Harsco Pension Scheme

Implementation Statement, covering the Scheme Year from 1 April 2024 to 31 March 2025

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 the 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 2-12 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 13 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 SIP which was in place during the Scheme Year – dated September 2024. This Statement should be read in conjunction with the September 2024 SIP which can be found here. Following Year End the SIP was updated again in April 2025 (changes for this update will be covered in the next Implementation Statement).

1. Introduction

The SIP was reviewed and updated during the Scheme Year, in September 2024, to reflect:

- The agreed changes to the DC Section default strategy and self-select options; and
- A suggested policy on the DC default and illiquid investments, noting that this is a relatively new area for DC and there is limited choice of such funds on Aegon's platform currently.

Further detail and the reasons for these changes are set out in Section 3. As part of this SIP update, the employer was consulted on the changes. We have in our opinion, followed all of the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary.

The SIP has been updated since the Scheme Year end to reflect the move to an insurer-aligned strategy; details are in the investment strategy section.

2. Investment objectives

DB Section

Progress against the Scheme's 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 show key metrics and information on the Scheme).

As at 31 March 2025 the Scheme had achieved full funding on both the technical provisions and self-sufficiency basis. We were comfortable that the level of risk and expected returns were appropriate over the Scheme Year.

After Scheme Year end, in April 2025, the SIP was updated to reflect the updated objectives of being fully funded on an indicative buy-in basis, to reflect our aim to fully insure the Scheme's liabilities with an insurer.

DC Section

As part of the performance and strategy review of the DC default arrangements on 16 August 2023, we considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Scheme.

Based on the outcome of this analysis, we concluded that the default arrangements have been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members.

We also provide members with access to a range of investment options which we believe are suitable for this purpose and enable appropriate diversification. We have made available alternative lifestyle strategies and a self-select fund range to members covering major assets 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, as well as better aligning the investments with a portfolio that would be suitable in the lead up to an insurance transaction.

We took a number of actions over the Scheme Year to de-risk the investment strategy:

- We fully disinvested from Scheme's equity and infrastructure holdings.
- We submitted a full redemption request from the abrdn long lease property fund. Due to high withdrawal demand abrdn implemented a ‘first-come-first-served’ disinvestment queue, and proceeds were not received during the Scheme year.
- We increased interest rate and inflation hedge ratios to target being fully hedged on the estimated buy-in basis.

DC Section

We have made available a range of investment options for members. Members who join the Scheme and who do not choose an investment option are placed into the Lump Sum Strategy, (the “Default”). We recognise that most members do not make active investment decisions and instead invest in the Default.

The Annuity Targeting Strategy is also classified as a default for some members following past investment changes where members’ funds have been transferred without the members expressing a choice.

The Harsco Scheme Cash Fund and Harsco Scheme Diversified Growth Fund are also classified as Default investment options for governance purposes, following changes where members’ funds have been transferred without the members expressing a choice or where the objective of a Fund was changed.

The Default arrangements are reviewed at least every three years. Membership analysis to confirm the appropriateness of the main Default’s “at-retirement” target was last carried out in the previous Scheme Year on 16 August 2023 (the date of our adviser’s paper covering this). The appropriateness of the investment strategy of the Default and consideration of changes was covered in separate paper issued on 7 December 2023.

The performance and strategy of the Defaults were reviewed to check whether investment returns (after deduction of charges and costs) have been consistent with the aims and objectives of the Defaults as stated in the SIP, and to check that they continue to be suitable and appropriate given the Scheme’s risk profiles and membership.

We concluded, following consideration of advice, that the Default strategy remained appropriate, but decided upon some improvements which were implemented over the Scheme Year, in June 2024:

- A marginal increase in the equity allocation in the growth phase (applies to all members 15 years and further from retirement) to target a higher return;
- An increase in the low-carbon and overseas equities allocation by reducing the UK equity exposure, switching the low-carbon portion of the equity allocation from a fund that only invests in developed markets, to a global fund that includes emerging markets;
- Renaming the Harsco Scheme Diversified Growth Fund as the Harsco Scheme Multi-Asset Fund and amending its underlying asset allocation to have less bond exposure and more exposure to investments with a higher expected return; and
- Reducing the allocation to the Harsco Scheme Short Maturity Bond Fund in favour of an increased allocation to the Harsco Scheme Cash Fund, reflecting higher risk adjusted returns expected for cash type investments.

In addition to triennial strategy reviews, we review the performance of the default arrangements against their objectives on a quarterly basis. This review includes performance analysis to check that the risk and return levels meet expectations. Our reviews over the Scheme Year concluded that the default arrangements were performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

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. We have previously set two stewardship priorities which we did not make any changes to over the Scheme Year. 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 part of reviewing the investment strategy over the year, we considered:

- our investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

Our investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. LCP monitors 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.

We monitor the performance of the Scheme's investment managers on a quarterly basis, using a monitoring report prepared by LCP as well as online access to LCP Visualise which updates daily. Reports for alternating quarters show the performance of each fund over the quarter, one year and three years. 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 over the last Scheme Year in Q4 2023, it considered the investment risks set out in the Appendix 2 of the SIP. We also considered range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how risks can be mitigated. The changes referenced in section 3 were successfully carried out in June 2024, during the Scheme Year. In addition to the changes set out in section 3, a Shariah-compliant equity fund was also made available to members of the Scheme on a self-select investment basis in June 2024.

5. Implementation of the investment arrangements

DB Section

Over the Scheme year, we fully disinvested from the equity and infrastructure holdings, as part of de-risking as covered earlier in the Statement. We evaluate manager performance over both shorter and longer periods, encourage managers to improve practices and consider alternative arrangements where managers are not meeting performance objectives.

DC Section

We appointed one new investment manager over the Scheme Year in respect of the Shariah-compliant equity fund (the HSBC Islamic Global Equity Index Fund) which was added in June 2024 to the self-select investment range. 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 responsible investment and stewardship, including our stewardship priorities (as set out in Section 8 of this Statement). We obtained formal written advice from its investment adviser, LCP, before investing in the fund and made sure the investment portfolio of the fund chosen was adequately and appropriately diversified. We rely on its investment adviser's research to understand managers' investment approaches, and ensure they are consistent with our policies prior to any new appointment.

We undertook a "value for members" assessment in July 2024 for 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 sizes of mandates. The assessment 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

For the DB Section, we instruct disinvestments as required for benefit payments and other outgoings. Our preference is for investments that are readily realisable but recognise that achieving a well-diversified portfolio may mean holding some investments that are less liquid. In general, our policy is to use cash flows to rebalance the assets towards the strategic asset allocation, and also receive income from some of the portfolios where appropriate.

The Scheme receives income from AXA global buy and maintain credit, and Lazard global infrastructure and LGIM UK and overseas equities (until the date of the disinvestment for Lazard and LGIM), which was 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 available to members during the Scheme Year are daily or weekly priced.

7. Financially material considerations, non-financial matters

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

We currently do not consider 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.

On a quarterly basis we received and reviewed information in relation to the investment managers activities concerning the ESG hot topics. Over the Scheme Year the topics included: corporate debt issuers' engagement with ESG issues, how managers consider social factors when investing, managers' engagement with governments and regulators, and their engagement in the food and agriculture sector.

DB Section

During the Scheme Year we undertook some stress test scenarios to illustrate the potential impacts of geopolitical events and the potential long-term consequences of climate change on the Scheme's funding position. We received training on systemic risks and the importance of systemic stewardship ie engaging with policy makers and regulators. This is particularly important in relation to climate risk which cannot be diversified away within the portfolio.

DC Section

Reflecting climate change as a financial material consideration, a low carbon equity fund is used in the Default and alternative lifestyle strategies and this fund is available in the self-select fund range. Within the DC Section, we recognise that some members may wish for religious matters to be considered in their investments and therefore, as mentioned in the SIP, it has made available the Harsco Scheme Islamic Equity Fund as an investment option to members.

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, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. In May 2023, 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 our investment managers, 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 CTI and Lazard, to discuss the Scheme's investments in Bespoke LDI, Low Duration Credit Fund (CTI) and the Global Infrastructure fund (Lazard) respectively. As part of these presentations we received and update on the manager's responsible investment practices.

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)

We receive quarterly reports from LCP to monitor the performance of the investments of both the DB and DC Sections. LCP also includes a quarterly update 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).

We assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly monitoring reports provided by 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 annually. A review took place during the Scheme Year in August 2024, and we were satisfied with the performance of LCP against the objectives.

There is not a formal process in place to independently evaluate our performance and effectiveness as Trustees. However, we undertake regular training, maintain a training log and consider annually if any additional training is needed, to help identify any gaps in our knowledge and self-evaluate our effectiveness. We also rely on our advisers to highlight any areas for improvement, either specifically perceived in their dealings with us or by comparison with areas of good practice displayed by other clients. All Trustees have completed Trustee fitness and propriety questionnaires.

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)

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. 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.

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 or if the Scheme Actuary advises of any material change in longevity assumptions. Where this applies, we will bring this to the attention of our investment consultant.

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 increased to target a full hedge on the estimated buy-in basis.

Regarding collateral adequacy risk, during the Scheme Year we ensured 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. Quarterly reports produced by our investment advisers 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 2025 the Scheme held more than enough liquid assets in the CT Global Low Duration Credit Fund to meet the next capital call on the LDI funds. During the Scheme Year, the Trustees have invested in a "bespoke matching portfolio" in place of the previous pooled LDI fund arrangement, where CT will manage the collateral levels within the portfolio. The overall use of leverage within the bespoke portfolio is relatively low, given the Scheme has de-risked and increased the level of collateral.

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 the 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 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. Stewardship (Part 4 of Addendum to the SIP)

The policies from this section are covered in section 8 and section 13.

13. 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, we 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, on the Scheme's funds that hold equities:

- Fundsmith Equity Fund
- Lazard Global Listed Infrastructure Equity Fund
- LGIM UK Equity Index Fund
- LGIM Low Carbon Transition Equity Index Funds – GBP Hedged (North America, Europe Ex UK, Asia Pacific Ex Japan, Japan)

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 Environment & Low Carbon Tilt Real Estate Index Fund
- LGIM Infrastructure Index Fund (via the Harsco Scheme Multi-Asset Fund)
- LGIM Low Carbon Transition Developed Markets Equity Index Fund

For the DC Section we have included only the funds used in the 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 13.4.

Abrdn and AXA have confirmed that they did not hold any securities that had voting opportunities over the Scheme Year.

13.1 Description of the voting processes

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

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.

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 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 continues to develop its voting and engagement policies and defines strategic priorities in the years ahead. LGIM also considers 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.

13.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below. Figures in the tables may not sum due to rounding. The % of total asset figures exclude the Trustee bank account.

DB Section

	Fund 1	Fund 2	Fund 3
Manager name	Fundsmith	Lazard	LGIM
Fund name	Equity Fund	Global Listed Infrastructure	UK Equity Index Fund
Total size of fund at end of the Scheme Year	£20,300m	£1,160m	£9,477m
Value of Scheme assets at end of the Scheme Year	N/A	N/A	N/A
Number of equity holdings at end of the Scheme Year	28	26	501
Number of meetings eligible to vote	24	29	717
Number of resolutions eligible to vote	414	389	10,134
% of resolutions voted	100%	87.9%	100.0%
Of the resolutions on which voted, % voted with management	93.0%	92.1%	93.8%
Of the resolutions on which voted, % voted against management	7.0%	7.6%	6.2%
Of the resolutions on which voted, % abstained from voting	-	0.3%	-
Of the meetings in which the manager voted, % with at least one vote against management	83.0%	35.7%	42.5%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	-	6.4%	5.3%

	Fund 5	Fund 6	Fund 7	Fund 8
Manager name	LGIM	LGIM	LGIM	LGIM
Fund name	Low Carbon Transition North America Equity Index Fund – GBP Hedged	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	£1,995m	£607m	£231m	£320m
Value of Scheme assets at end of the Scheme Year	N/A	N/A	N/A	N/A

Number of equity holdings at end of the Scheme Year	503	340	133	287
Number of meetings eligible to vote	532	465	147	294
Number of resolutions eligible to vote	7,216	7,588	1,141	3,634
% of resolutions voted	98.5%	100.0%	100.0%	100.0%
Of the resolutions on which voted, % voted with management	63.6%	81.2%	79.1%	90.9%
Of the resolutions on which voted, % voted against management	35.5%	18.3%	20.9%	9.1%
Of the resolutions on which voted, % abstained from voting	0.9%	0.5%	0.0%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	98.0%	80.5%	71.4%	60.5%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	30.6%	9.1%	12.7%	8.6%

[1] Fundsmith, Lazard and LGIM were unable to provide part-period data so full-year data is shown.

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	£1,840m	£754m	£3,661m	£5,995m	£1,832m	£1,975m
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£4m / 7%	£15m / 25%	£0.3m / 1%	£2.2m / 4%	£2.5m / 4%	£11m / 19%
Number of equity holdings at end of the Scheme Year	12,649	1,705	1,868	344	136	1,341
Number of meetings eligible to vote	690	2,082	4,229	371	146	1,527
Number of resolutions eligible to vote	9,801	26,424	32,126	3,980	1,870	21,428
% of resolutions voted	99.5%	98.2%	98.5%	90.2%	97.9%	99.5%
Of the resolutions on which voted, %	97.5%	94.4%	88.2%	95.8%	75.2%	78.2%

voted with management						
Of the resolutions on which voted, % voted against management	2.5%	5.6%	11.8%	4.2%	23.8%	21.3%
Of the resolutions on which voted, % abstained from voting	0.1%	0.4%	2.2%	0.3%	1.0%	0.5%
Of the meetings in which the manager voted, % with at least one vote against management	14.1%	28.0%	39.5%	16.4%	87.0%	78.9%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0.0%	0.3%	0.4%	0.0%	20.2%	15.9%

13.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who held 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, we did not identify significant voting ahead of the reporting period. Instead, our advisers retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of most significant votes by requesting each manager provide a shortlist of votes, and suggested the managers could use the PLSA's criteria for creating this shortlist.

We have interpreted "significant votes" to mean those that:

- align with our stewardship priorities (which are 'business ethics' and 'biodiversity & environmental considerations');
- 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.

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.

Alphabet, June 2024

- **Summary of resolution**: Shareholder Proposal - 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:** This proposal ensures that the best interests of investors are represented at Alphabet's AGMs
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Against. It is rare that these proposals gain approval. Fundsmith is unlikely to pursue further action on the topic but will continue to support such measures at future AGMs

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 2024

- **Summary of resolution**: Approve Climate Transition Plan
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 9.5%
- **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 the plan meets expectations in most key respects. The proposed Climate Transition Plan covers all three scopes and features SBTi-verified targets. The level of investment expected in the transition, via upgrade of the infrastructure, is very significant
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: Passed. As active managers, outcomes stemming from voting decisions and engagement are incorporated into Lazard's investment process, further enhancing long-term value for clients and beneficiaries. Lazard believes the most effective shareholder engagement is undertaken by analysts who can contextualise the information that arises from the dialogues which is reflected in their voting decisions and then incorporated into their investment process. Lazard engages with companies on a regular basis and in the case where they have voted against management, they would typically follow up

LGIM UK Equity Index Fund

Shell Plc, May 2024

- **Summary of resolution**: Approve the Shell Energy Transition Strategy
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 7.6%
- **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 acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and we view positively the commitments made to reduce emissions from operated assets and oil products, the strong position taken on tackling methane emissions, as well as the

pledge of not pursuing frontier exploration activities beyond 2025. Nevertheless, in light of the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, we expect the company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050.

- **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 our investee companies, publicly advocate our position on this issue and monitor company and market-level progress

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

Broadcom Inc., April 2024

- **Summary of resolution**: Resolution 1g: Elect Director Henry Samueli
- **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 voted against as the company is deemed to not meet minimum standards with regard to climate risk management
- **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 our investee companies, publicly advocate our position on this issue and monitor company and market-level progress

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

Bayerische Motoren Werke AG, May 2024

- **Summary of resolution**: Resolution 6.2: Elect Stefan Quandt to the Supervisory Board
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 0.4%
- **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:** A vote against is applied as LGIM expects the Committee to be comprised of independent directors
- **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

Woodside Energy Group Ltd., April 2024

- **Summary of resolution**: Approve Westpac Climate Change Position Statement and Action Plan
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 1.0%
- **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**: Against
- **Rationale:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Additionally, despite the significant proportion of shareholder votes against the company's climate report at the 2022 AGM, we note that no material changes have been incorporated in the

most recent climate transition plan, which we view as insufficiently robust, both in terms of disclosure and climate-related targets

- **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

Toyota Motor Corp., June 2024

- **Summary of resolution**: Resolution 1.1: Elect Director Toyoda, Akio
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 7.3%
- **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 warranted as we believe there is still a disconnect in Toyota's stated climate ambitions and its current multi-pathway strategy. We encourage Toyota to further develop disclosures that more clearly articulate how it intends to support a global transition to zero emission vehicles and net zero emissions
- **Was the vote communicated to the company ahead of the vote:** No
- **Outcome of the vote and next steps**: LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress

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.

Note that for some funds BlackRock has not provided the size of each holding at the time of the votes.

BlackRock UK Equity Index Fund

Shell Plc., May 2024

- **Summary of resolution**: Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 8.8%
- **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**: Against **Fund manager vote**: Against
- **Rationale**: The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company
- **Outcome of the vote and next steps**: Against. BlackRock Investment Stewardship supports the vote recommendations of the board of directors and management. When it determines it is in its clients' financial interests to convey concern to companies through voting, BlackRock may do so in two forms: it might not

support the election of directors or other management proposals, or it might not support management's voting recommendation on a shareholder proposal. In some cases, companies may request an engagement after a shareholder meeting to provide additional clarity

BlackRock World ex-UK Equity Index Fund

Westlake Corporation, May 2024

- **Summary of resolution**: Report on Reducing Plastic Pollution of the Oceans
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 0.01%
- **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:** The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosure.
- **Outcome of the vote and next steps**: Against. BlackRock Investment Stewardship supports the vote recommendations of the board of directors and management. When it determines it is in its clients' financial interests to convey concern to companies through voting, BlackRock may do so in two forms: it might not support the election of directors or other management proposals, or it might not support management's voting recommendation on a shareholder proposal. In some cases, companies may request an engagement after a shareholder meeting to provide additional clarity

BlackRock Emerging Markets Equity Index Fund

CSPC Pharmaceutical Group Limited, May 2024

- **Summary of resolution**: Approve Grant of Options Under the Share Option Scheme
- **Relevant stewardship priority:** Business ethics
- **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**: Incentive arrangements do not support the long-term economic interests of shareholders
- **Outcome of the vote and next steps**: Passed. BlackRock Investment Stewardship supports the vote recommendations of the board of directors and management. When it determines it is in its clients' financial interests to convey concern to companies through voting, BlackRock may do so in two forms: it might not support the election of directors or other management proposals, or it might not support management's voting recommendation on a shareholder proposal. In some cases, companies may request an engagement after a shareholder meeting to provide additional clarity

BlackRock Environment & Low Carbon Tilt Real Estate Index Fund

BlackRock has stated that there were no significant votes recorded over the period for this Fund.

LGIM Infrastructure Index Fund

Canadian Pacific Kansas City Limited, April 2024

- **Summary of resolution**: Resolution 3: Management Advisory Vote on Climate Change
- **Relevant stewardship priority:** Biodiversity and environmental considerations
- **Approx size of the holding at the date of the vote**: 3.6%
- **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 and as LGIM voted against management

- **Management recommendation**: For **Fund manager vote**: Against
- **Rationale**: LGIM voted for as it expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 greenhouse gas ("GHG") emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal. As the company sets targets validated by Science Based Target initiative, we welcome the company's efforts to reduce its GHG emissions and expects to see a clear transition plan
- **Was the vote communicated to the company ahead of the vote:** No. LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. It is LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics
- **Outcome of the vote and next steps**: Passed. 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 Low Carbon Transition Developed Markets Equity Index Fund

Tesla, Inc., June 2024

- **Summary of resolution**: Advisory Vote to Ratify Named Executive Officers' Compensation
- **Relevant stewardship priority:** Business ethics
- **Approx size of the holding at the date of the vote**: 1.4%
- **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**: A vote against is applied as LGIM believes that the approved remuneration policy should be sufficient to retain and motivate executives. While most executive officers received modest or no compensation for financial year 2023, one executive was granted an outsized, time-based stock option award upon his promotion, the magnitude and design for which are not adequately explained. The grant does not require the achievement of pre-set performance criteria in order to vest, and the value is considered to be excessive
- **Was the vote communicated to the company ahead of the vote:** 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 investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics
- **Outcome of the vote and next steps**: LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress