

As mentioned in Section 5, we assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports they receive from LCP. We 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. LCP monitors the investment managers internal controls as part of an annual review, and as part of their ongoing manager research.

We consider the performance of the professional advisers on an ongoing basis.

We have put in place formal objectives for LCP and will review performance against these objectives on a regular basis. The last review was concluded in the previous Scheme Year on 5 March 2021, with the next review scheduled to be completed in the next Scheme Year. We were satisfied with the performance of their investment advisor against the objectives and will review performance annually going forwards.

There is not a formal process in place to independently evaluate the performance and effectiveness of us as Trustees. However, we 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. We 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 we consult the employer on those changes.

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

Risks were monitored by us during the Scheme Year with the help of LCP.

We 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. For the DB Section, we also use LCP's Spotlight On All Risks (SONAR) from time to time which is a tool that shows how the Scheme's key risk exposures compare with other schemes.

Our policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of LCP or information provided to us 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 us, and ad-hoc when required.

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. We consider other non-investment risks when setting the Scheme's investment strategy. For example, if we 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 we will bring this to the attention of their investment consultants.

DB Section

Regarding the risk of inadequate returns in the DB Section, as part of the last investment strategy review, we considered the required return for the Scheme to be fully funded both on a Technical Provisions basis by the end of the recovery plan and the long term funding target 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 us on an ongoing basis using LCP Visualise and as part of quarterly meetings.

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, we 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 2023 the Scheme held more than enough liquid assets in the CT Sterling Liquidity Fund and the CT 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 Part 2 of the Addendum to the SIP) give rise generally to funding risk. We 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 we review the funding position allowing for membership and other Scheme experience. We 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".

DC Section

Regarding the risk of inadequate returns in the DC section, we make 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.

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 of the holdings in listed equities are within pooled funds and we have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and we have not used proxy voting services over the Scheme Year. However, we monitor managers' voting behaviour on an annual basis.

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

- Fundsmith Equity Fund
- JP Morgan Emerging Markets Equity Fund
- Lazard Global Listed Infrastructure Equity Fund
- Legal & General Investment Management ("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

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 (via the Harsco Scheme Diversified Growth Fund)
- BlackRock Global Property Securities Equity Index Fund (via the Harsco Scheme Diversified Growth Fund)
- LGIM Infrastructure Index Fund (via the Harsco Scheme Diversified Growth Fund)
- LGIM Low Carbon Transition Developed Markets Equity Index Fund

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, we contacted the Scheme's 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. Commentary provided from these managers is set out in Section 12.4.

12.1 Description of the voting processes

For assets with voting rights, we rely on the voting policies which its managers have in place. The Trustees review these policies from time to time. The Trustees are comfortable that the policies are aligned with the Trustees' views and stewardship priorities.

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

BlackRock

BlackRock's approach to corporate governance and stewardship is explained in its Global Principles ("Principles"). 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 their 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 uses 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

Each vote is assessed on a case-by-case basis. Fundsmith will vote in the best interest of its clients and to support the long-term performance of the company in question.

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

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. This approach is based on the view that Lazard, in its role as investment manager, must vote proxies based on what it believes will maximize sustainable shareholder value as a long-term investor and is in the best interest of its clients.

JP Morgan

JP Morgan investment professionals monitor the corporate actions of the companies held in their clients' portfolios. To assist investment professionals with public companies' proxy voting proposals, a JP Morgan Entity may 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 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, as described below. If those functions are not assigned to an Independent Voting Service, they are performed or coordinated by a Proxy Administrator (as defined below). JP Morgan has adopted procedures to determine if it should recall securities on loans to vote proxies when it believes a vote is material with respect to an investment such as when JP Morgan believes its participation in a vote is necessary to preserve the long-term value of an investment or in highly contested issue for which it believes its vote is important to the account's strategy.

Each Entity appoints a JP Morgan professional to act as a proxy administrator ("Proxy Administrator") for each global location of such entity where proxy voting decisions are made. The Proxy Administrators are charged with oversight of these Guidelines and the entire proxy-voting process.

In the event investment professionals are charged with recommending how to vote the proxies, the Proxy Administrator's duties include reviewing recommendations of investment professionals with respect to Overrides; referring investment considerations regarding such Overrides to the Proxy Committee, if necessary; determining, in the case of such Overrides, whether a material conflict, as described below, exists; escalating material conflicts to the Proxy Committee; and maintaining the records required by these Procedures.

LGIM

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 take into account 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 continues to develop its voting and engagement policies and defines strategic priorities in the years ahead. LGIM also takes 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 its 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 ISS 'ProxyExchange' electronic voting platform to electronically vote its clients shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The recommendations made by ISS 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 with specific voting instructions. 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	LGIM	LGIM
Fund name	Equity Fund	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 the Scheme Year	£23,500m	£2,440m	£1,359m	£13,897m	£34m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets) *	£31.5m / 6.5%	£27.5m / 5.7%	£24.3m / 5.0%	£16.5m / 3.4%	£11.7m / 2.4%
Number of equity holdings at end of the Scheme Year	27	82	26	541	558
Number of meetings eligible to vote	26	110	27	733	615

Number of resolutions eligible to vote	429	954	378	10,870	7,797
% of resolutions voted	100%	100%	95.0%	99.9%	99.3%
Of the resolutions on which voted, % voted with management	90.5%	92.0%	97.2%	94.5%	65.1%
Of the resolutions on which voted, % voted against management	9.0%	7.0%	2.8%	5.5%	34.8%
Of the resolutions on which voted, % abstained from voting	0.5%	1.0%	0.0%	0.0%	0.1%
Of the meetings in which the manager voted, % with at least one vote against management	92.0%	27.0%	30.8%	37.9%	97.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A	1.0%	1.4%	4.2%	26.3%

	Fund 6	Fund 7	Fund 8
Manager name	LGIM	LGIM	LGIM
Fund name	Low Carbon Transition Europe Ex UK Equity Index Fund – GBP Hedged	Low Carbon Transition Asia Pacific Ex Japan Equity Index Fund – GBP Hedged	Low Carbon Transition Japan Equity Index Fund – GBP Hedged
Total size of fund at end of the Scheme Year	£36m / 2.4%	£13m / 2.7%	£18m / 3.7%
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£11.7m	£5.4m	£5.7m
Number of equity holdings at end of the Scheme Year	373	147	318
Number of meetings eligible to vote	515	176	340
Number of resolutions eligible to vote	8,328	1,377	4,328
% of resolutions voted	99.9%	100.0%	100.0%
Of the resolutions on which voted, % voted with management	82.3%	70.5%	89.4%
Of the resolutions on which voted, % voted against management	17.3%	29.5%	10.6%
Of the resolutions on which voted, % abstained from voting	0.4%	0.0%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	79.0%	72.2%	70.3%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	9.8%	18.5%	9.1%

* *Total Scheme assets exclude the Trustee bank account*

DC Section

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6
Manager name	BlackRock	BlackRock	BlackRock	BlackRock	LGIM	LGIM
Fund name	UK Equity Index Fund	World (ex-UK) Equity Index Fund	Emerging Markets Equity Index Fund	Environment & Low Carbon Tilt Real Estate Index Fund	Infrastructure Index Fund	Low Carbon Transition Developed Markets Equity Index Fund
Total size of fund at end of the Scheme Year	£10,573m	£6,772m	£1,318m	£6,344m	£2,143m	£1,767m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£6.5m	£13.1m	£2.1m	£1.9m	£1.9m	£10.4m
Number of equity holdings at end of the Scheme Year	14,013	1,813	1,261	373	135	1,482
Number of meetings eligible to vote	680	1,991	2,782	386	144	1,760
Number of resolutions eligible to vote	10,135	25,196	25,350	4,281	1,802	24,018
% of resolutions voted	100.0	95.2	98.4	85.4	100.0	99.8
Of the resolutions on which voted, % voted with management	96.1	92.7	88.4	95.5	75.9	78.5
Of the resolutions on which voted, % voted against management	3.9	6.9	11.6	4.5	24.0	21.3
Of the resolutions on which voted, % abstained from voting	0.5	0.5	3.6	0.3	0.1	0.2
Of the meetings in which the manager voted, % with at least one vote against management	21.5	31.9	43.0	17.6	87.5	81.0
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.0	0.5	0.7	0.0	18.0	15.0

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.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustees have retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, and suggested the managers could use the PLSA's criteria[1] for creating this shortlist.

We agreed stewardship priorities during the Scheme Year and communicated these to the investment managers. By informing its managers of its stewardship priorities and through its regular interactions with the managers, we believe that the managers will understand how we expect them to vote on issues for the companies they invest in on their behalf.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support;
- the subject of the resolution aligned with the investment manager's engagement priorities or key themes; and/or
- the Scheme or the sponsoring company may have a particular interest in.

We have reported on one of these significant votes per fund. If members wish to obtain more investment manager voting information, this is available upon request from the Trustees.

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.

PepsiCo Inc., May 2022

- **Summary of resolution**: Shareholder vote to appoint an independent board chairman
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 4.0%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.
- **Management recommendation**: Against
- **Fund manager vote**: For.
- **Rationale:** Independent chair is important for impartial decision making and promoting long term thinking on the board.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Against. Fundsmith have not disclosed their next actions as a result of the vote.

JP Morgan Emerging Markets Equity 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.

Delivery Hero SE, June 2022

- **Summary of resolution**: Approve Remuneration Report
- **Relevant stewardship priority**: Business ethics
- **Approx size of the holding at the date of the vote**: Not provided by JP Morgan at the time of writing
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees.
- **Management recommendation**: For
- **Fund manager vote**: Against.
- **Rationale:** Companies should pro-rate plan awards to reflect time served and performance achieved by executives.
- **Was the vote communicated to the company ahead of the vote**: No
- **Outcome of the vote and next steps**: For. JP Morgan will continue engagement on this.

Lazard Global Listed Infrastructure

Lazard define “most significant” votes as the following:

- Any “Say on Climate” management proposal, Lazard’s climate initiative;
- A select group of shareholder proposals where Lazard voted for the proposal and against management;
- Any votes considered controversial by Lazard’s investment professionals;
- Any managerial proposal where Lazard voted against management.

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.

National Grid Plc., July 2022

- **Summary of resolution**: Approve Climate Transition Plan
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 8.2%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.
- **Management recommendation**: For
- **Fund manager vote**: For
- **Rationale:** A vote for this resolution is considered warranted, as no significant concerns have been identified.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: For. Lazard will continue to engage with National Grid on a regular basis.

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

BP Plc., May 2022

- **Summary of resolution**: Approve Net Zero - From Ambition to Action Report
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 3.0%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.
- **Management recommendation**: For
- **Fund manager vote**: For
- **Rationale:** While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

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

Alphabet Inc., June 2022

- **Summary of resolution**: Report on the Physical Risks of Climate Change
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 1.8%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.
- **Management recommendation**: Against
- **Fund manager vote**: For
- **Rationale:** A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Against. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

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

LVMH Moet Hennessy Louis Vuitton SE, April 2022

- **Summary of resolution**: Re-elect Bernard Arnault as Director
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 2.7%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.

- **Management recommendation**: For
- **Fund manager vote**: Against
- **Rationale:** A vote against is applied as LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Against. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

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

Rio Tinto Limited, May 2022

- **Summary of resolution**: Approve Climate Action Plan
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 1.2%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.
- **Management recommendation**: For
- **Fund manager vote**: Against
- **Rationale:** LGIM recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company’s decarbonisation efforts. However, while LGIM acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, they remain concerned with the absence of quantifiable targets for such a material component of the company’s overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: For. LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

LGIM Low Carbon Transition Japan Equity Index – GBP Hedged

Sumitomo Mitsui Financial Group, Inc., June 2022

- **Summary of resolution**: Amend Articles to Disclose Measures to be Taken to Make Sure that the Company's Lending and Underwriting are not Used for Expansion of Fossil Fuel Supply or Associated Infrastructure
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 1.1%
- **Why this vote is considered to be most significant:** This resolution relates to a stewardship priority that has been set by the Trustees and is a material holding in the Fund.
- **Management recommendation**: For
- **Fund manager vote**: For
- **Rationale:** A vote in support of this proposal is warranted as LGIM expects company boards to devise a strategy and 1.5C-aligned pathway in line with the company’s commitments and recent global energy scenarios. This includes but is not limited to, stopping investments towards the exploration of new greenfield sites for new oil and gas supply.
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Against. LGIM has had positive engagement with the Company. LGIM supported the shareholder proposal because it was appropriate to provide further directional push. LGIM will continue to engage with the Company to provide its opinion and assistance in formulating the Company's approach.

DC Section

BlackRock

The BlackRock Stewardship team publishes vote bulletins on its analysis, engagements and votes in relation to certain high-profile proposals at company shareholder meetings. It publishes these bulletins to highlight several of its key voting rationales as informed by its global voting guidelines, including when it votes against directors due to: insufficient progress on climate-related disclosures (particularly with regard to TCFD/SASB-aligned reporting); concerns about remuneration; concerns about board oversight; and risk management in high profile situations, among others. BlackRock does not disclose its vote intentions in advance of shareholder meetings as it does not see it as its role to influence other investors. BlackRock views its role as sending a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value. BlackRock's vote bulletins are available online.

BlackRock UK Equity Index Fund

Barclays, May 2022

- **Summary of resolution**: Approve Barclays' Climate Strategy, Targets and Progress 2022
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 1.2%
- **Why this vote is considered to be most significant:** The Trustees have considered this vote to be significant as it relates to one of their stewardship priorities.
- **Management recommendation**: For
- **Fund manager vote**: For
- **Rationale:** BlackRock has engaged regularly with Barclays over the last several years to discuss a range of corporate governance and sustainable business matters that it believes contribute to a company's ability to deliver the durable, long-term shareholder returns its clients depend on to meet their financial goals. This has included conversations about climate risk and opportunities, which BlackRock believes can be a defining factor in companies' long-term prospects. BlackRock supported this proposal in recognition of the company's disclosed climate strategy which includes meaningful short-, medium-, and long-term emissions reduction targets, the company's progress against the commitment laid out in 2020, and the additional enhancements envisioned in their progress report. While BlackRock acknowledges Barclays' progress against their 2020 commitment, it believes there are areas where Barclays' disclosure and underlying climate strategy could be enhanced. In particular, reporting additional information regarding their financed emissions outside of energy and power would be helpful for investors to better understand the climate risks, challenges and opportunities the bank is facing and to measure progress on an ongoing basis.
- **Outcome of the vote and next steps**: For. The outcome of the vote was in line with the manager's vote. BlackRock noted that it will continue to engage with Barclays to monitor progress against the commitments made in the Climate Strategy, Targets and Progress report and the above-mentioned areas for enhanced reporting. This will be carefully considered in its future voting decisions, as will the consistency between corporate decisions and stated climate ambitions.

BlackRock World ex-UK Equity Index Fund

Bank of Montreal ("BMO"), April 2022

- **Summary of resolution**: Adopt a Policy to Ensure the Bank's Financing is Consistent with the International Energy Agency's Net Zero Emissions by 2050 Scenario
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 0.1%
- **Why this vote is considered to be most significant:** The Trustees have considered this vote to be significant as it relates to one of their stewardship priorities.
- **Management recommendation**: Against
- **Fund manager vote**: Against
- **Rationale**: Upon analysis of the proposal, BlackRock believes that the text is overly prescriptive and unduly constraining on management and board decision-making. It is not BlackRock's position to tell companies what their strategies should entail, as this proposal prescribes. Rather, it assesses, based on their disclosures, their

climate action plan, board oversight and business model alignment with a transition to net zero by 2050. Notwithstanding the shareholder proposal being overly prescriptive, based on their disclosures and its engagement with BMO, BlackRock considers the company to have made a clear commitment to align their business model with the transition to a net zero economy, as set out in their Net Zero Climate Ambition, announced in March 2021.

- **Outcome of the vote and next steps**: Against. The outcome of the vote was in line with the manager's vote. Consistent with BlackRock's long-term focus, it will continue to engage with BMO and monitor how the company is delivering on the commitments made in the Net Zero Climate Ambition.

BlackRock Emerging Markets Equity Index Fund

Petróleo Brasileiro S.A., April 2022

- **Summary of resolution**: Election of Marcio Andrade Weber as Chairman of the Board of Directors
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 0.8%
- **Why this vote is considered to be most significant:** The Trustees have considered this vote to be significant as it relates to one of their stewardship priorities.
- **Management recommendation**: For
- **Fund manager vote**: For
- **Rationale**: BlackRock seeks to have regular dialogue with executives and board directors to discuss issues – including ESG matters. In the case of Petrobras, BlackRock notes that its clients are long-term shareholders, and their interests should be considered by the board and management even though they are collectively a relatively small minority compared to the controlling shareholder. BlackRock supported the nominee, Marcio Andrade Weber to chair Petrobras' Board of Directors. Marcio Andrade Weber was added as a nominee relatively late in the process as the previous nominee unexpectedly pulled out of the board nomination process, in the interests of his other business commitments. BlackRock hopes that Marcio Andrade Weber, in his role as chairman of the board, will work with the controlling shareholder to establish a structured, long-term succession plan for key board and executive roles.
- **Outcome of the vote and next steps**: For. The outcome of the vote was in line with the manager's vote. BlackRock will continue to engage with Petrobras to encourage a long-term approach to succession planning, amongst other key corporate governance and sustainability considerations that support the company in delivering long-term financial returns.

BlackRock Environment & Low Carbon Tilt Real Estate Index Fund

New World Development Company Limited, November 2022

- **Summary of resolution**: Re-elect Mr. Lee Luen-Wai, John as Director
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 0.2%
- **Why this vote is considered to be most significant:** The Trustees have considered this vote to be significant as it relates to one of their stewardship priorities.
- **Management recommendation**: For
- **Fund manager vote**: For
- **Rationale**: BlackRock's prior engagement with the company included discussions with management and members of the board of directors on a variety of topics, including core corporate governance matters such as board composition, business oversight, and the company's approach to material sustainability-related risks and opportunities. BlackRock supported the re-election of Mr. Lee Luen-Wai, John, despite his long tenure on the board, because it believes shareholders would be well served by an orderly renewal of the board, rather than replacing all four experienced independent non-executive directors at once. BlackRock notes that the company has been responsive to shareholder concerns, including BlackRock's, regarding the tenure and related independence of their independent non-executive directors and it believes the company is moving in the right direction.

Outcome of the vote and next steps: For. The outcome of the vote was in line with the manager's vote. While BlackRock recognise New World Development's recent actions to enhance their board composition, it will continue to look for the enhancement of their board independence, including the composition and leadership of the board and key committees.

LGIM Infrastructure Index Fund

Getlink SE, April 2022

- **Summary of resolution**: Approve Company's Climate Transition Plan (Advisory)
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 0.3%
- **Why this vote is considered to be most significant:** The Trustees have considered this vote to be significant as it relates to one of their stewardship priorities.
- **Management recommendation**: For
- **Fund manager vote**: Against
- **Rationale**: LGIM voted against the resolution due to the lack of clarity around long-term goals and net zero ambitions.
- **Was the vote communicated to the company ahead of the vote:** No. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps**: For. The outcome of the vote was not in line with the manager's vote. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. LGIM is escalating its climate-related engagement activity and its public call for high quality and credible transition plans to be subject to a shareholder vote.

LGIM Low Carbon Transition Developed Markets Equity Index Fund

Meta Platforms, Inc., May 2022

- **Summary of resolution**: Require Independent Board Chair
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 0.9%
- **Why this vote is considered to be most significant:** The Trustees have considered this vote to be significant as it relates to one of their stewardship priorities.
- **Management recommendation**: Against
- **Fund manager vote**: For
- **Rationale:** LGIM voted against the resolution due to the lack of clarity around long-term goals and net zero ambitions.
- **Was the vote communicated to the company ahead of the vote:** No. LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
- **Outcome of the vote and next steps**: Against. The outcome of the vote was not in line with the manager's vote. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. LGIM considers this vote to be an 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).

9.4 Votes in relation to assets other than listed equity

abrdn Corporate Bond Fund

abrdn's Corporate Bond Fund is the only fund that does not hold listed equities but invests in some assets that had voting opportunities during the period.

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

abrdn were only eligible to vote at 1 meeting over the period, of which they were eligible to vote at 10 resolutions. However, none of these satisfied abrdn’s above criteria for ‘significant votes’, hence we have not included this information.