AstraZeneca Pension Fund

Implementation Statement

March 2023

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Introduction

This implementation statement ("Statement") is produced alongside the Trustee Report and Accounts and is required by pensions regulations[1]. AstraZeneca Pensions Trustee Limited (the "Trustee", "we" or "our") has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the policies set out in the Statement of Investment Principles (the "SIP"), including stewardship and engagement policies, for the AstraZeneca Pension Fund (the "Fund") during the accounting year (year to 31 March 2023).

This statement is intended to demonstrate accountability, highlighting the proactive steps taken by the Trustee and our service providers to ensure the Fund's assets are invested responsibly and for the long-term.

To prepare this statement, the Trustee has reproduced sections of the latest SIP and included accompanying commentary to set out how and the extent to which, the SIP has been followed during the one-year period to 31 March 2023. The Fund has assets both in a Defined Benefit (DB) Section, called the Retirement Account (RA), and a Defined Contribution (DC) Section, called the Investment Account (IA). The statement covers both the RA and IA Sections of the Fund.

This Statement includes details of:

- how, and the extent to which, the Trustee has followed its SIP during the year to 31 March 2023;
- details of any review of the SIP during the year to 31 March 2023, subsequent changes made with the reasons for the changes, and the date of the last SIP review;
- compliance against the stewardship and voting policies;
- any changes made to the stewardship and voting policies ("Stewardship Policy") during the accounting year; and
- how the Fund's investment managers voted and engaged on our behalf, including the most significant votes cast and the use of proxy voter services during the year to 31 March 2023.

This statement has been prepared by the Trustee to cover the period 1 April 2022 to 31 March 2023.

This Statement is based on the SIPs that were in force during the period 1 April 2022 to 31 March 2023, namely the SIP dated October 2022 and the previous SIP in effect during the accounting year from April 2021 to March 2022, dated November 2021.

The SIP was reviewed and updated during the year to 31 March 2023. It was updated in October 2022 to incorporate the following main updates:

- Reflect a de-risking move within the DB Section's investment strategy in April 2022 (to reduce the target return from Gilts + 2.9% p.a. to Gilts + 2.5% p.a.) and confirmation of the investment risk budget
- Update to the Fund's Responsible Investment, Sustainability and Corporate Governance Policy to reflect and cross reference the separate document which details this policy
- Further detail on the DC Section and its governance, following the establishment of the Defined Contribution Committee (DCC)

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes. Following the update in October 2022 to reflect the DB Section's Gilts + 2.5% p.a. strategic target, the SIP has subsequently been updated post the accounting year end of 31 March 2023, to reflect further de-risking in the DB Section and an updated Gilts + 2.0% p.a. strategic target. The update also reflected the three stewardship priorities for asset management engagement which were set by the Trustee. The latest SIP is publicly available at https://epa.towerswatson.com/accounts/ZEN/public/AstraZeneca-Pension-Fund-Information/.

[1] The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

Executive summary

To the best of its knowledge, the Trustee is pleased to confirm that it has followed all of the policies outlined in the SIP during the reporting period. The sections below have been split in line with the relevant policies that can be found in the SIP.

From a corporate governance and stewardship perspective, the Trustee focuses its efforts on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement.

The Trustee has recently selected three stewardship priorities for investment manager engagement – climate crisis, environmental impact and human rights – in order to improve alignment against our policies and beliefs as well as enhance disclosure. The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Investment Advisers will monitor future manager disclosures to ensure alignment against our priorities. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that our Investment Advisers have an appropriate approach to assess the stewardship and voting policies for all investment managers.

1. What is set out in the SIP?

1.1. Section 3 – Governance

The Trustee establishes specialist committees on both an ongoing and ad-hoc basis to deal with various issues. The Trustee has established an Investment and Monitoring Committee (the "IMC") to oversee all investment matters pertaining to the Defined Benefit Section and a Defined Contribution Committee ("DCC") to oversee all matters relating to the Defined Contribution Section. The IMC and DCC operate within agreed Terms of Reference.

We confirm that the approach outlined in the SIP was followed by both the DB and DC Sections throughout the one-year period to 31 March 2023. This was following the establishment of a specialist DCC which carries out detailed and technical consideration of all DC matters, aided by advice and input from the Trustee's DC Adviser. The first meeting of the DCC took place in June 2022 during which Terms of Reference were discussed. The SIP was subsequently updated to reference this new committee.

1.2. Sections 5 & 6 – Strategic Objective

1.2.1. DB Section

The Trustee has agreed a Journey Plan with the Company which is part of a wider Long-Term Funding Agreement (the "Funding Agreement"). The Funding Agreement has the strategic objective of achieving a Long-Term Target Funding Level of 105% funding on a Gilts + 0.7% p.a. basis by 31 December 2034. In order to help achieve this objective, the Trustee has implemented an investment strategy designed to deliver a set level of return detailed later in the section headed "Expected Return and Risk". Over time, the Fund is expected to gradually de-risk which will result in a corresponding reduction in the targeted expected return.

The approach above has been maintained throughout the year to 31 March 2023 and the prescribed long-term target remains the Trustee's objective.

Following a significant improvement in the funding level ahead of expectations, the Trustee implemented a de-risking switch in April 2022 moving from a target return of Gilts + 2.9% p.a. to Gilts + 2.5% p.a.. In December 2022 a further de-risking step was implemented, reducing the target return to Gilts + 2.0% p.a. Subsequent to this, a new de-risking framework was implemented post the accounting year end consisting of a series of funding level thresholds with the Trustee that would trigger investment strategy changes, reflecting different levels of target return to facilitate speedier, more timely de-risking.

Following the update in October 2022 to reflect the Gilts + 2.5% strategy, the SIP has subsequently been updated post the accounting year end of 31 March 2023 to reflect the updated Gilts + 2.0% p.a. strategy.

1.2.2. DC Section

The Defined Contribution Section's objective is the acquisition of secure assets of appropriate liquidity with the aim to generate income and capital growth to provide for each member a fund at retirement with which to purchase retirement benefits. The Trustee's key investment objective is to provide a range of investments that are suitable for meeting members' long and short-term investment objectives allowing for members' differing individual circumstances. In particular, the range of members' attitudes to risk and terms to retirement is considered.

The approach above has been maintained throughout the year to 31 March 2023. The Trustee is currently achieving its objective of providing a range of investments that are suitable for meeting *members' long and short-term investment objectives. It has also allowed for members' differing individual circumstances with the "Lump Sum Lifestyle" being the default for those Defined Benefit section members whose Defined Contribution assets reflect AVCs and the "Drawdown Lifestyle" being the default for all other members. The Trustee commenced its latest review of investment strategy over the year to 31 March 2023 and as part of this review concluded that the retirement outcomes being targeted by these strategies remain appropriate for each cohort of member.*

1.3. Section 7 – Investment Policy

1.3.1. DB Section

Investment strategy is reviewed on an ongoing basis. The strategy is designed to target a set level of return above that of the liabilities (as detailed in the "Expected Return and Risk" section) with an acceptable degree of investment risk.

The Trustee has determined, based on expert advice from its Investment Advisers, a strategic mix of asset types. In setting investment strategy, a range of different asset allocations was reviewed and the relative risk/rewards and suitability of these were considered.

The Trustee adopts an investment strategy that currently targets investment of approximately 62.5% of the Fund's assets in a diversified range of return seeking investments, including but not limited to: listed equities, credit, multi-strategy and macro-orientated funds. These assets are classed as the "Investment Portfolio". The Trustee believes that the current allocation to the Investment Portfolio and the mix of assets within this portfolio are sufficient to target the level of expected return required. The allocation within the Investment Portfolio is managed according to a guideline risk limit, using expected tracking error as a measure of relative risk. This is discussed further in Sections 10 and 12.

It is noted that both the allocation and composition of the Investment Portfolio may change in the future to ensure it targets the required level of expected return. Further details on the construction of the Investment Portfolio are set out below:

Asset Class groups	**Long-term target allocation (% of Investment Portfolio)**	**Expected investment ranges (%)**
High Growth	35%	30-40%
Low Growth	25%	20-30%
Manager Skill & Trend	40%	35-45%
Total	**100%**	

High Growth asset class group will invest in equities (physical and/or synthetic)
Low Growth asset class group will typically invest in credit and income equities
Manager Skill & Trend will capture all other growth-focussed managers, including macro orientated, diversified growth and trend-following strategies

The Trustee notes that the Fund's actual allocation may move outside of the expected investment ranges from time to time. This will typically be under circumstances such as when a strategic review is ongoing or an underlying manager is being replaced. Non-discretionary triggers will typically be used in these circumstances to facilitate portfolio rebalancing, driven by market conditions..

Within the Investment Portfolio, there are target benchmark allocations across asset class groups. On an ongoing basis, the Trustee considers the underlying assets, in the context of the economic climate and how the Investment Portfolio is expected to behave in different economic scenarios. The allocations are monitored and managed based on expert advice from the Investment Advisers and may vary from the long-term target allocation, from time to time, at the Trustee's discretion, taking into account prevailing market conditions or specific Fund circumstances.

In order to manage total investment risk, the Trustee holds its remaining assets in a "Liability Hedging Portfolio". The Liability Hedging Portfolio utilises instruments which use leverage in order to provide protection in a larger notional size than the capital allocation. This Liability Hedging Portfolio consists of bonds and bond-like derivative instruments designed to match the changes in value of a proportion of the Fund's liabilities. The Trustee targets a hedge ratio of 100% (as a percentage of assets and measured on the long-term funding basis) for both interest rate and inflation hedging. Actual levels may vary from time to time and are monitored regularly. Where the hedge ratio is divergent from the target, the Trustee will not always mechanistically rebalance, but look to change the hedge over time in a price-aware manner. As the funding position improves over time, the target hedge ratio will become equivalent to targeting 100% of liabilities as measured on the long-term funding basis.

In addition, the Fund holds a Longevity Swap to help manage the risk that improved member longevity places an additional strain on funding levels. This swap covers a proportion of the retired population.

Whilst not expected to be a permanent component of the investment strategy, the Trustee may also utilise option overlay strategies from time to time, for effective and efficient portfolio management, in order to, for example, reduce equity market risk by protecting value if deemed necessary.

The Trustee's policy is to delegate all strategic, manager selection and implementation decisions to the IMC, who in turn, delegate all day-to-day decisions about the investments that fall within each mandate to the relevant investment manager, after satisfying itself that the investment manager has the appropriate knowledge and experience for managing the investments of the Fund. The Trustee expects each investment manager to exercise the investment powers delegated to it with a view to giving effect to the principles in this statement, so far as is reasonably practical.

Following a de-risking step implemented in April 2022, the investment policy was updated by the Trustee during the year to 31 March 2023. The allocation to return-seeking assets was reduced from c.72.5% to c.62.5% of exposure. In December 2022, the Fund implemented a further de-risking step reducing the allocation to return-seeking assets to 48% and introduced a new cashflow portfolio. The SIP has subsequently been updated post year-end to reflect this.

As at the 31 March 2023 the asset cluster allocations were as follows:

Asset Clusters	**Expected investment ranges (%)**	***Current asset allocation (% of Investment Portfolio)***
High Growth	30-40%	*13%*
Low Growth	20-30%	*38%*
Manager Skill and Trend	35-45%	*49%*

The details of the types of assets referenced in the SIP remain consistent with the Fund's investments.

As at 31 March 2023, the Fund is underweight to the High Growth (equity) exposure and correspondingly overweight to the other clusters relative to the long-term expected range. This is a deliberate, discretionary position taken by the Trustee.

Following the very significant movements in gilt yields, which necessitated an orderly portfolio rebalancing to provide liquidity to meet collateral calls from the LDI portfolio over Q4 2022, a significant proportion of the Fund's equity exposure was liquidated. Since removing the exposure, the Trustee has taken steps to reallocate back to equity but has intentionally not fully reallocated back to the strategic benchmark position. For this remaining underweight, in order to help manage investment risk, the Trustee is looking for opportune times to increase exposure, rather than buying large allocations at the prevailing levels. To maintain a sufficient allocation to return-seeking assets, this has meant having an overweight to Low Growth (credit and equity income) and Manager Skill and Trend (alpha driven strategies) asset clusters. This position continues to be monitored by the Trustee.

The Liability Hedging portfolio has successfully counteracted the changes in value of the liabilities and helped to mitigate funding level volatility. We continue to target a hedge ratio of 100% (as a percentage of assets and measured on the long-term funding basis) for both interest rate and inflation hedging, building up further exposure in a controlled and cost aware manner. As at 31 March 2023 the Fund's interest rate and inflation hedging were 99% and 94% as a percentage of assets, respectively.

The longevity swap continues to manage some of the risk that may arise from improved member longevity, which would place an additional strain on funding levels.

Towards the end of the accounting year, the Trustee established and made an initial investment in a Buy and Maintain Credit portfolio, which forms part of the new "Cashflow Portfolio" – this was introduced to sit alongside the existing Investment Portfolio and Liability Hedging Portfolio. The SIP and other related policies have been updated post the accounting year end to reflect this investment.

1.3.2. Defined Contribution Section

A range of funds covering different investment managers and asset classes is offered for the Defined Contribution Section, which allows members to tailor their investment choices to fit their own needs and risk preferences.

The approach above has been maintained and no changes were made to the range of investment options available to members throughout the year to 31 March 2023.

Over the year, changes were made to the L&G Pre-Retirement Fund which underlies the AZ Annuity Protection Fund. These included changes to the structure, benchmark, comparator, and fund name, and introducing ESG tilts and exclusions to the portfolio construction. The name of the fund was changed to L&G Future World Annuity Aware Fund. The exclusions applied to the fund cover controversial weapons, coal mining, thermal coal power generation, oil sands, and UN Global Compact violators.

1.4. Section 8 – Rebalancing Cashflow Policy

In order to control the level of investment risk for the Defined Benefit Section, the Trustee monitors the allocation across the investment managers and asset class groups closely. A decision as to whether to rebalance is not a mechanistic process but is taken on a discretionary basis, on advice from the Investment Adviser.

Any regular cashflows in or out of the Fund are, in the normal course of events, directed initially to/from the Liability Hedging Portfolio as a readily available source of liquidity. This policy may be reviewed at any time and the allocation between the Investment Portfolio and Liability Hedging Portfolio is monitored on a regular basis.

In addition, the allocation within the Investment Portfolio is also closely monitored and will be changed from time to time via cashflows or a separate rebalancing exercise on advice from the Investment Adviser, depending upon market conditions and investment opportunities.

We confirm that the approach was used throughout the one-year period to 31 March 2023.

The allocation to the Investment Portfolio and Liability Hedging Portfolios is monitored on at least a quarterly basis in Investment and Monitoring Committee ("IMC") meetings via the quarterly Investment Performance Report and also as part of a quarterly forward-looking expected return assumptions paper which the Trustee sends to the Sponsor. Monthly asset allocation and performance reports are also produced and issued to the IMC.

1.5. Section 9 – Pooled and segregated investments

The Fund will typically invest in both pooled and segregated portfolios of assets, whereby the management is delegated to an investment manager under a legal contract or defined in the policy terms of insurance products. In the case of the Defined Benefit Section there is a mix of pooled and segregated investments, with the Investment Portfolio (the majority of assets) invested solely in pooled funds, with the exception of some synthetic equity and possibly, from time to time, credit exposure gained via swaps or futures for efficient portfolio management purposes. The Defined Contribution Section consists of pooled funds only.

The Trustee's policy is to review its investments and to obtain investment advice about them at regular intervals. When deciding whether or not to make any new investments the Trustee will obtain investment and, if appropriate, legal advice.

The advice will take into account the issues set out in the Pensions Acts and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the investment managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability (after all fees)
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives and leverage

The Trustee is satisfied that its Investment Advisers have the knowledge and experience required by the Pensions Acts in performing this role. The Trustee has set its Investment Advisers a clear remit and set of objectives against which the advisers' performance is monitored annually, and which are consistent with the Trustee's objectives set out in this statement.

We can confirm this policy has been adhered to over the year ending 31 March 2023. The Trustee monitors investments on a quarterly basis in Board meetings, with a more detailed focus in IMC meetings, but also takes on advice from the Investment Advisers on a more frequent basis.

The Investment Advisers have a clear remit provided by the Trustee. This covers both pooled and segregated assets. Decisions made by the IMC on behalf of the Trustee are made using a combination of the above criteria.

For the DB Investment Portfolio, pooled funds are used to access "best in class" products in an operationally efficient manner. No new managers have been added to the DB Investment Portfolio over the past year, though the IMC have agreed to an additional Manager which is in the process of being implemented. One was fully redeemed during the previous accounting year and the redemption completed in April 2022. The IMC have also agreed to fully redeem from another manager which as at the accounting year end was in the process of settling.

The Liability Hedging mandates are primarily segregated in nature. At the end of the accounting year, the Fund invested in the Cashflow Portfolio which is also a segregated mandate.

The Defined Contribution Section's platform provider makes available the range of investment options to members. There is no direct relationship between the Fund and the underlying managers of the Defined Contribution Section investment funds. The Defined Contribution Section consists of pooled funds only and therefore the Trustee has limited influence over managers' investment practices. That said, the Trustee encourages its managers to improve their practices within the parameters of the fund they are managing.

1.6. Section 10 – Expected Return

1.6.1. Defined Benefit Section

In relation to the Defined Benefit Section, the objective of the Trustee is to achieve an expected return on the assets of 2.5% p.a. (net of all fees and calculated on a geometric mean basis) above the return on the Liability Benchmark (a portfolio of gilts that would provide a close match to the liabilities), at a level of risk, defined by the tracking error of the investment strategy of 8% p.a. or below. Tracking error is a measure of the risk of the asset portfolio compared to the liability benchmark i.e. a measure of relative volatility.

The level of expected return which the Trustee will target each year is set out as part of a schedule within the Funding Agreement. The Trustee may deviate from this schedule, with agreement from the Company. Over the period to 31 December 2034, the level of expected return will gradually reduce and the investment strategy adopted will eventually target a return of 0.7% p.a. (net of all fees) in excess of the return on the Liability Benchmark.

The Trustee accepts that in order to generate excess return there is an element of risk that the assets may not perform in line with the target. The Trustee closely monitors the investment strategy and the level of expected return on a regular basis to ensure it is in line with the parameters set out in the Funding Agreement and produces a quarterly report which is sent to the Company.

The Trustee recognises that the returns on the assets held in the Investment Portfolio are expected to be greater over the long term than those on "risk-free" assets (such as Gilts) held in the Liability Hedging Portfolio. However, these returns are also likely to be more volatile. In addition to traditional equity and bond assets, the Trustee allocates across a range of different strategies, including (but not limited to) Manager Skill and Trend-focused investments. These investments typically exhibit low correlation to equity and traditional bond assets. As such, it is expected that the Fund will be less exposed to the general direction of individual markets which should provide a more balanced total return across a range of different economic scenarios.

Over the one-year period to 31 March 2023, the Trustee monitored the Fund's expected return on a quarterly basis to ensure it met the target quoted. With the help of the Investment Adviser, the Trustee produced a quarterly assumptions report to document this process and the calculation methodology behind it. This report is shared with the Company to discharge the Trustee's responsibilities under the long-term funding agreement.

In April 2022, following a significant increase in funding level, the Trustee implemented a de-risking move from Gilts + 2.9% p.a. to Gilts + 2.5% p.a. In December 2022 a further de-risking move was implemented, reducing the target return to Gilts + 2.0% p.a.

Over the year to 31 March 2023, the Fund achieved a return of -21.6%, underperforming the target return, as gilt yields materially increased, and the liability hedging portfolio fell in line with the value of the liabilities. Performance over the year was monitored by the Trustee in the context of market conditions, and relative to the long-term objective. The Fund is ahead of its longer-term funding target.

1.6.2. Defined Contribution

Returns for the Defined Contribution assets will vary from member to member and will depend on the investment choices made by each member.

Over the one-year period to 31 March 2023, the Trustee monitored the performance of the investment funds available to Defined Contribution members on a quarterly basis.

The lifestyle funds performed broadly in line with expectations given the difficult market conditions experienced over the period. These conditions were caused by various factors including the war in Ukraine, rising inflation, and increasing interest rates, which negatively affected most asset classes, including the asset classes used in the lifestyle arrangements. As a result, all of the lifestyle funds with the exception of the AZ Cash Fund generated negative absolute returns. Whilst the AZ Global Equity Fund and the AZ Cash Fund performed broadly in line with their respective benchmarks, the AZ Diversified Fund underperformed it's benchmark given the challenges in both equity and bond markets over the period. Whilst the AZ Annuity Fund underperformed it's benchmark over the period, it has *been able to broadly follow the same trend of changes in annuity prices.*

Over the one year period to 31 March 2023, all passive funds available to members in the self-select range performed within an acceptable tolerance relative to their respective benchmarks. Both active equity funds outperformed their respective benchmarks over the same period albeit delivered negative returns in absolute terms. The Trustee remains comfortable with the fund range available to members.

While the Trustee monitors performance each quarter, it recognises that it is the long term performance that is most relevant to members, as the majority of members have a long investment horizon until retirement.

1.7. Section 11 – Realisation of investments

If, having considered advice from the Investment Advisers, the Trustee believes that any investment is no longer suitable for the Fund, it will withdraw from this asset class subject to the liquidity constraints of the asset class/manager. The investment managers generally have discretion in relation to the exact timing of any disinvestments.

We confirm that this approach was used throughout the one-year period to 31 March 2023. The Trustee monitors the performance of the funds used against their stated objectives and benchmarks. This takes place on a quarterly basis.

For the DB Section, over the one-year period to the 31 March 2023, the IMC agreed to fully redeem from an investment manager as they agreed they were no longer suitable for the Fund. The redemption was being finalised as at the accounting year-end and completed shortly thereafter.

For the DC Section, it is the Trustee's policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the Defined Contribution Section funds which the Trustee offered during the year to 31 March 2023 are daily priced. There were no changes to the fund line-up over the Fund Year.

1.8. Section 12 – Risk management and measurement

The Trustee recognises that the key risk to the Defined Benefit Section of the Fund is that it has insufficient assets to pay benefits when they are due.

The Trustee accepts that in order to generate the excess return over the liability benchmark, there is an element of risk that the assets might not return in line with the return target. The risk as defined by the expected tracking error of the strategy (a relative risk metric that measures the risk of the investment strategy deviating from the Fund liability benchmark) which;

- Is expected to be below that of the previous investment strategy (10% p.a.),
- Has a guideline limit of 8% p.a. which if exceeded would be reviewed by the IMC and remedial action considered.

The Trustee recognises that the key risk for the Defined Contribution Section of the Fund is that members will have an income that does not meet their expectations.

The Trustee has identified a number of investment or investment-related risks and delegates the management or oversight of these risks to the IMC and DCC. A list of these risks is included in the SIP.

To assist in monitoring these risks, the Trustee receives verbal reports from a representative of the IMC and DCC at each Trustee meeting, along with minutes of every meeting, quarterly investment performance reports and other papers which materially impact investment policy.

Risks are monitored on an ongoing basis with the help of the Investment Advisers.

Over the one-year period to 31 March 2023, as part of regular IMC meetings, the Trustee has monitored and sought to pragmatically manage all of the investment risks listed in the SIP and has a policy to deal with each. The objective is not necessarily to eliminate risk as this may not be desirable nor possible.

The Fund maintains a risk register of the key investment risks. This rates the impact and likelihood of the risks and summarises existing mitigations and additional actions. The risk register is reviewed on a quarterly basis at the IMC meetings.

With regards to the DB Section, the Trustee reviews quarterly investment performance reports including both Value at Risk analysis which attributes key investment risks and relative risk analysis in the form of a Fund tracking error, a measure of the risk of the investment strategy (assets) relative to the liabilities on both a prospective and realised level. Over the one-year period to 31 March 2023 the Fund's tracking error was well within the guideline limit of 8%.

Regarding the risk for DC Section members that they will have a retirement income that does not meet their expectations, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used throughout the lifestyle investment options and are also made available within the self-select investment options. These funds are expected to produce adequate real returns over the longer term. Over the one year period to 31 March 2023, the Trustee monitored the performance of the investment funds available to Defined Contribution members on a quarterly basis. In addition, the Trustee offers Defined Contribution members lifestyle strategies that automatically de-risk based on how members may be expected to take their benefits in retirement, such as income drawdown, annuity purchase or cash withdrawal.

In particular, Defined Contribution members face the risk of fraud, poor advice or acts of negligence. The Trustee minimises this risk by ensure all advisers and third-party service providers are suitably qualified and experienced and suitable liability and compensation clauses are included in professional services contracts.

Members are protected against detrimental impacts of overseas currency fluctuations against the Pound Sterling through the allocation to the BlackRock MSCI Currency Hedged World Index Fund. The 45% allocation to the fund in the AZ Global Equity Fund, which forms the growth phase of the lifestyle strategies, works to mitigate the impact of this risk.

To ensure Defined Contribution members are protected against the risk of unsuitable funds for their requirements, the Trustee and its advisers regularly review the fund choices provided to them.

To ensure that ESG risks are monitored and managed, the Trustee has a detailed policy set out on this, and regularly monitors the fund managers' and the investment funds' responsible investment scores that are provided by the Investment Advisers based on their research. The Trustee also monitors the responsible investment initiatives that the fund managers are signatories or affiliates to.

1.9. Section 13 – Responsible Investment and Corporate Governance

The Trustee regularly reviews its position on responsible investment, sustainability and corporate governance while continuing to have regard to the task of achieving its return objective and managing investment risk for the Defined Benefit Section and ensuring an appropriate fund choice and default arrangements are available to members of the Defined Contribution Section.

The Trustee supports the goals of the Paris Climate Agreement to limit global warming to +1.5C above pre-industrial levels and is committed to transitioning the Fund's investment strategy to be consistent with net zero greenhouse gas emissions by 2045. In addition, as an interim target, the Trustee is also committed to a global carbon emissions reduction target of 50% from its asset portfolio by 2030. This commitment is a part of a more detailed policy which is being applied to all investments and is set out in a separate policy document.

In addition, the Trustee also has in place a Climate Change Governance Framework, which came into effect on 1 October 2021. This has been prepared in accordance with the Taskforce for Climate-Related Financial Disclosures (TCFD) regulations. The terms of this Framework are detailed in another separate policy document.

Over the one-year period to 31 March 2023, the Trustee has followed this approach, with the focus on monitoring how its investment managers integrate ESG policies into their processes. This is achieved mainly through the investment performance report which is reviewed by the Trustee on a quarterly basis – this includes specific ESG ratings from its Investment Advisers. Most of the investment managers have been reasonably well rated by the Investment Advisers over the year for their ESG approach and are improving in this area. The Trustee challenges the Investment Advisers on their manager ratings and assess the Investment Advisers annually on their service delivery.

The Trustee has developed a Responsible Investment, Sustainability and Corporate Governance policy and Climate Change Governance framework. The Trustee believes that the full range of environmental, social and governance risks and opportunities ("ESG factors") should be considered when deciding whether to invest, disinvest or maintain an investment. This is because ESG factors could have a material financial impact on the outcome of investments. The details of these are outlined in a separate document.

During the year, the IMC agreed stewardship priorities (to apply across both the Defined Benefit and Defined Contribution Sections) with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members.

The Trustee is also in process of finalising their first TCFD report which is to be published by October 2023.

Arrangements with all investment managers

The Trustee believes that an understanding of, and engagement with investment managers is required to ensure they are aligned with the Trustee's policy, including this Responsible Investment, Sustainability and Corporate Governance Policy. It is the Trustee's policy to ensure that the following are understood and monitored:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

The Trustee delegates the exercise of voting rights associated with investments to the underlying *investment managers. Our Investment Advisers receive information on the voting and engagement activity of all our investment managers and challenge their activity on our behalf. The Trustee considers this at least annually through the preparation of its Implementation Statement.*

We categorise our managers according to how material voting and engagement are in their mandate. Due to the nature of their mandates, some of our managers own few or no individual equities or corporate bonds and therefore voting or engagement is less likely to be relevant or significant.

We focus our efforts on those managers where voting and engagement is material. Our approach to stewardship is summarised in Section 2 of this Statement.

Details on how manager shares were voted are outlined in Sections 3.1 and 4.1 of this Statement.

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using a proxy voting services could include:

- *The investment manager lacks the resource to research each resolution and submit votes*
- *The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this*

Professional proxy voting services are often able to devote significant resource to researching AGM motions and are able to follow best practice guides like the FRC's Stewardship Code. We outline the use of Proxy Voting services in Sections 3.2, and significant votes cast in Sections 3.3 and 3.6 of this Statement.

Management engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. How managers have engaged over the year has been outlined in Section 4 of this Statement.

As part of its advice on the selection and ongoing review of the investment managers, the Fund's Investment Advisers incorporate their assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

Within the DC Section the Trustee recognises that some members may wish for ESG matters to be taken into account in their investments and is considering options in this area as part of the review of investment strategy which is underway.

1.10. Frequency of review

The Trustee will review this statement at least every three years and immediately following any significant change in investment policy. The Trustee will consult with the Company and take investment advice when revising the statement.

We confirm this approach has been met with the SIP updated in October 2022 as detailed in Section 1.2.

2. Our Stewardship Policy

2.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value for members, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is achieved through exercising the right to vote on any shares which are owned by the Fund and engaging with the management of any companies or properties where an investment has been made.

2.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year, as set out in Section 13 (Responsible Investment, Sustainability and Corporate Governance) of the SIP, was:

> *“The Trustee regularly reviews its position on responsible investment, sustainability and corporate governance while continuing to have regard to the task of achieving its return objective and managing investment risk for the Defined Benefit Section and ensuring an appropriate fund choice and default arrangements are available to members of the Defined Contribution Section.”*

2.2.1. Engagement

The Trustee is responsible on an ongoing basis for engaging with their asset managers. For managers where it is expected to have a meaningful impact, the Trustee monitors voting records and the level of engagement with underlying investments.

The Trustee has recently selected three stewardship priorities for asset manager engagement, in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals with an international endeavour in mind and aim to improve sustainability within the portfolio and have a direct real-world impact on our members’ current and future landscape. Our three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality and health & nutrition)

The Trustee expects the asset managers to incorporate these themes into their future voting practices and the Investment Advisers will monitor future manager disclosures to ensure alignment against our priorities.

2.3. How have we implemented our Stewardship Policy?

2.3.1. Fund structuring

The Trustee holds investments primarily on an indirect basis through pooled funds and synthetic instruments. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing our overall costs; and
- Operational efficiency – for example, it simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden on the Trustee.

Where investments are made (or offered to members in the case of the Defined Contribution Section) in pooled funds, the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring the investment managers act consistently with the Fund's Stewardship Policy.

2.3.2. External engagements

The Trustee assesses whether its Investment Advisers have been aligned with its Stewardship Policy throughout the year. The Investment Advisers have been a signatory to the UN Principles for Responsible Investment since 2011 (DB Section Adviser) and 2014 (DC Section Adviser), and they are signatories to the UK 2021 UK Stewardship Code.

The DB Section Adviser is a member of a range of sustainable investment organisations and these are noted below.

In addition, the DC Section Adviser is a member of the organisations noted below.

2.3.3. Manager selection and monitoring

When selecting investment managers, the Investment Advisers scrutinise their stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with our Stewardship Policy. A similar approach is taken ahead of making any new funds available to members in the DC Section. Assisted by its Investment Advisers, the Trustee monitors the investment managers on an ongoing basis, ensuring their activities align with our Stewardship Policy and engaging with our investment managers to help them improve their stewardship approach.

The Trustee monitors the voting and engagement activity of our investment managers and challenges their activity through its Investment Advisers. We categorise our managers according to how material voting and engagement is in their mandate. The Trustee focuses its efforts on any managers where voting and engagement is material.

3. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Fund and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

3.1. How did our DB managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year to 31 March 2023.

Note: All asset managers that the Scheme invests with, directly or indirectly, are subject to the Scheme's engagement policy and monitored accordingly. The managers included in this section denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments we have the largest exposure to. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure prohibit the investment strategy of the Scheme.

Ruffer

	Manager response
Number of meetings the manager was eligible to vote at over the year	81
Number of resolutions the manager was eligible to vote on over the year	1368
% of eligible resolutions the manager voted on	100%
% of votes with management	95%
% of votes against management	4%
% of resolutions the manager abstained from	1%

Sands

	Manager response
Number of meetings the manager was eligible to vote at over the year	61
Number of resolutions the manager was eligible to vote on over the year	440
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	4%
% of resolutions the manager abstained from	2%

3.2. Use of DB proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves). The reasons for using proxy voting services could include:

- The investment manager lacks the resource to research each vote and submit votes
- The investment manager wants to follow a recognised code of practice and the proxy voting service is an easy way to implement this

Professional proxy voting services are often able to devote significant resource to researching AGM motions and are able to follow best practice guides like the FRC's Stewardship Code.

We recognise that by having a suitable Stewardship Policy in place and using our Investment Adviser to monitor voting activity, investment managers can create more engagement over time, particularly smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Fund's investment managers where voting is deemed to be of material importance. All of the Fund's investment managers use reputable proxy voting services to implement their voting activities where appropriate.

Manager	Use of proxy voting service
Ruffer	ISS
Sands	ISS and Glass Lewis

3.3. Examples of significant DB votes

When collating voting statistics for our investment managers, we also asked our investment managers to provide examples of significant votes cast. The tables below outline a sample of responses received.

Ruffer

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Cigna Corporation	04/2022	Social - Report on Gender Pay Gap	Against	Cigna uses an "equal pay for equal work" statistic and reports that there are no material differences in pay data related to gender or race. Although the equal pay for equal work statistic is subjective in that it allows the company to define what it considers an "equal job," the company does report its gender representation statistics and it additionally set a parity goal for leadership positions. As such, shareholders have enough information to assess how effectively company practices are working to eliminate discrimination in pay and opportunity in its workforce. Therefore, support for this resolution is not warranted at this time.
BP Plc	05/2022	Environmental - Approve Shareholder Resolution on Climate Change Targets	Against	We voted in line with ISS and management. We have done extensive work on BP's work on the energy transition and climate change and we think they are industry leading. We support management in their effort to provide clean, reliable and affordable energy and therefore we voted against the shareholder resolution.

Meta Platforms, Inc	05/2022	Social - Publish Third Party Human Rights Impact Assessment	For	Facebook has received substantial media backlash over the use of its targeted advertising to discriminate against marginalized groups. Although the company has recently tightened its restrictions for targeting options, it still appears to be facing scrutiny on the topic. It has faced a number of legal risks due to lawsuits from the ACLU, HUD, FTC, and others. Given the large amount of company revenue that comes from advertisements, a third-party human rights impact assessment on the company's policies and practices related to targeted advertising could help shareholders assess Meta's management of human rights related risks.

Sands

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Localiza Rent A Car SA	04/2022	Approve Long-Term Incentive Plans	For	Consistent with our earlier voting on this issue last year. We believe that management has provided a reasonable explanation for this incentive plan. We also believe that the incentives of management and minority shareholders are well aligned under this plan.
Britannia Industries Limited	06/2022	Approve Limits for Making Investment, Loans, Guarantees and Security in Other Body Corporate	For	The criteria we selected to assess the "significance" of the vote were the dissent level, shareholder proposals we voted FOR, times we voted AGAINST management or ISS, historical votes on similar proposals, and overall relevance to the strategy.

3.4. How did our DC managers vote?

The tables below provide a summary of the voting activity undertaken by our managers during the year to 31 March 2023. Note that numbers may not sum exactly due to rounding.

Note: The funds included are those used in the default options which hold equities and two self-select equity funds. The voting data for the ethical and Shariah self-select funds has been included recognising that members choosing to invest in these funds may be interested in this information. All the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year to 31 March 2023.

BlackRock MSCI World Index Fund (currency hedged and unhedged)[1]

	Manager response
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£151.9m
Number of equity holdings at end of the Scheme Year	1,486
Number of meetings the manager was eligible to vote at over the year	931
Number of resolutions the manager was eligible to vote on over the year	14,092
% of eligible resolutions the manager voted on	88%
% of votes with management	93%
% of votes against management	6%
% of resolutions the manager abstained from	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	29%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%

[1]The BlackRock MSCI World Index Fund has identical equity holdings to the BlackRock MSCI Currency Hedged World Index Fund and therefore has identical voting data.

BlackRock Emerging Markets Equity Index Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£16.9m
Number of equity holdings at end of the Scheme Year	1,666
Number of meetings the manager was eligible to vote at over the year	3,864
Number of resolutions the manager was eligible to vote on over the year	33,350
% of eligible resolutions the manager voted on	97%
% of votes with management	88%
% of votes against management	11%
% of resolutions the manager abstained from	3%
In what % of meetings, for which you did vote, did you vote at least once against management?	41%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%

LGIM Diversified Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£172.0m
Number of equity holdings at end of the Scheme Year	6,396
Number of meetings the manager was eligible to vote at over the year	9,541
Number of resolutions the manager was eligible to vote on over the year	99,252
% of eligible resolutions the manager voted on	100%
% of votes with management	77%
% of votes against management	22%
% of resolutions the manager abstained from	1%
In what % of meetings, for which you did vote, did you vote at least once against management?	73%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	13%

LGIM Ethical Global Equity Index Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£0.8m
Number of equity holdings at end of the Scheme Year	1,041
Number of meetings the manager was eligible to vote at over the year	1,155
Number of resolutions the manager was eligible to vote on over the year	16,602
% of eligible resolutions the manager voted on	100%
% of votes with management	82%
% of votes against management	18%
% of resolutions the manager abstained from	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	76%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	13%

HSBC Islamic Global Equity Index Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£0.3m
Number of equity holdings at end of the Scheme Year	105
Number of meetings the manager was eligible to vote at over the year	95
Number of resolutions the manager was eligible to vote on over the year	1423
% of eligible resolutions the manager voted on	97%

% of votes with management	81%
% of votes against management	20%
% of resolutions the manager abstained from	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	79%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	12%

3.5. Description of the DC managers' voting processes

For assets with voting rights, the Trustee relies on voting policies which its managers have in place. In preparing this Statement the Trustee reviewed the votes which its managers deemed significant and in doing so it assessed the extent to which the outcomes of its managers policies were consistent with its beliefs and stewardship priorities.

BlackRock

BlackRock's approach to corporate governance and stewardship is explained in its Global Principles document (available on the manager's website), which describe its philosophy on stewardship, its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest.

The BlackRock Investment Stewardship team and its voting and engagement work continuously evolve in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure BlackRock takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. Its engagement priorities are global in nature and are informed by BlackRock's observations of governance-related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets.

BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in its Global Principles, BlackRock determines which companies to engage directly with based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. BlackRock's voting guidelines are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. It applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant.

BlackRock aims to vote at all shareholder meetings of companies in which its clients are invested. BlackRock does not support impediments to the exercise of voting rights and will engage regulators and companies about the need to remedy the constraint. Whilst BlackRock does subscribe to research from proxy advisory firms, ISS and Glass Lewis, this is just one among many inputs into its voting decision process. Other sources of information BlackRock uses include the company's own reporting, its engagement and voting history with the company, the views of its active investors, public information and ESG research.

In relation to significant votes, BlackRock periodically publishes "vote bulletins" setting out detailed explanations of key votes relating to governance, strategic and sustainability issues that it considers, based on its Global Principles and Engagement Priorities, material to a company's sustainable long-term financial performance.

L&G

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

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

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. 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 is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS' 'Proxy Exchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. The use of ISS' recommendations is purely 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 LGIM's proxy provider votes are 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 voting decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to its voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

HSBC

HSBC exercise its voting rights as an expression of stewardship for client assets. HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors and remuneration linked to performance.

HSBC uses the leading voting research and platform provider ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene their guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines.

HSBC regards the votes against management recommendation as the most significant. With regards to climate, in its engagement, HSBC encourages companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, HSBC will generally vote against the re-election of the Chairman. HSBC also generally supports shareholder resolutions calling for increased disclosure on climate-related issues.

3.6. Examples of DC significant votes

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place and the resource requirements necessary to allow this, the Trustee did not direct any voting over the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes. The Trustee has interpreted "most significant votes" to mean those that:

- align with the Trustee's stewardship priorities of climate crisis, environmental impact and human rights;
- 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, although this would not be considered the only determinant of significance, rather it is an additional factor; and
- have a high media profile or are seen as being controversial.

The Trustee has reported on two of the most significant votes per fund only and, where possible, has chosen votes it believes to be the most representative examples of the relevant manager's voting approach to each of the Trustee's stewardship priorities, as assessed by its Investment Adviser.

BlackRock MSCI World Index Fund (currency hedged and unhedged)[1]

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Rio Tinto Limited	05/05/2022	Approve climate action plan.	For	Rationale: The Group's climate action plan, targets, and disclosures are consistent with what BlackRock looks for and which BlackRock believes demonstrate management and board responsiveness to shareholder feedback. Accordingly, BlackRock determined that it is in the best interests of its clients as long-term shareholders to support the proposal to approve the Climate Action Plan. The Plan articulates the steps the Group will take in alignment with their commitment to net zero by 2050, which includes setting more ambitious interim targets and clear board oversight. Outcome: Approved
J Sainsbury Plc	07/07/2022	Shareholder Resolution on Living Wage Accreditation.	Against	Rationale: BlackRock recognizes the importance of frontline workers to Sainsbury's long-term success, and sees pay and benefits more broadly as a critical issue for companies to be managing effectively. However, BlackRock did not support the proposal given Sainsbury's strong positive track record on offering above-market employee benefits and because BlackRock believe that legally binding proposal is unduly constraining on management decision-making on a critical operational and financial issue given that it would require management to cede control of worker pay to a third-party entity. Outcome: Failed

[1]The BlackRock MSCI World Index Fund has identical equity holdings to the BlackRock MSCI Currency Hedged World Index Fund and therefore has identical significant votes.

BlackRock Emerging Markets Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Grupo Financiero Banorte	22/04/2022	Election of board members as proposed by the Nominating Committee.	For	Rationale: BlackRock supported all 14 directors (including 1 director that identifies as a woman) up for election given that the company provided robust and timely disclosures, articulating how the proposed board is well positioned to oversee the company's strategic aims over the long-term. BlackRock is encouraged by Banorte's efforts to establish a more diverse, equitable, and inclusive culture, as reflected in their public commitment as an United Nations Global Compact signatory since 2011. Outcome: Approved
Grupo México, S.A.B. de C.V.	28/04/2022	Annual election of board members.	Against	Rationale: Through voting on behalf of clients, BlackRock has signalled their concerns about poor risk oversight of environmental and social-related controversies, as well as lack of detailed disclosures. The company has yet to update their disclosures since publishing their first, and partially TCFD-aligned, report. Given the company's limited progress in enhancing their disclosures to date, BlackRock determined that it is in the best interests of our clients as long-term shareholders to not support the director bundled ballot election at the 2022 AGM. Outcome: Approved

LGIM Diversified Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
BP Plc	12/05/2022	Approve net zero - from ambition to action report	For	Rationale: Whilst LGIM notes the inherent challenges in the decarbonization efforts of the oil & gas sector it expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 degrees. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. Nevertheless, LGIM remain committed to continuing its constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration. Outcome: Approved
Royal Dutch Shell Plc	24/05/2022	Approve the Shell Energy Transition Progress Update	Against	Rationale: A vote against is applied, though not without reservations. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil

				and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses. Outcome: Approved

LGIM Ethical Global Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
TUI AG	14/02/2023	Elect Dieter Zetsche to the Supervisory Board	Against	Rationale: A vote against is applied as the company is deemed to not meet minimum standards with regard to LGIM's deforestation policy, targeting companies in high-risk sectors. Outcome: Approved
Alphabet Inc.	01/06/2022	Report on Physical Risks of Climate Change	For	Rationale: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change. Outcome: Approved

HSBC Islamic Global Equity Index Fund

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Starbucks Corporation	23/03/2023	Shareholder proposal to Report on Plant-Based Milk Pricing	For	Rationale: HSBC believe that the proposal would enhance accountability in relation to the pricing of plant-based milk. Outcome: Approved
Apple Inc.	10/03/2023	Elect Director Sue Wagner	Against	Rationale: HSBC have concerns about insufficient diversity of the board. Outcome: Approved

4. DB Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good stewardship. The DB Investment Adviser is passionate about active engagement, as opposed to disinvestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Fund's DB investment managers where engagement should be a material activity in the management of the assets.

Ruffer

Key points	Engagement activity
Engagement Theme: Climate change – renewable energy and fossil fuels **Industry:** Oil and gas **Outcome:** • Ruffer engaged with company management, to discuss performance and year results to better understand the strategy • The company have expressed their approach to achieve its Net Zero target which Ruffer agree is important in an increasingly volatile environment	Ruffer met with BP at the beginning of February, primarily to discuss the previous quarter's performance and full year results for 2022. However, when the company announced its results, it also gave an update on strategic progress that garnered a lot of negative media attention. Reports claimed that the announcement represented a row back on renewables and a shift towards oil and gas production. As long-term shareholders, Ruffer felt obliged to learn more about the seemingly mixed messages on BP's strategy. Ruffer spoke to BP's chief financial officer and the newly appointed executive vice president of gas and low carbon energy. They confirmed that the company is aiming to marginally extend the life of its existing oil and gas assets to meet demand triggered by Russia's invasion of Ukraine but is doing so in a resource and energy efficient manner by using existing machinery and fields, rather than investing in intensive new projects. Overall, the announcements suggest that BP is taking a pragmatic and flexible approach to achieving its reiterated goal of a Net Zero transition. The transition will require a significant amount of energy, much of which will unavoidably be fossil fuel based, and the flexibility to react to external events and adjust accordingly will be crucial to delivering a value accretive, and therefore sustainable, transition. Ruffer think the events of the past year have highlighted how important such characteristics will be to achieving decarbonisation in an increasingly volatile world.

Sands

Key points	Engagement activity
Engagement Theme: Health and nutrition **Industry:** Food packaging **Outcome:** • Sands engaged with company management, raising concerns regarding the health impact of their products • The company have shared quantitative targets with shareholders regarding reduction of sugar, salt and other unhealthy ingredients in their products	Britannia is one of India's leading food companies, responsible for producing popular food brands in India. Britannia is conscious of its products' impact on the health of its consumers and has made efforts to incorporate measures that Sands have advocated for to produce healthier food. Due to the sugar and fat content in a majority of Britannia's products, the company is exposed to growing concerns about obesity, ingredient safety, and nutritional value. Sands shared this feedback with management, who agreed with our assessment. Britannia revealed its plan to shift its product line-up to a healthier array of snacks and to improve the current product portfolio by reducing the sugar, flour, and fat content within these items. Furthermore, the company provided investors with specific quantitative targets to reduce ingredients like sugar and sodium in its products. Sands believe this level of transparency is a hallmark of good management and can lead to more productive meetings in the future. Last November, Sands visited Britannia's R&D centre in Bengaluru and had an extensive conversation with its head of R&D. Sands were encouraged to hear that the team is well equipped with seasoned professionals in food technology, chemistry, nutrition, and packaging, who actively integrate ESG initiatives into product development. Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. More information is available in the Sands Capital Engagement Policy at https://sandscapital.com/media/Sands-Capital-Engagement-Policy-Statement.pdf.

5. DC Engagement Activity

The table below provides an example of engagement activity by LGIM, one of the Fund's DC Investment managers, in relation to its Climate Impact Pledge.

LGIM

Key points	Engagement activity
Engagement Theme: Climate Change **Industry:** Finance	As one of the world's leading financial institutions with an extensive financial geographical footprint, including in emerging markets, JP Morgan's commitments to green financing have a big potential impact across many emitting sectors. LGIM has therefore selected the bank as one of its 'in depth' engagement companies under the Climate Impact Pledge.
Outcome: • JP Morgan has been demonstrating gradual improvement, including publishing their interim targets towards decarbonisation. However, these currently only include interim targets for emissions intensity covering a small number of sectors JP Morgan has not yet disclosed its Scope 3 financed emissions. • LGIM will continue to follow developments closely, particularly how the interim targets are reflected in the bank's financing mix going forward, and continue to encourage the bank to expand the sectors covered by its commitment.	Under its Climate Impact Pledge, LGIM has had in-depth discussions with JP Morgan on: • its coal policy • scope 3 emissions • the small number of sectors to which its 1.5°C alignment currently applies • emissions targets for its financing of auto and oil & gas sectors (misaligned with those required under a 1.5°C scenario) • JP Morgan's commitments under the Net Zero Banking Alliance, including a 2050 net zero target, and interim targets for 2030, consistent with a 1.5°C trajectory. LGIM pre-declared its voting intention on a number of resolutions at JP Morgan's 2022 AGM, which included supporting one of two shareholder resolutions on climate change.