

# **Piramal Healthcare UK Pension Fund (DC Section) Implementation Statement for the year ending 31 December 2023**

## **Introduction**

This implementation statement has been prepared by the Trustee of the Piramal Healthcare UK Pension Fund (the "Fund"). The statement:

- sets out how, and the extent to which, in the opinion of the Trustee, the DC policies (which also cover AVCs) set out in the Statement of Investment Principles (SIP) have been followed during the year,
- describes any review of the SIP, including an explanation of any DC-related changes made, and
- describes the DC-related voting behaviour by, or on behalf of, the Trustee over the same period.

## **Trustee's overall assessment**

In the opinion of the Trustee, the DC policies as set out in the SIP have been followed during the year ending 31 December 2023.

## **Review of the SIP**

The Trustee's DC policies have been developed over time by the Trustee in conjunction with their investment consultant and are reviewed and updated at least every three years.

The SIP was updated in December 2023. The existing DC policies were reviewed as part of this to confirm they remained appropriate, and a new policy was added concerning the Trustee's approach to illiquid assets, as required by regulation. Other changes made concerned the DB Section, and hence are described elsewhere.

## **Investment strategy**

The Trustee's DC policy is to provide suitable information for members so that they can make appropriate investment decisions. The range of funds was chosen by the Trustee after taking advice from its advisors. In choosing the Fund's DC investment options, it is the Trustee's policy to consider:

- A full range of asset classes.
- The suitability of the possible styles of investment management and the need for manager diversification.
- The suitability of each asset class for a defined contribution scheme.
- The need for appropriate diversification of asset classes.

- An appropriate size of fund range, bearing in mind both member needs and governance requirements.
- ESG considerations.

The Trustee also provides a default strategy to provide a balanced investment strategy for members who do not make an active investment choice. The current default investment strategy was implemented in August 2020 through the introduction of a new platform provider, Mobius Life.

The last review of the default investment strategy and objectives (and that of the wider fund range) took place during the year, with a report issued and discussed in September 2023.

As part of this review exercise, the Trustee

- Considered any changes and developments in the Fund, and the wider market since the previous default strategy was agreed
- Considered what alternative asset classes could be incorporated into the default strategy and/or wider fund range
- Considered the fees and expenses payable by members and the effect that any changes in investment strategy would have on these

The Trustee concluded that no changes were required at this time.

The next strategy review will be undertaken during 2026.

The Trustee believes it has complied with the SIP regarding investment strategy considerations.

### **Policies in relation to the kinds of investments to be held, the balance between various kinds of investments and the realisation of investments**

To assist members who do not wish to make an active decision about where to invest their account, the Fund offers a lifestyle strategy which manages risks when saving for retirement. This strategy consists of an accumulation phase, a consolidation phase (running from ten years to five years before a member's planned retirement age) and a pre-retirement phase (beginning five years from a member's planned retirement age).

The primary aim of the accumulation phase is to grow a member's assets, while maintaining a suitable level of diversification and taking an appropriate level of risk. The primary aim of the consolidation phase is to introduce a higher level of diversification, providing a more stable asset value, while still maintaining growth potential.

The pre-retirement phase then switches to funds suitable for members approaching retirement. The assets used here are intended to be suitable for use for a range of different purposes (such as annuity purchase at fixed or market-related rates, cash withdrawal or drawdown), with the asset mix chosen to take into account the most likely ways in which members may choose to

withdraw their benefits, bearing in mind the characteristics of the membership and the options available to members within the Fund.

The lifestyle strategy is designed to be appropriate for a member with a predictable retirement date, however, the lifestyle strategy is not necessarily suitable for members who unexpectedly retire early or retire later than planned.

Under normal market conditions, the Trustee expects to be able to realise investments within a reasonable timescale although there remains the risk that certain assets may become less liquid in times of market stress.

The Trustee is comfortable that the investments it held and the balance between these was in line with its policy, throughout the year. Further, the funds in which the Fund invests did not experience any liquidity issues that had any impact on members during the year.

### **Policy in relation to the expected return on investments**

The Trustee expects the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. Multi-asset funds are also expected to have long-term returns that exceed price inflation and general salary growth, however these funds also have wider aims, such as increasing diversification, reducing volatility, or facilitating the move to a drawdown arrangement, post retirement.

The long-term returns on bond and cash options are expected to be lower than returns on equity options. However, bond fund volatility and price movements (particularly of longer-dated bonds) are expected to broadly match those of annuities, giving some protection in the amount of secured pension for members closer to retirement, and who are likely to take all or part of their retirement benefits in the form of an annuity. Cash funds aim to provide protection against changes in short-term capital values and may be appropriate for members choosing to take all or part of their retirement benefits in the form of cash.

The Trustee has an insurance contract with Mobius Life Limited, which in turn invests the Fund's assets in a range of pooled funds. Members have a choice of one "lifestyle" strategy or seven "self-select" funds.

The lifestyle strategy arrangement reflects the above policies in terms of achieving the intended balance of return and risk reduction.

During the year, the Trustee received advice around return expectations for the funds it offers as part of performing SMPI calculations for member statements. It also received two monitoring reports (dated February 2023 and August 2023) which contained information on the actual returns achieved by the funds offered to members over various reporting periods and the Trustee was comfortable that the returns achieved were in line with expectations. Having considered these items, the Trustee remains comfortable that it is acting in line with its policy around expected investment returns.

### **Policy in relation to risks**

The Trustee recognises the key risk is that members will have insufficient income in retirement or an income that does not meet their expectations. The Trustee considered this risk when setting the investment options and strategy for the Fund, accepting that overall annual contribution rate – a major factor in the accumulation of members' funds – is outside of the Trustee's control. The

Trustee also recognises that the extent to which members are able to rely in retirement on other savings, which sit outside of the Fund, is outside of the Trustee's visibility and control.

Due to the complex and interrelated nature of these risks, the Trustee considers these risks in a qualitative rather than quantitative manner as part of each formal strategy review. The Trustee's policy is to periodically review the range of funds offered and the suitability of the lifestyle strategy. These risks are considered as part of each normal strategy review, the last of which took place during the year and is next is scheduled for 2026.

In addition, the Trustee measures risk in terms of the performance of the assets compared to the benchmarks on a regular basis, along with monitoring any significant issues with the asset managers that may impact their ability to meet the performance targets in place.

During 2023, the Trustee;

- Received performance monitoring information from its investment consultant in reports dated February 2023 and August 2023, which were discussed at subsequent Trustee meetings.
- Considered the risks inherent within the funds offered, and within the default investment strategy, as part of the September 2023 investment strategy review
- Sent out member newsletters and annual benefit statements, informing members of fund performance and projected growth rates (respectively), allowing members to determine whether the fund they are invested in remains appropriate for their personal circumstances.

### **Policies in relation to their investment manager arrangements**

The Trustee will monitor the Fund's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including those on non-financial matters, at least annually. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee has not been made aware of any significant changes to its investment managers' investment approaches over the course of the year and hence remains comfortable with these.

As part of preparing this statement, the Trustee also reviewed the investment managers' voting and engagement activities and found them to be acceptable.

### **Investment manager monitoring and charges**

The Trustee gathers information on charges and transaction costs for the DC Section as part of its annual work in preparing the Chair's Statement. The Trustee works with its investment consultant and asset managers to understand these costs in more detail where required.

There were no changes to the top-level charges for funds used by the Fund during the year and fluctuations in total expense ratios were within reasonable expectations.

### **Stewardship of investments**

- The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Fund and its beneficiaries.

### **Stewardship - monitoring and engagement**

- The Trustee delegates all stewardship activities, including voting and engagement, to its appointed asset managers. The Trustee accepts responsibility for how the asset managers steward assets on its behalf, including the casting of votes in line with each manager's individual voting policies.
- The Trustee expects the Fund's asset managers to use their influence as major institutional investors to carry out the rights and duties as a shareholder, including exercising voting rights along with – where relevant and appropriate – engaging with underlying investee companies on ESG considerations and other relevant matters (such as the companies' performance, strategy, risks, capital structure, and management of conflicts of interest).
- The Trustee reviews its managers' voting and engagement policies and activities on an annual basis. The Trustee reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustee's, and therefore the members', best interests. The Trustee expects that their asset managers will provide details of their stewardship activities on at least an annual basis and will monitor this with input from its investment advisers. The Trustee will engage with its asset managers where necessary for more information. Prospective managers are required to provide this information in advance of their appointment.
- The Trustee expect its managers to be transparent in its reporting of its stewardship activities. Reporting on engagements should include methods of engagement, progress and perspectives around shortcomings as well as escalation procedures for unsuccessful engagements.
- Reporting for voting activity should include how the manager voted (for/against etc) and the rationale with relevance to the Fund. In particular, where votes were cast against management; votes against management were significant, votes were abstained, or the voting differed from the voting policy of the manager.
- If the Trustee's monitoring reveals that an asset manager's voting or engagement policies, or its stewardship actions are not aligned with the Trustee's expectations, the Trustee will engage with the manager, via different medium such as emails and meetings, to seek a more sustainable position, but it may look to replace the manager.

- From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.
- The Trustee has identified the following stewardship priorities:
  - climate change risk; and
  - poor corporate governance.
- These themes have been identified as financially material ESG issues that have the potential to significantly impact the value of the Fund’s investments, and so the Trustee believes it is in members’ best interests to consider these risks.
- The Trustee keeps its asset managers informed of its stewardship priorities and expectations, and levels scrutiny on its asset managers accordingly. It is the expectation of the Trustee that the Fund’s asset managers will prioritise and actively monitor for these risks within their investment portfolios, providing transparency on engagement and voting actions with respect to mitigating these risks.
- The Trustee recognises that collaborative behaviours can further work to mitigate the risks identified above, for the Fund. To this end, the Trustee expects the Fund’s asset managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.

In addition to regular fund manager monitoring activities, during the year the Trustee also met with LGIM and discussed ESG implementation across their fund range.

The Trustee seeks to appoint managers that have strong stewardship policies and processes and is supportive of its investment managers being signatories to the United Nations’ Principles for Responsible Investment and the Financial Reporting Council’s UK Stewardship Code 2020. Details of the signatory status of each underlying investment manager is shown below:

<b>Investment manager</b>	<b>UN PRI Signatory</b>	<b>UK Stewardship Code Signatory</b>
BlackRock Investment Management	Yes	Yes
Legal & General Investment Management	Yes	Yes
State Street Global Advisors	Yes	Yes

As part of preparing this statement, the Trustee reviewed the investment managers' voting and engagement activities and found them to be acceptable.

### Investment manager voting and engagement policies

The Fund's investment managers are expected to have developed and publicly disclosed an engagement policy. This policy, amongst other things, provides the Trustee with information on how each investment manager engages in dialogue with the companies it invests in and how it exercises voting rights. It also provides details on the investment approach taken by the investment manager when considering relevant factors of the investee companies, such as strategy, financial and non-financial performance and risk, and applicable social, environmental, and corporate governance aspects.

Links to each investment manager's engagement policy or suitable alternative are shown in the appendix. Note these are provided for the underlying investment managers, for whom voting is typically ultimately delegated to, as opposed to for the platform provider.

These policies are publicly available on each of the investment managers' websites.

The Trustee is comfortable that these policies are broadly in line with the Fund's chosen stewardship approach and that they do not diverge significantly from the key stewardship priorities identified for the Fund.

The latest available information provided by the investment managers (with mandates that contain public equities or bonds) is as follows:

Engagement	LGIM Future World Fund	LGIM Retirement Income Multi-Asset Fund	LGIM Infrastructure Equity MFG - GBP Hedged	LGIM Global Real Estate Equity Index Fund	LGIM Investment Grade Corporate Bond All Stocks	SSgA Emerging Markets Index Fund*
Period	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023
Engagement definition	Purposeful, targeted communication with an entity (e.g. company, government, industry body, regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate). Regular communication to gain information as part of ongoing research should not be counted as engagement.					
Number of companies engaged with over the period	289	1549	19	151	94	4
Number of engagements over the period	474	1949	22	196	188	4

- The Trustee has been provided with details of what each investment manager considers to be the most significant votes. The Trustee has not influenced the manager's definitions of significant votes but has reviewed these and is satisfied that they are all reasonable and appropriate.
- The Trustee has selected the three votes affecting the largest asset holdings for inclusion in this statement (see appendix). The Trustee did not communicate with the manager in advance about the votes it considered to be the most significant.

- The investment managers use proxy advisers for the purposes of providing research, advice or voting recommendations that relate to the exercise of voting rights.
- The Trustee does not carry out a detailed review of all votes cast by or on behalf of each investment manager but relies on the requirement for the investment manager to provide a high-level analysis of their voting behaviour.
- The Trustee considers the proportion of votes cast, and the proportion of votes against management and believes this to be an important (but not the only) consideration of investor behaviour.
- The latest available information provided by each investment manager (for mandates that contain public equities) is as follows:

<b>Voting behaviour</b>					
	<b>LGIM Future World Fund</b>	<b>LGIM Retirement Income Multi-Asset Fund</b>	<b>LGIM Infrastructure Equity MFG - GBP Hedged</b>	<b>LGIM Global Real Estate Equity Index Fund</b>	<b>SSgA Emerging Markets Index Fund</b>
Period	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023	01/01/2023-31/12/2023
Number of meetings eligible to vote at	1,723	10,228	92	399	4,332
Number of resolutions eligible to vote on	22,642	106,017	1,239	4,368	35,921
Proportion of votes cast	99.9%	99.8%	100.0%	99.7%	96.7%
Proportion of votes for management	79.9%	77.4%	74.2%	78.8%	81.7%
Proportion of votes against management	19.9%	22.4%	25.8%	21.2%	18.3%
Proportion of resolutions abstained from voting on	0.2%	0.3%	0.0%	0.0%	1.7%



### **Trustee engagement**

The Trustee has previously reviewed the investment managers' policies relating to engagement and voting (including their policies in relation to financially material considerations) and how they have been implemented, and found them to be acceptable.

Although no further specific reviews were undertaken during the scheme year, the Trustee is not aware of any changes to the policies of their investment managers with regards to these areas and so believes these to remain acceptable.

The Trustee recognises that engagement and voting policies, practices and reporting, will continue to evolve over time and is supportive of its investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

## Appendix

Links to the Engagement Policies for each of the investment managers can be found here:

<b>Investment manager</b>	<b>Engagement Policy</b>
BlackRock Investment Management	<a href="https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf">https://www.blackrock.com/corporate/literature/fact-sheet/blk-responsible-investment-engprinciples-global.pdf</a>
Legal & General Investment Management	<a href="https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf">https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-engagement-policy.pdf</a>
State Street Global Advisors	<a href="https://www.ssga.com/library-content/pdfs/esg-investment-statement.pdf">https://www.ssga.com/library-content/pdfs/esg-investment-statement.pdf</a> <a href="https://www.ssga.com/library-content/pdfs/asr-library/ssga-issuer-and-stakeholder-engagement-guideline.pdf">https://www.ssga.com/library-content/pdfs/asr-library/ssga-issuer-and-stakeholder-engagement-guideline.pdf</a>

Information on the most significant votes for each of the funds containing public equities is shown below.

<b>LGIM Future World Fund</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Microsoft Corporation	Alphabet Inc.	Cisco Systems, Inc.
Date of Vote	07/12/2023	02/06/2023	06/12/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	5.4	2.9	2.2
Summary of the resolution	Resolution 1.06 - Elect Director Satya Nadella	Resolution 18 - Approve Recapitalization Plan for all Stock to Have One-vote per Share	Resolution 1g - Elect Director Charles H. Robbins
How the fund manager voted	Against	For (against management recommendation)	Against
Where the fund manager voted	LGIM publicly communicates its vote	LGIM publicly communicates its vote	LGIM publicly communicates its vote

against management, did they communicate their intent to the company ahead of the vote	instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics	instructions on its website the day after the company meeting, with a rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Shareholder Resolution - Shareholder rights: A vote in favour is applied as LGIM expects companies to apply a one-share-one-vote standard.	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.
Outcome of the vote	94.4%	30.7% (Fail)	92.0% (Pass)
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
Criteria on which the vote is assessed to be "most significant"	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.

<b>LGIM Retirement Income Multi-Asset Fund</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Prologis, Inc.	Microsoft Corporation	Toyota Motor Corp.
Date of Vote	04/05/2023	07/12/2023	14/06/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.3	0.2	0.2
Summary of the resolution	Resolution 1j - Elect Director Jeffrey L. Skelton	Resolution 1.06 - Elect Director Satya Nadella	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
How the fund manager voted	Against (against management recommendation)	Against	For (Against Management Recommendation)
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	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 their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
Rationale for the voting decision	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is

	<p>Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.</p> <p>Diversity: A vote against is applied as the company has an all-male Executive Committee.</p>	<p>roles of Chair and CEO due to risk management and oversight concerns.</p>	<p>warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, we believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, we expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.</p>
Outcome of the vote	86.0% (Pass)	94.4% (Pass)	15.1% (Fail)
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their	LGIM will continue to engage with their investee companies, publicly advocate their	LGIM will continue to engage with the

	position on this issue and monitor company and market-level progress.	position on this issue and monitor company and market-level progress.	company and monitor progress.
Criteria on which the vote is assessed to be "most significant"	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.	Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO.	Pre-declaration and Thematic - Lobbying: LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.
<b>LGIM Infrastructure Equity MFG - GBP Hedged</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Ferrovial SA	Aena S.M.E. SA	The Southern Company
Date of Vote	12/04/2023	20/04/2023	24/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	2.9	2.4	1.8
Summary of the resolution	Resolution 12 - Reporting on Climate Transition Plan	Resolution 11 - Advisory Vote on Company's 2022 Updated Report on Climate Action Plan	Resolution 1c - Elect Director Anthony F. "Tony" Earley, Jr.

How the fund manager voted	Against (against management recommendation)	Against (against management recommendation)	Against (against management recommendation)
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	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 their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		
Rationale for the voting decision	Rationale: Climate Change: While the company's efforts are to be commended, a vote against is applied as LGIM expects net zero commitments, rather than carbon neutrality commitments.	Shareholder Resolution - Climate change: A vote against is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.
Outcome of the vote	N/A	90.4% (Pass)	93.8% (Pass)
Implications of the outcome	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Criteria on which the vote is assessed to be "most significant"	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.
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**LGIM Global Real Estate Equity Index Fund**

	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Prologis, Inc.	Public Storage	Realty Income Corporation
Date of Vote	04/05/2023	02/05/2023	23/05/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.4	3.0	2.5
Summary of the resolution	Resolution 1j - Elect Director Jeffrey L. Skelton	Resolution 5 - Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal	Resolution 1h - Elect Director Michael D. McKee
How the fund manager voted	Against (against management recommendation)	For (against management recommendation)	Against (against management recommendation)
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	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 their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.		



Rationale for the voting decision	<p>Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.</p> <p>Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years in order to maintain independence and a balance of relevant skills, experience, tenure, and background.</p> <p>Diversity: A vote against is applied as the company has an all-male Executive Committee.</p>	<p>Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.</p>	<p>Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.</p> <p>Independence: A vote against is applied as LGIM expects the Chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.</p>
Outcome of the vote	86.0% (Pass)	34.7% (Fail)	95.1% (Pass)
Implications of the outcome	<p>LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>	<p>LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.</p>	<p>LGIM will continue to engage with the company and monitor progress.</p>
Criteria on which the vote is assessed to be "most significant"	<p>Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets we manage on their behalf.</p>	<p>High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.</p>	<p>Thematic - Climate: LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, their flagship engagement programme targeting</p>

companies in climate-critical sectors.			
<b>SSgA Emerging Markets Index Fund</b>	<b>Vote 1</b>	<b>Vote 2</b>	<b>Vote 3</b>
Company name	Pinduoduo Inc.	Xiaomi Corporation	Saudi Telecom Co.
Date of Vote	08/02/2023	08/06/2023	21/06/2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.5	0.5	0.3
Summary of the resolution	Elect Director George Yong-Boon Yeo	Elect Wong Shun Tak as Director	Amend Nomination and Remuneration of Board Members, Committees and Remuneration of the Executive Management Policy
How the fund manager voted	Against	Against	Against
Where the fund manager voted against management, did they communicate their intent to the company ahead of the vote	SSgA do not publicly communicate their vote in advance.		
Rationale for the voting decision	SSgA are voting against the nominee due to the lack of gender diversity on the board.		The proposal did not merit support as the amendment could result in diminishing shareholder rights.
Outcome of the vote	95.6% (Pass)	Pass	Pass
Implications of the outcome	Where appropriate SSgA will contact the company to explain their voting rationale and conduct further engagement.		

Criteria on which the vote is assessed to be “most significant”	Director Election	Director Election	Compensation
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Information on the most significant engagement case studies for LGIM as a company for the funds containing public equities or bonds as at 31 December 2022 (latest available) is shown below:

LGIM - Firm-level	Case Study 1	Case Study 2	Case Study 3
Name of entity engaged with	ExxonMobil	BP Plc	J Sainsbury Plc
Topic	Environment: Climate change (Climate Impact Pledge)	Environment: Climate change (Climate Impact Pledge)	Social: Income inequality - living wage (diversity, equity and inclusion)
Rationale	<p>As one of the world's largest public oil and gas companies in the world, LGIM believe that Exxon Mobil's climate policies, actions, disclosures and net zero transition plans have the potential for significant influence across the industry as a whole, and particularly in the US.</p> <p>LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under its Climate Impact Pledge, LGIM publish minimum expectations for companies in 20 climate-critical sectors. LGIM selects roughly 100 companies for 'in-</p>	<p>As one of the largest integrated oil and gas producers in the world, BP has a significant role to play in the global transition to net zero, hence LGIM's focus on this company for in-depth engagements. As members of the CA100+ LGIM commit to engaging with a certain number of companies on their focus list and on account of a strong relationship with BP, LGIM lead the CA100+ engagements with them.</p> <p>LGIM believe that company engagement is a crucial part of transitioning to a net zero economy by 2050. Under its Climate Impact</p>	<p>Ensuring companies take account of the 'employee voice' and that they are treating employees fairly in terms of pay and diversity and inclusion is an important aspect of LGIM's stewardship activities. As the cost of living ratchets up in the wake of the pandemic and amid soaring inflation in many parts of the world, LGIM's work on income inequality and its expectations of companies regarding the living wage have acquired a new level of urgency.</p> <p>LGIM's expectations of companies:</p> <p>i) As a responsible investor, LGIM advocates that all companies should</p>

<p>depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).</p>	<p>Pledge, LGIM publish their minimum expectations for companies in 20 climate-critical sectors. LGIM selects roughly 100 companies for 'in-depth' engagement - these companies are influential in their sectors, but in LGIM's view are not yet leaders on sustainability; by virtue of their influence, their improvements would be likely to have a knock-on effect on other companies within the sector, and in supply chains. LGIM's in-depth engagement is focused on helping companies meet these minimum expectations, and understanding the hurdles they must overcome. For in-depth engagement companies, those which continue to lag LGIM's minimum expectations may be subject to voting sanctions and/ or divestment (from LGIM funds which apply the Climate Impact Pledge exclusions).</p>	<p>ensure that they are paying their employees a living wage and that this requirement should also be extended to all firms with whom they do business across their supply chains.</p> <p>ii) LGIM expect the company board to challenge decisions to pay employees less than the living wage.</p> <p>iii) LGIM ask the remuneration committee, when considering remuneration for executive directors, to consider the remuneration policy adopted for all employees.</p> <p>iv) In the midst of the pandemic, LGIM went a step further by tightening its criteria of bonus payments to executives at companies where COVID-19 had resulted in mass employee lay-offs and the company had claimed financial assistance (such as participating in government-supported furlough schemes) in order to remain a going concern.</p> <p>With over 600 supermarkets, more than 800 convenience</p>
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<p>What the investment manager has done</p>	<p>LGIM has been engaging with Exxon Mobil since 2016 and they have participated willingly in discussions and meetings. Under its Climate Impact Pledge, LGIM identified a number of initial areas for concerns, namely: lack of Scope 3 emissions disclosures (embedded in sold products); lack of integration or a comprehensive net zero commitment; lack of ambition in operational reductions targets and; lack of disclosure of climate lobbying activities.</p> <p>Regular engagements with Exxon Mobil have focused on LGIM's minimum</p>	<p>LGIM has been engaging with BP on climate change for a number of years, during the course of which many actions have been taken regarding climate change mitigation.</p> <p>BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US.</p> <p>LGIM's recommendation for</p>	<p>Sainsbury's has recently come under scrutiny for not paying a real living wage. LGIM engaged initially with the company's [then] CEO in 2016 about this issue and by 2021, Sainsbury's was paying a real living wage to all employees, except those in outer London. LGIM joined forces with ShareAction to try to encourage the company to change its policy for outer London workers. As these engagements failed to deliver change, LGIM then joined ShareAction in filing a shareholder resolution in Q1 2022, asking the company to becoming a living</p>

expectations under the Climate Impact Pledge. The improvements made have not so far been sufficient in LGIM's opinion, which has resulted in escalations. The first escalation was to vote against the re-election of the Chair, from 2019, in line with the Climate Impact Pledge sanctions. Subsequently, in the absence of further improvements, LGIM placed Exxon Mobil on its Climate Impact Pledge divestment list (for applicable LGIM funds) in 2021, as LGIM considered the steps taken by the company so far to be insufficient for a firm of its scale and stature. Nevertheless, engagement with the company continues. In terms of further voting activity, in 2022 LGIM supported two climate-related shareholder resolutions (i.e. voted against management recommendation) at Exxon's AGM, reflecting LGIM's continued wish for the company to take sufficient action on climate change in line with minimum expectations.

Levels of individual typically engaged with

the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.

LGIM met with BP several times during 2022. In BP's 2022 AGM, LGIM were pleased to be able to support management's 'Net Zero – from ambition to action' report (Resolution 3). Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.

Levels of director typically engaged with include the chair, the CEO, head of

wage accredited employer.

This escalation succeeded insofar as, in April 2022, Sainsbury's moved all its London-based employees (inner and outer) to the real living wage. LGIM welcomed this development as it demonstrates Sainsbury's values as a responsible employer. However, the shareholder resolution was not withdrawn and remained on the 2022 AGM agenda because, despite this expansion of the real living wage to more employees, there are still some who are excluded. This group comprises contracted cleaners and security guards, who fulfil essential functions in helping the business to operate safely.

Levels of individual typically engaged with include the Chair, the CEO, and head of investor relations.

	include lead independent director, investor relations, director and CFO.	sustainability, and investor relations.	
Outcomes and next steps	<p>Since 2021, LGIM has seen notable improvements from Exxon Mobil regarding key engagement requests, including disclosure of Scope 3 emissions, a 'net zero by 2050' commitment (for Scopes 1 and 2 emissions), the setting of interim operational emissions reduction targets, and improved disclosure of lobbying activities. However, there are still key areas where LGIM require further improvements, including inclusion of Scope 3 emissions in their targets, and improving the level of ambition regarding interim targets. LGIM are also seeking further transparency on their lobbying activities.</p> <p>The company remains on LGIM's divestment list (for relevant funds), but engagement with them continues.</p>	<p>LGIM will continue engaging with BP on climate change, strategy and related governance topics. Following the company's decision to revise their oil production targets, LGIM met with the company several times in early 2023 to discuss concerns.</p>	<p>Since filing the shareholder resolution, Sainsbury's has made three further pay increases to its directly employed workers, harmonising inner and outer London pay and is now paying the real living wage to its employees, as well as extending free food to workers well into 2023. LGIM welcome these actions which demonstrate the value the board places on its workforce. LGIM has asked the board to collaborate with other key industry stakeholders to bring about a living wage for contracted staff.</p>

Information on the most significant engagement case studies for SSgA as a company for the funds containing public equities or bonds as at over the fourth quarter of 2022 (latest available) is shown below:

<b>SSgA - Firm-level</b>	<b>Case Study 1</b>	<b>Case Study 2</b>	<b>Case Study 3</b>
Name of entity engaged with	Chevron Corporation	Volkswagen AG	HSBC Holdings Plc
Topic	Methane and Governance	Strategy and Governance	Remuneration
Rationale	SSgA conducted two engagements with Chevron in Q4. The first was part of SSGA's targeted engagement campaign on methane. The second engagement was an in-depth off-season engagement with members of Chevron's board including the recently appointed Lead Director.	SSgA participated in an in-person engagement with members of the Supervisory Board focused on long-term strategy and corporate governance.	SSgA engaged with HSBC on key remuneration issues for 2022 and provided input on proposed 2023 remuneration measures.
What the investment manager has done	<p>1st Engagement</p> <p>SSgA spoke with Chevron's internal subject matter experts regarding enhancing methane detection and monitoring, improving measurement-based reporting and data quality, managing flaring and methane emissions reductions commitments, and integrating these efforts into the climate transition plan and business strategy.</p> <p>2nd Engagement</p> <p>SSgA discussed a number of topics including the company's strategy and performance, corporate governance, board culture and oversight, ongoing geopolitical developments, and energy market dynamics. SSgA also discussed the board's oversight of environmental and social</p>	SSgA discussed recent strategy developments as well as governance topics related to shareholder rights, board oversight, and board independence and shared SSGA's perspectives. SSgA also provided feedback on Volkswagen's climate and decarbonization strategy under NEW AUTO and discussed how the board is addressing risks and opportunities related to a "Just Transition" as the company transforms its business.	Within the remuneration conversation, topics discussed included the implementation of executive directors' remuneration policy, with key focus on the change of Group CFO from January 1, 2023 as well as human capital management considerations of the greater workforce. For the CEO's remuneration SSgA cited the need for balance between financial and non-financial performance metrics, structure of the incentive scorecard, and



	<p>topics including human capital management, DEI, and the ongoing evolution of the company's climate strategy.</p>		<p>considerations around the 2:1 cap where variable pay is capped at 200% of fixed pay.</p>
<p>Outcomes and next steps</p>	<p>The goal of the methane campaign is to both inform SSgA's views on managing methane in the oil and gas industry as well as encourage best practice methane management and reduction. Further information on this campaign can be found here: <a href="https://www.ssga.com/library-content/products/esg/methane-emissions-campaign202207.pdf">https://www.ssga.com/library-content/products/esg/methane-emissions-campaign202207.pdf</a></p> <p>The board members discussed the focus of methane as part of its climate strategy and the recently published methane standalone report.</p>	<p>SSgA will continue to engage with the company to track its progress.</p>	<p>SSgA will continue to engage with the company to track its progress.</p>