Implementation Statement

For the year ended
31 March 2024

Contents

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 (SIP), including stewardship and engagement policies, for the AstraZeneca Pension Fund (Fund) during the 12 months to 31 March 2024.

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.

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 2024;
- Details of any review of the SIP during the year to 31 March 2024, subsequent changes made with the reasons for the changes, and the date of the last SIP review;
- Compliance against the stewardship and voting policies (the Stewardship Policy);
- Any changes made to the 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 2024.

This Statement is based on the SIPs that were in force during the period 1 April 2023 to 31 March 2024, namely the SIP dated June 2023 and the previous SIP in effect during the accounting year, dated October 2022.

The SIP was reviewed and updated during the year to 31 March 2024. It was updated in June 2023 to incorporate the following updates:

- Further detail on the DC Section, following the establishment of the Defined Contribution Committee (DCC);
- To reflect the de-risking step of the DB Section to a Gilts + 2.0% p.a. strategic target return;
- The addition of the Trustee's stewardship priorities; and
- Incorporation of the "Cashflow Portfolio" in the DB Section.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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.

The DB Strategies are currently under transition / implementation and therefore actual asset allocations may differ from the target allocations outlined in the SIP. Whilst the strategies used within the DC Section are also under review, these remained unchanged and consistent with the SIP over the Fund Year.

The Trustee is responsible on an ongoing basis for engaging with its 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.

We have selected three stewardship priorities for asset manager engagement, in order to improve alignment with our policies and beliefs as well as enhanced disclosure. These priorities are linked to the UN Sustainable Development Goals and aim to improve sustainability within the portfolio and have a direct real-world impact on 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

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

We focus our efforts on those asset managers where voting and engagement is material. The policies of those asset managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered by this Statement. Some of the asset managers use investment approaches where stewardship is less likely to be relevant or significant. We are comfortable that the Investment Advisers have an appropriate approach to assess the stewardship and voting policies for all asset managers.

What is set out in the SIP?

In the following sections, we highlight the key policies outlined in the SIP (published in June 2023) and how they were followed over the 12 months to 31 March 2024.

Governance

“Over the 12 months to 31 March 2024, the Investment and Monitoring Committee (IMC) and the Defined Contribution Committee (DCC) oversaw all matters relating to the DB and DC Contribution Sections respectively, operating within their agreed Terms of Reference.”

Strategic Objective

DB Section

Details on the DB Strategic Objective can be found in section 5 of the SIP. The Trustee follows an agreed Journey Plan as part of a wider Long-Term Funding Agreement (the Funding Agreement). In June 2023, the SIP was updated to reflect a de-risking step from targeting an excess return of Gilts + 2.5% p.a. to Gilts + 2.0% p.a. This followed a significant improvement in funding level in December 2022 (when the Gilts + 2.0% p.a. strategy was agreed). This objective remained in place over the 12 months to 31 March 2024.

Over time, as the funding level continues to improve and the Fund matures, in line with the Funding Agreement and complementary de-risking overlay mechanism, the Fund is expected to gradually de-risk which will result in a corresponding reduction in the expected return.

DC Section

Details on the DC Strategic Objective can be found in section 6 of the SIP. In June 2023, the SIP was updated to add further detail on the DC Section, following the establishment of the DCC. This included additional content on the investment objectives, investment policies and the expected risk and return for members in the DC Section.

The Trustee provides 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 DB Section members whose DC assets reflect additional voluntary contributions (AVCs) and the "Drawdown Lifestyle" being the default for all other members. The Trustee commenced its latest triennial review of investment strategy in the previous Fund Year which remains ongoing. As part of this review, it was concluded that the retirement outcomes being targeted by these strategies remain appropriate for each cohort of member.

The default lifestyle strategies have successfully generated returns above inflation in the growth phase by allocating to the AZ Global Equity Fund. Both strategies automatically switch members into lower expected risk assets in the approach to retirement. The DCC monitors the performance of the strategy versus its objectives as part of the quarterly performance reporting.

Investment Policy

DB Section

Details on the DB investment policy can be found in section 7 of the SIP.
As at 31 March 2024, c.47% of Fund assets were invested in a diversified range of return-seeking investments (the "Growth Portfolio"), broadly in line with the target allocation outlined in the SIP. The Fund was underweight High Growth and correspondingly overweight to the other asset classes 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 equities 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 market prices. 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 (active, alpha-driven strategies) asset clusters. This position continues to be monitored by the Trustee.

Asset Class Groups	Long-term target allocation (% of Growth Portfolio)	Current asset allocation (% of Growth Portfolio)	Expected investment ranges (%)
High Growth	35%	20%	30-40%
Low Growth	25%	36%	20-30%
Manager Skill & Trend	40%	44%	35-45%
Total	**100%**	**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.

In October, the Trustee increased their allocation to the Cashflow Portfolio to c.7% by buying more investment grade corporate bonds, to take advantage of relatively attractive credit spreads. The Trustee noted that this would make the Fund overweight the target benchmark allocation of 5% but believed that this was appropriate given market conditions, wider circumstances and a desire to increase exposure to cashflow generating assets over the medium term.

Over the 12 months to 31 March 2024, the Liability Hedging Portfolio has successfully counteracted the changes in the value of the liabilities and helped to mitigate funding level volatility. The Fund continues 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, allowing for the impact of any interest rate and inflation sensitivity of the Cashflow Portfolio. As at 31 March 2024, the Fund's interest rate and inflation hedging were 96% and 99% as a percentage of assets, respectively. The Fund has a yield-based trigger in place to increase the interest rate hedge back to 100%.

The Fund holds a Longevity Swap which continued to help manage the risk that improved member longevity places an additional strain on funding levels.

DC Section

Throughout the year to 31 March 2024, a range of funds covering different investment managers and asset classes was offered to members, allowing them to tailor their investment choices to fit their own needs and risk preferences.

Whilst no changes were made to the range of investment options offered to members over the period, the triennial review of investment strategy remains ongoing.

Rebalancing Cashflow Policy

Details on the Rebalancing Cashflow Policy can be found in section 8 of the SIP.

The allocation to the Growth Portfolio and Liability Hedging Portfolio is monitored on a monthly basis through reporting from the Investment Advisor, in detail during IMC meetings via the quarterly Investment Performance Report and quarterly forward-looking expected return assumptions paper which the Trustee sends to the Sponsor.

Pooled and Segregated Investments

Details on the Pooled and Segregated Investments can be found in section 9 of the SIP.

DB Section

The Investment Adviser has a clear remit provided by the Trustee, as outlined in SIP. This covers all assets. Decisions are made by the IMC on behalf of the Trustee. Both pooled funds and segregated mandates are utilised depending upon the asset type and objective. Most of the Growth Portfolio assets are invested in pooled funds, as the IMC believe this to be the most efficient way to gain exposure to such assets, both from a cost and operational perspective. By contrast, assets in the Liability Hedging (and Cashflow) Portfolio, which include the use of derivatives, are held in segregated accounts, which allow much greater control and flexibility than pooled fund equivalents.

No new managers have been added over the past year. One manager from the Growth Portfolio was fully redeemed during the 12 months to 31 March 2024.

DC Section

The DC Section's platform provider makes available a range of investment options to members. There is no direct relationship between the Fund and the underlying managers of the DC Section investment funds. As is common practice, the DC Section consists of pooled funds provided on an investment platform 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.

Expected Return

DB Section

Details on the expected return can be found in section 11 of the SIP. In June 2023, the SIP was updated to reflect a de-risking step agreed in December 2022. This reduced the target return to Gilts + 2.0% p.a. Over the 12 months to 31 March 2024, the Trustee monitored the Fund's expected return on a quarterly basis to ensure it met the target outlined.

With the help of the Investment Adviser, the Trustee produced a quarterly assumptions report to document how the Fund's investment strategy is designed to produce the required expected target, including the process and the calculation methodology behind it. This report is shared with the Sponsor to discharge the Trustee's responsibilities under the long-term funding agreement.

Over this 12 month period, the Fund achieved a return of 2.0% in excess of liabilities, in line with the agreed return target. 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.

DC Section

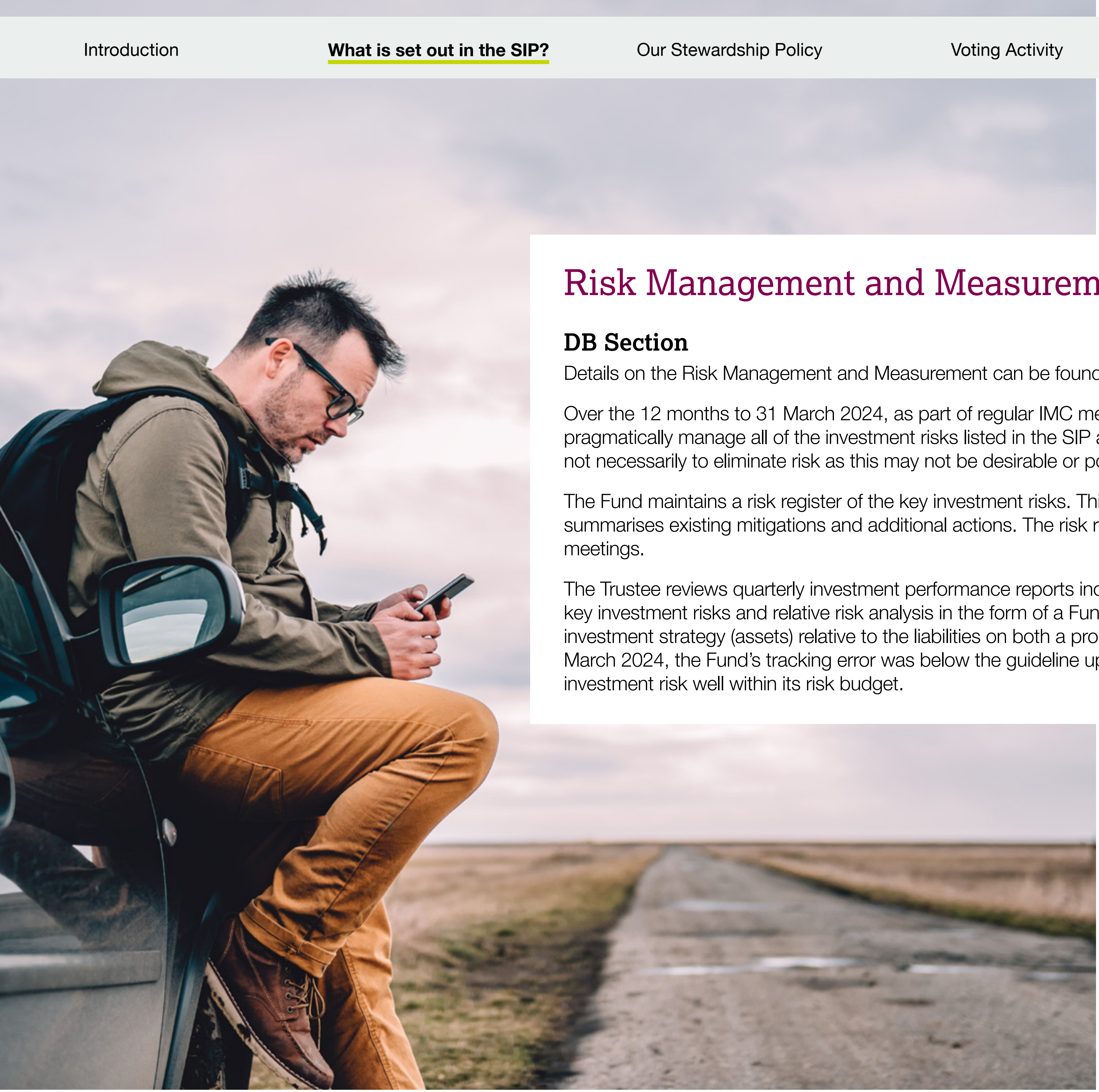
Returns for the DC assets will vary from member to member and will depend on the investment choices made by each member.

Over the one year period to 31 March 2024, the Trustee monitored the performance of the investment funds available to DC members on a quarterly basis.

The lifestyle funds generated positive absolute returns and performed broadly in line with expectations. Over the one year period to 31 March 2024, 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 delivered positive returns both in absolute and relative terms over the long term (five years p.a.).

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.

As part of the triennial review of investment strategy, it was concluded that the retirement outcomes being targeted by the default strategies remain appropriate for each cohort of member. The review, which remains ongoing, will consider the at retirement asset allocation for each default strategy to ensure that the balance of risk and return remains appropriate.



Risk Management and Measurement

DB Section

Details on the Risk Management and Measurement can be found in section 13 of the SIP.

Over the 12 months to 31 March 2024, 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 or 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.

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 12 months to 31 March 2024, the Fund's tracking error was below the guideline upper limit of 8% p.a. and so the Trustee has managed investment risk well within its risk budget.

DC Section

The Trustee recognises that the key risk for the DC 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 DCC. A list of these risks and how they are managed is included in section 13 of the SIP.

As part of managing the risk that DC Section members will have a retirement income that does not meet their expectations, the Trustee makes use of equity 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.

In addition, the Trustee offers DC 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.

Members are protected against the risk of detrimental overseas currency fluctuations against GBP 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 overseas currency risk.

Over the one-year period to 31 March 2024, the Trustee monitored the performance of the investment funds available to DC members on a quarterly basis and found all funds to be performing in line with expectations.

Responsible Investment and Corporate Governance

Details on the Responsible Investment and Corporate Governance can be found in section 14 of the SIP.

The Trustee focussed on monitoring how its investment managers integrate Environmental, Social and Governance (ESG) policies into their processes. This is achieved mainly through the detailed quarterly investment performance report which includes specific ESG ratings on investment managers, 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 assesses the Investment Advisers annually on their service delivery. As part of the ongoing DC investment strategy review, the Trustee is considering the Responsible Investment credentials of the funds currently available to members as well as new funds that could be added.

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 ESG risks and opportunities should be considered when deciding whether to invest, disinvest or maintain an investment and that an understanding of, and engagement with, investment managers is required to ensure they are aligned with the Trustee's policy. 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.

The Trustee has agreed to stewardship priorities (to apply across both the DB and DC Sections) with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members.

The Trustee produced its first Task Force on Climate-Related Financial Disclosures (TCFD) report in October 2023 and is in the process of finalising their second TCFD report which is to be published by October 2024.

The Trustee delegates the exercise of voting rights associated with investments to the underlying investment managers. The 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.

The Trustee categorise their investment managers according to how material voting and engagement are in their mandate. Due to the nature of their mandates, some of the managers own few or no individual equities or corporate bonds and therefore voting or engagement is less or not relevant.

The Trustee focus our efforts on those managers where voting and engagement is material. Our approach to stewardship is summarised in the Our Stewardship Policy section of this Statement.

A summary on how relevant investment manager equity holdings were voted are outlined in the Voting Activity and Engagement Activity sections of this Statement.

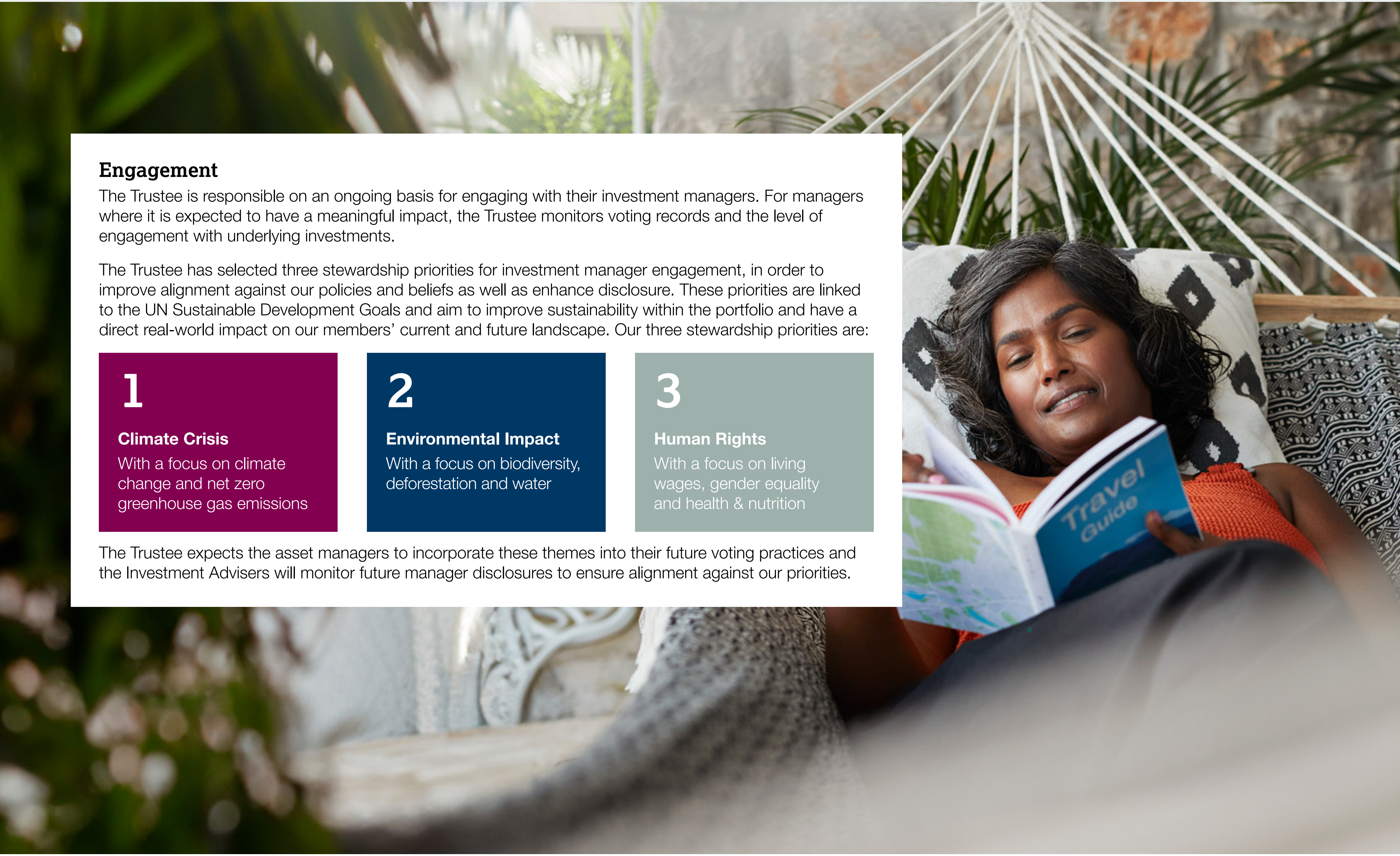
Frequency of Review

The SIP was updated in June 2023 and the Sponsor was consulted and were in agreement with the changes.

Our Stewardship Policy

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 where an investment has been made. The Stewardship Policy in force during the financial year is set out in Section 13 (Responsible Investment, Sustainability and Corporate Governance) of the SIP.



Engagement

The Trustee is responsible on an ongoing basis for engaging with their investment 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 selected three stewardship priorities for investment 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 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:

1

Climate Crisis
With a focus on climate change and net zero greenhouse gas emissions

2

Environmental Impact
With a focus on biodiversity, deforestation and water

3

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.

How has the Trustee implemented the Stewardship Policy?

Fund structuring

The Trustee invests its Growth Portfolio on an indirect basis through pooled funds and synthetic instruments. The reasons for this approach are 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
- It leads to 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 and it enables the Trustee to make strategic changes more quickly.

Within the DB Section, the Fund invested into a new investment grade corporate bond mandate as part of a new Cashflow Portfolio in March 2023. This mandate is managed on a segregated basis to allow greater tailoring and flexibility in the mandate's objectives and income generation and also allows the Fund to incorporate its own, more specific ESG screening on the corporate bond investments.

Where investments are made (or offered to members in the case of the DC Section) in pooled funds, the Trustee has to abide by the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee does monitor and seek to influence the managers through the Investment Advisors and remains responsible for ensuring the investment managers act consistently with the Fund's Stewardship Policy.

External engagements

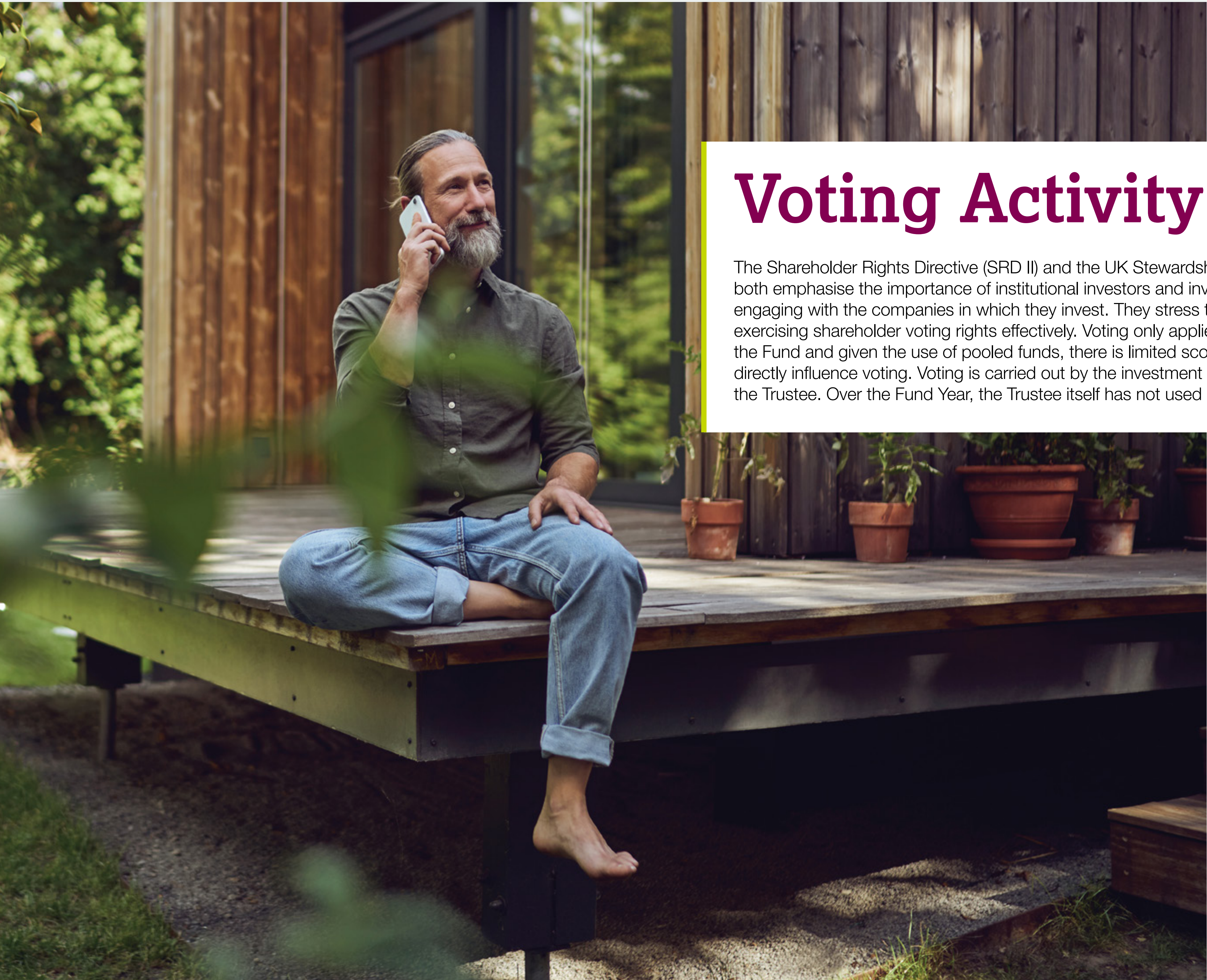
The Trustee assesses whether its Investment Advisers have been aligned with its Stewardship Policy throughout the year. The Investment Advisers have been a signatory to the UN Principles for Responsible Investment since 2011 (DB Section Adviser) and 2014 (DC Section Adviser), and they are signatories to the UK Stewardship Code 2020.

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

The DC Section Adviser is also a member of a range of sustainable investment organisations as noted below.

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.



Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and investment 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. Over the Fund Year, the Trustee itself has not used proxy voting services.

DB Section

How did our managers vote?

The tables below provide a summary of the voting activity undertaken by the investment managers during the 12 months to 31 March 2024.

Note: All asset managers that the Fund invests with, directly or indirectly, are subject to the Trustee engagement policy and are 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 the Fund has the largest exposure to.

	Ruffer	Sands
Number of meetings the manager was eligible to vote at over the year	71	63
Number of resolutions the manager was eligible to vote on over the year	1,109	477
% of eligible resolutions the manager voted on	100.0%	100.0%
% of votes with management	94.8%	96.4%
% of votes against management	3.4%	2.7%
% of resolutions the manager abstained from	1.8%	0.8%
In what % of meetings, for which you did vote, did you vote at least once against management?	3.4%	14.3%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	1.8%	N/A

Use of 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 annual general meeting (AGM) motions and are able to follow best practice guides like the Financial Reporting Council's Stewardship Code.

The Trustee recognises that, by having a suitable Stewardship Policy in place and using our Investment Adviser to monitor voting activity, the Trustee can create more engagement with investment managers 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 (in manager's words)
Ruffer	We have developed an integrated voting platform linked to proxy voting research, currently provided by ISS, to assist in the assessment of resolutions and the identification of contentious issues. Although we acknowledge proxy advisers' voting recommendations, we generally do not delegate or outsource our voting decisions. Research Analysts are responsible for reviewing the relevant issues case by case and exercising their judgement, based on their in-depth knowledge of the company. They are supported by our Responsible Investment team.
Sands	Sands Capital monitors the occurrence of shareholders' meetings for the businesses owned in each strategy and obtains and evaluates the proxy-related research and materials relating to the securities being voted. The firm also receives proxy voting research from Glass Lewis, Stakeholders Empowerment Services (SES) and ISS but does not necessarily vote according to the guidelines provided by these services. Instead, the research is used as an efficient means to collect and organize the proxy issues.

Examples of significant votes

When collating voting statistics for our investment managers, the Trustee also asked the investment managers to provide examples of significant votes cast. The below outline a sample of responses received, in the manager's words.

Ruffer

BP, 27 April 2023

Summary of resolution: Approve Shareholder Resolution on Climate Change Targets.

Relevant stewardship priority: Environmental impact.

Why this vote is considered to be most significant: This vote is considered to be significant as we believe this vote will be of particular interest to our clients. We support management in their effort to provide clean, reliable and affordable energy.

Company management recommendation: For.

Fund manager vote: For.

Rationale: BP has, in our opinion, outlined a credible transition strategy with appropriate decarbonisation targets, that reflects demand for oil & gas energy whilst allocating capital to the 'transition growth engines'. Whilst BP has tightened & reduced its 2025 and 2030 aims, it has retained its 2050 net zero target. Further, it has committed additional capital to the transition which BP argues is uncertain and therefore, locking into one, fixed strategy (through investing or divesting the wrong asset) is not in the best interests of generating shareholder value. The Follow This resolution asks for "BP to align its 2030 Scope 3 aims with Paris". Firstly, this would require a wholesale shift in strategy, which we believe is unnecessary given the Board has opined on net zero and published a strategy. Secondly, BP in isolation has no control over what global scope 3 emissions should be under Paris, given the world continues to emit carbon and one would expect the Scope 3 reduction will have to be steeper the nearer society gets to 2030. This burden is unfair, particularly in the context of BP making long-cycle investment decisions.

Outcome of the vote and next steps: Failed. We will monitor how the company progresses and improves over time and continue to support credible energy transition strategies and initiatives which are currently in place, and will vote against shareholder resolutions which deem as unnecessary.

Coty Inc, 2 November 2023

Summary of resolution: Governance – remuneration.

Relevant stewardship priority: N/A.

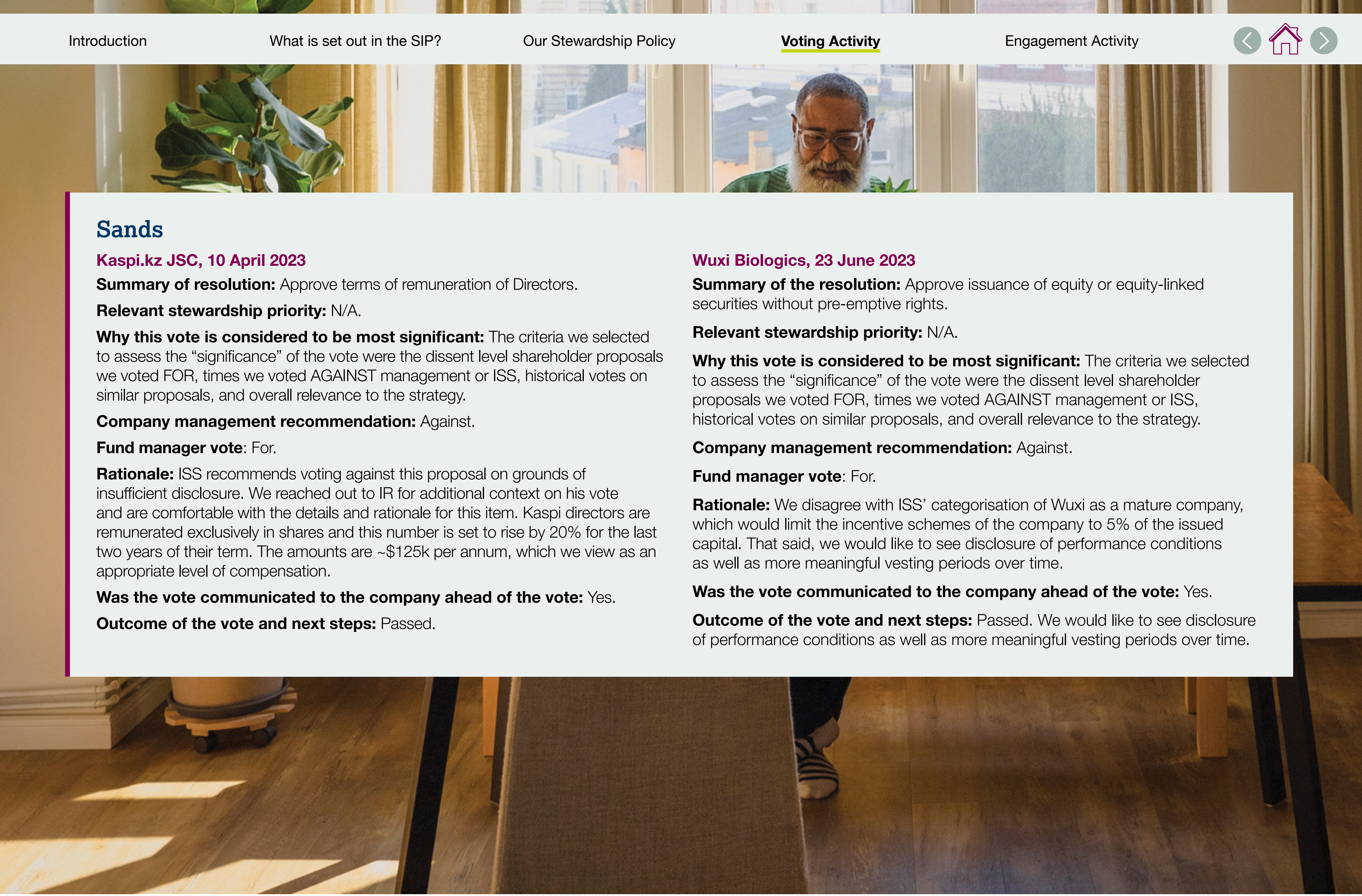
Why this vote is considered to be most significant: We believe this vote will be of particular interest to our clients. It is also against the recommendation of our proxy voting advisor, ISS.

Company management recommendation: For.

Fund manager vote: For.

Rationale: We have elected to support the executive pay report and policy at Coty for a number of reasons, although we acknowledge the points raised by ISS in their recommendation (which appears to be based upon the size of the single-number equity awards, rather than the potential value created). The CEO is critical to the success of the business and, given Ms Nabi is the 5th CEO since 2015, it would be disruptive and potentially value-destroying to lose her. Upon our review, we consider the single number to be sufficiently long-term, in terms of being broken down into smaller amounts payable on differing award dates, vesting periods or performance objectives, to create alignment with shareholders and, sufficient incentive (uncertain and uncapped upside, based upon share price performance) to motivate the CEO with enough potential incentive for retention.

Outcome of the vote and next steps: Passed. We will continue to monitor company performance to ensure the remuneration policy is appropriate.



Sands

Kaspi.kz JSC, 10 April 2023

Summary of resolution: Approve terms of remuneration of Directors.

Relevant stewardship priority: N/A.

Why this vote is considered to be most significant: 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.

Company management recommendation: Against.

Fund manager vote: For.

Rationale: ISS recommends voting against this proposal on grounds of insufficient disclosure. We reached out to IR for additional context on his vote and are comfortable with the details and rationale for this item. Kaspi directors are remunerated exclusively in shares and this number is set to rise by 20% for the last two years of their term. The amounts are ~$125k per annum, which we view as an appropriate level of compensation.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: Passed.

Wuxi Biologics, 23 June 2023

Summary of the resolution: Approve issuance of equity or equity-linked securities without pre-emptive rights.

Relevant stewardship priority: N/A.

Why this vote is considered to be most significant: 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.

Company management recommendation: Against.

Fund manager vote: For.

Rationale: We disagree with ISS' categorisation of Wuxi as a mature company, which would limit the incentive schemes of the company to 5% of the issued capital. That said, we would like to see disclosure of performance conditions as well as more meaningful vesting periods over time.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: Passed. We would like to see disclosure of performance conditions as well as more meaningful vesting periods over time.

DC Section

How did our DC managers vote?

The tables on the right and following pages provide a summary of the voting activity undertaken by our managers during the 2023-24 accounting year. 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.

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)	£159.7m
Number of equity holdings at end of the Scheme Year	1,446
Number of meetings the manager was eligible to vote at over the year	1,003
Number of resolutions the manager was eligible to vote on over the year	15,204
% of eligible resolutions the manager voted on	98%
% of votes with management	94%
% of votes against management	5%
% of resolutions the manager abstained from	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	32%

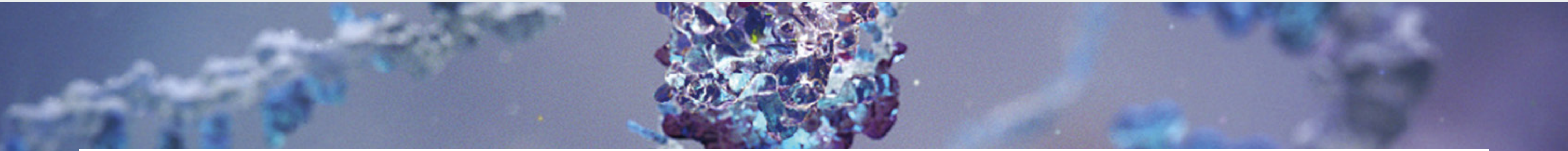
[1]The BlackRock MSCI World Index Fund has identical equity holdings to the BlackRock MSCI Currency Hedged World Index Fund and therefore has identical voting data.

BlackRock Emerging Markets Equity Index Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£/% of total assets)	£17.7m
Number of equity holdings at end of the Scheme Year	1,810
Number of meetings the manager was eligible to vote at over the year	3,817
Number of resolutions the manager was eligible to vote on over the year	29,524
% of eligible resolutions the manager voted on	97%
% of votes with management	86%
% of votes against management	13%
% of resolutions the manager abstained from	2%
In what % of meetings, for which you did vote, did you vote at least once against management?	42%
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)	£193.6m
Number of equity holdings at end of the Scheme Year	7,569
Number of meetings the manager was eligible to vote at over the year	8,997
Number of resolutions the manager was eligible to vote on over the year	93,090
% of eligible resolutions the manager voted on	100%
% of votes with management	77%
% of votes against management	23%
% of resolutions the manager abstained from	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	74%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	14%

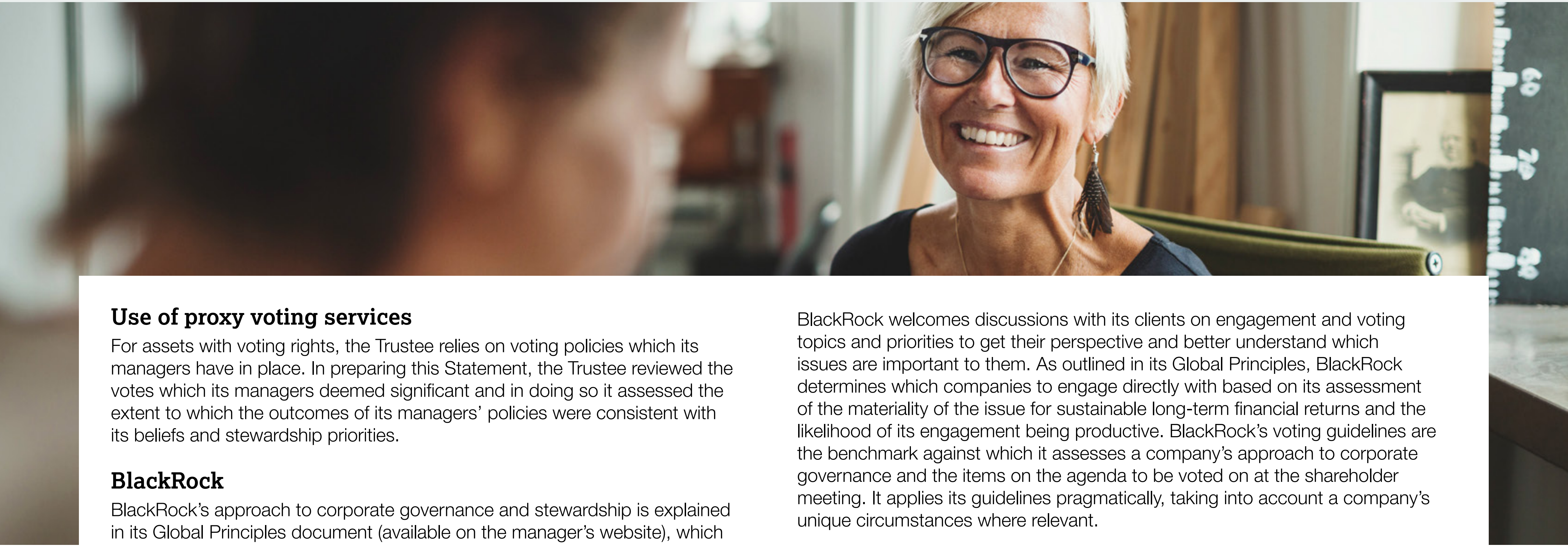


LGIM Ethical Global Equity Index Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£/% of total assets)	£1.2m
Number of equity holdings at end of the Scheme Year	1,065
Number of meetings the manager was eligible to vote at over the year	1,167
Number of resolutions the manager was eligible to vote on over the year	16,564
% of eligible resolutions the manager voted on	100%
% of votes with management	81%
% 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?	75%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	14%

HSBC Islamic Global Equity Index Fund

	Manager response
Value of Scheme assets at end of the Scheme Year (£/% of total assets)	£0.7m
Number of equity holdings at end of the Scheme Year	108
Number of meetings the manager was eligible to vote at over the year	104
Number of resolutions the manager was eligible to vote on over the year	1,702
% of eligible resolutions the manager voted on	96%
% of votes with management	76%
% of votes against management	23%
% of resolutions the manager abstained from	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	82%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0%



Use of proxy voting services

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

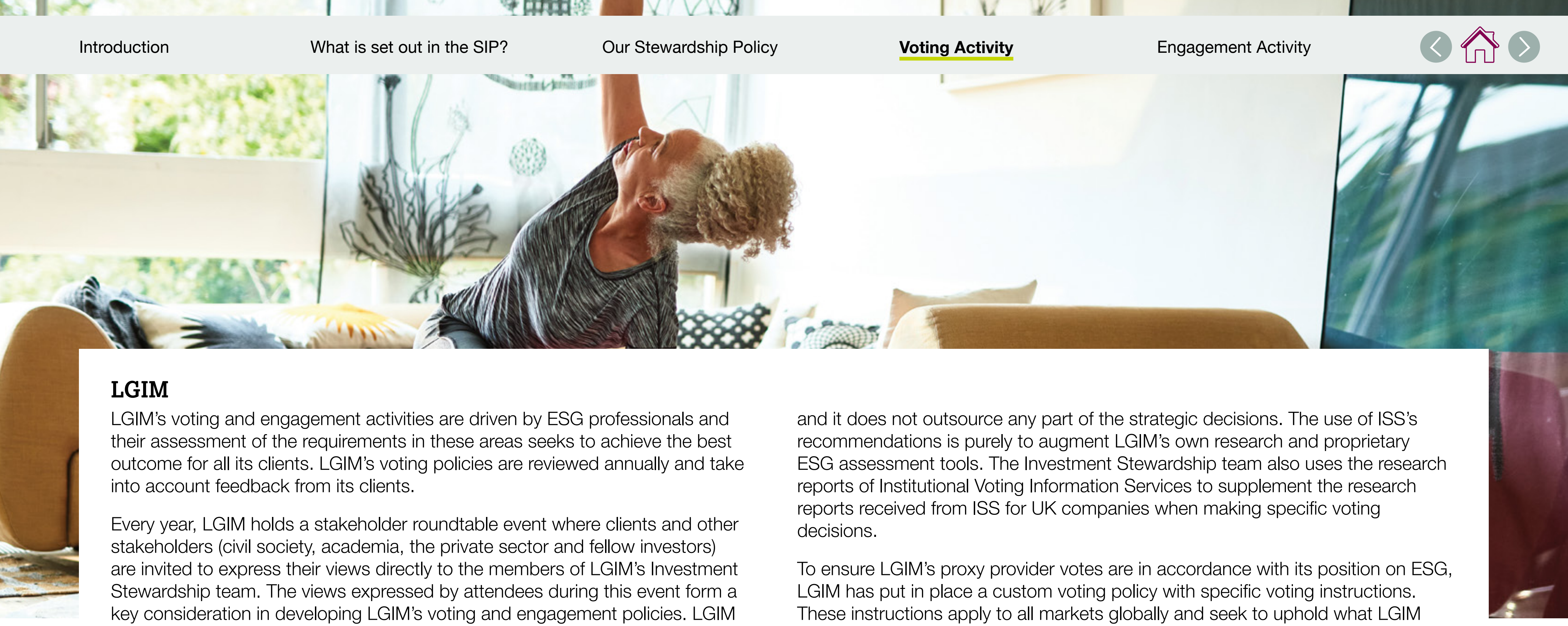
BlackRock's approach to corporate governance and stewardship is explained in its Global Principles document (available on the manager's website), which describes its philosophy on stewardship, its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest.

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.



LGIM

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's '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's 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 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.

Examples of DC significant votes

Given the large number of votes which are cast by managers during every AGM 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]

Restaurant Brands International, 23 May 2023

Summary of resolution: Shareholder Proposal to Report on the Company's Business Strategy in the Face of Labor Market Pressure.

Relevant stewardship priority: Human Rights.

Why this vote is considered to be most significant: This vote is considered to be significant as it relates to the Trustee's stewardship priority, Human Rights. Additionally, BlackRock has engaged with RBI on various issues including board independence, executive compensation and the board's oversight of and management approach to human capital management.

Company management recommendation: Against.

Fund manager vote: Against.

Rationale: BlackRock recognises the distinct complexities, including important legal considerations, resulting from nearly all of the company's restaurants operating under a franchise model. While BlackRock acknowledges that the company could improve their currently limited labour-related disclosures, the company indicated that they are committed to doing so in the near term. Therefore, BlackRock determined it would be more constructive to continue to monitor company progress on this issue. Accordingly, BlackRock did not support the shareholder proposal.

Was the vote communicated to the company ahead of the vote: No.

Outcome of the vote and next steps: Failed. In BlackRock's view, the industry is evolving towards more robust disclosures on material labour-related risks and therefore BlackRock will be monitoring the company's progress in keeping up with best practices.

[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.

Shell, 23 May 2023

Summary of resolution: Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement.

Relevant stewardship priority: Climate Crisis.

Why this vote is considered to be most significant: This vote is considered to be significant as it relates to the Trustee's stewardship priority, Climate Crisis. Additionally, BlackRock has had an extensive, multiyear engagement history with Shell, during which it has discussed a range of topics that are important for long-term financial value creation, including the board's oversight of and management's approach to climate-related risks and opportunities.

Company management recommendation: Against.

Fund manager vote: Against.

Rationale: BlackRock did not support this shareholder proposal because in BlackRock's view, it was overly prescriptive and unduly constraining on management's decision making. BlackRock did not consider it in the financial interests of its clients to support this shareholder proposal. Adhering to the proponent's ask would require Shell to reduce product sales or alter their business composition, which could impact the company's financial strength and unduly constrain management.

Was the vote communicated to the company ahead of the vote: No.

Outcome of the vote and next steps: Failed. In BlackRock's assessment of Shell's Energy Transition Strategy, the company is addressing the risks and opportunities in their business model stemming from a low carbon transition and has demonstrated that they are delivering against their stated plan.

BlackRock Emerging Markets Equity Index Fund

PT Astra Agro Lestari (AAL), 3 April 2023

Summary of resolution: Elect Directors and Commissioners and approve their remuneration.

Relevant stewardship priority: Environmental Impact.

Why this vote is considered to be most significant: This vote is considered to be significant as it relates to the Trustee's stewardship priority, Environmental Impact. Additionally, BlackRock's engagements with AAL's management over the past several years have covered a range of topics, including the company's approach to natural capital and the company's impact on people, including human rights. In particular, since 2021, BlackRock's engagements have focused on understanding the company's management of material palm oil production-related risks and opportunities. In 2022, based on BlackRock's analysis of AAL's disclosures, it determined that the company could improve its transparency on how management was addressing material palm oil production-related risks.

Company management recommendation: For.

Fund manager vote: Against.

Rationale: Based on BlackRock's analysis, the company could further improve transparency on their management of material sustainability-related risks associated with the production of palm oil. The company has recently faced heightened scrutiny on their handling of the allegations after several large consumer companies announced their decision to stop sourcing palm oil from AAL's impacted subsidiaries. Those decisions indicate that AAL's delayed response to addressing the 2020 allegations exposed them to material risks that could negatively affect the financial performance of the company. Given the material risks arising if the company does not take meaningful actions to improve transparency, BlackRock did not support the bundled proposal on the election of the board of directors and commissioners.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: Passed. BlackRock plans to continue engaging the company on issued including their sustainable palm oil program and commitments to produce timely, full disclosures on their policies and performance concerning the allegations of their business misconduct.

Blackrock has only highlighted three votes which it deems to be significant, none of which align to one of the Trustee's stewardship priorities. The following is an example of one of these votes.

Zhejiang Expressway Co. Ltd., 4 May 2023

Summary of resolution: Amend Articles of Association.

Relevant stewardship priority: N/A.

Why this vote is considered to be most significant: This vote is considered to be significant as BlackRock has had multiyear engagements with Zhejiang Expressway to better understand the company's governance and strategy and how these align with the financial interests of BlackRock's clients as long-term, minority investors. In 2023, BlackRock engaged with the company prior to its annual general meeting (AGM) and extraordinary general meeting (EGM), to discuss, respectively, proposals by management to amend the company's articles of association (AOA) in response to recent regulatory changes and to approve a rights issue.

Company management recommendation: Withdrawn.

Fund manager vote: Against.

Rationale: Zhejiang Expressway included a management proposal at the 2023 AGM to amend the company's AOA to remove the need for certain agenda items – such as rights issues – to receive shareholder approval in separate class meetings. Ahead of the 2023 AGM, BlackRock IS engaged with the company to communicate concerns that the amended AOA could risk removing an important mechanism to protect minority shareholder interests.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: Withdrawn. Prior to the AGM, the company released a statement announcing that the board had decided to withdraw the AOA amendments. BlackRock maintains it would be in their clients' best long-term economic interests as minority shareholders to have separate class meetings, both as a mechanism to protect minority shareholder interests, as well as an important channel for shareholder feedback BlackRock will continue to engage with issuers in the Greater China market to understand their perspectives and approaches to the regulatory updates.

LGIM Diversified Fund

Restaurant Brands International Inc., 23 May 2023

Summary of resolution: Report on Efforts to Reduce Plastic Use.

Relevant stewardship priority: Environmental impact.

Why this vote is considered to be most significant: This vote is considered to be significant due to the relatively high level of support received.

Company management recommendation: Against.

Fund manager vote: For.

Rationale: A vote in favour is applied as LGIM believes that improving the recyclability of products will have a positive impact on climate change and biodiversity.

Was the vote communicated 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 LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: Failed. LGIM will continue to engage with the investee companies, publicly advocate LGIM's 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.

American Tower Corporation, 4 May 2023

Summary of resolution: Elect Director Robert D. Hormats.

Relevant stewardship priority: Human Rights.

Why this vote is considered to be most significant: This vote is considered to be significant as LGIM views gender diversity as a financially material issue for LGIM's clients, with implications for the assets LGIM manages on their behalf.

Company management recommendation: For.

Fund manager vote: Against.

Rationale: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least one female.

Was the vote communicated 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 LGIM's policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: Passed. LGIM will continue to engage with the investee companies, publicly advocate LGIM's 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 Ethical Global Equity Index Fund

Apple Inc., 28 February 2024

Summary of resolution: Report on Risks of Omitting Viewpoint and Ideological Diversity from Equal Employment Opportunity (EEO) Policy.

Relevant stewardship priority: Human Rights.

Why this vote is considered to be most significant: This vote is considered to be significant as LGIM views diversity as a financially material issue for LGIM's clients, with implications for the assets LGIM manages on their behalf.

Company management recommendation: Against.

Fund manager vote: Against.

Rationale: A vote against this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.

Was the vote communicated to the company ahead of the vote: LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is LGIM's policy not to engage with its investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: Failed. LGIM will continue to engage with the investee companies, publicly advocate LGIM's position on this issue and monitor company and market-level progress.

Toyota Motor Corp., 14 June 2023

Summary of resolution: Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement.

Relevant stewardship priority: Climate Change.

Why this vote is considered to be most significant: This vote is considered to be significant as 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, LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.

Company management recommendation: Against.

Fund manager vote: For.

Rationale: LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is 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 acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes 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, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes 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.

Was the vote communicated to the company ahead of the vote: Yes.

Outcome of the vote and next steps: Failed. LGIM will continue to engage

HSBC Islamic Global Equity Index Fund

Applied Materials, Inc., 7 March 2024

Summary of resolution: Elect Director Judy Bruner.

Relevant stewardship priority: Human Rights.

Why this vote is considered to be most significant: This vote is considered to be significant as the company has a significant weight in the portfolio and HSBC voted against management.

Company management recommendation: For.

Fund manager vote: Against.

Rationale: HSBC voted against this Nomination Committee Chair as HSBC has concerns about insufficient gender diversity of the board.

Was the vote communicated to the company ahead of the vote: No.

Outcome of the vote and next steps: Passed. HSBC will likely vote against a similar proposal should HSBC see insufficient improvements.

Novartis AG., 5 March 2024

Summary of resolution: Re-elect Patrice Bula as Director.

Relevant stewardship priority: Human Rights.

Why this vote is considered to be most significant: This vote is considered to be significant as the company has a significant weight in the portfolio and HSBC voted against management.

Company management recommendation: For.

Fund manager vote: Against.

Rationale: HSBC voted against this Nomination Committee Chair as HSBC has concerns about insufficient gender diversity of the board.

Was the vote communicated to the company ahead of the vote: No.

Outcome of the vote and next steps: Passed. HSBC will likely vote against a similar proposal should HSBC see insufficient improvements.

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 Fund's Investment Advisers are 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.

DB Section

The tables on the following pages 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. Beach Point and Golden Tree are Credit Managers and therefore Trustee efforts should be focused on engagement rather than voting activities which are less common.

Beach Point

Key points

Engagement Theme:

Climate change

Industry:

Banks

Outcome:

Monitoring disclosures to ensure information is provided.

Engagement activity

To better interpret and utilise climate-related information, Beach Point highlighted to the bank that consistent, reliable and comparable disclosures are a top priority for investors.

Beach Point provided support and encouraged the bank to provide this information alongside financial information, and to present narrative and quantitative information. They emphasised that the proposal should make climate-related financial information, in alignment with the TCFD framework, more useful to investors seeking to understand the risks and opportunities presented by climate change.

GoldenTree

Key points

Engagement Theme:

Climate Crisis

Industry:

Energy

Outcome:

Through GoldenTree's representation on the board of directors and direct engagement with management, we oversaw the implementation of a comprehensive ESG programme.

Engagement activity

After taking a significant ownership position in an energy services provider through a financial restructuring, GoldenTree took a leadership role in selecting the new board and making ESG a strategic priority. We communicated our ESG principles to management and followed up with a detailed White Paper including suggestions on how to implement our ESG policies.

The new CEO made ESG a priority in his strategy presentation to the board in 2022. During that year, the company completed an ESG material risk assessment utilising GoldenTree's White Paper as a framework and identified 13 areas of ESG risk with potential to have a material financial impact on the company and set ESG targets on these metrics which include greenhouse gas emissions, spill prevention, supply chain compliance, and workforce development. Throughout 2023, the company collected data to estimate Scope 1 and 2 greenhouse gas emissions throughout the business and formulate a strategy to reduce emissions further. Furthermore, ESG is now a component of the management teams' annual bonus plan for 2023.

If the management team achieves the early development and publication of a sustainability report they will receive the ESG component of their bonus payment. We continue to collaboratively engage with the management team to identify opportunities to help grow and improve the company's ESG efforts.

Ruffer

Key points

Engagement Theme:
Climate Crisis

Industry:
Mining

Outcome:
After the meeting, the company committed to submitting the climate disclosures to be available to investors.

Engagement activity

Ruffer have been part of the CDP (Carbon Disclosure Project) Non-Disclosure Campaign, an initiative to selectively engage with companies in high impact sectors that have failed to respond to requests.

As part of their work with the initiative, Ruffer sent a letter to a mining company outlining the importance of reliable and complete environmental data.

Following the letter, Ruffer met with the underlying company. In the meeting, Ruffer discussed their view on sustainability reporting and why they support the CDP's disclosure initiatives. The CEO highlighted that given the volume of environmental data for companies to respond to and with year end reporting the company felt it could not commit to the July deadline to submit its environmental data and receive a CDP score.

However, the reporting window remains open until the end of September. Any submissions after July won't receive a score, but the data will be made available to investors.

The company committed to provide an unscored response by September for the information to be available to investors.

Sands

Key points

Engagement Theme:

Human Rights

Industry:

Sports Wear

Outcome:

This engagement led to our connecting with the Investor Alliance for Human Rights to discuss human rights issues within our investments more generally. Going forward, we plan to continue the conversation regarding supply chain management and advocate for routine third-party supply chain audits.

Engagement activity (in manager's words)

The company we work with is the largest domestic sportswear company in China, owning well-known brands. Over our years of investment in the company, we believe it has continuously enhanced its ESG practices as it strives to bring its standards on par with its leading global peers.

The focus of ESG-related engagements with management in more recent years has shifted toward environmental and social topics. Our most recent engagement included a conversation on supply chain management and carbon emissions, which continued this trend.

Supply chain management, in particular, has been one of our top ongoing engagement topics over the last 18 months, given that the company sources massive amounts of material and requires a significant amount of labour.

Because of this, we view the company's exposure to potential production disruption and brand damage tied to alleged violation of labour or safety standards as moderate, with the greatest risk around its brand and reputational risk from bad press.

In the first half of 2021, we had several engagements on supply chain management with the chief financial officer (CFO) and investor relations team after the company withdrew from the Better Cotton Initiative (BCI).

Since our early 2021 engagements, we have been following up with management on ESG developments at every engagement, at least semi-annually. For instance, in April 2022, we reached out to another investor, a large investment management fund based in Norway, after this firm decided to sell another large Chinese sportswear brand from its portfolio citing human rights risk while keeping its ownership in the company. We discussed this firm's due diligence process around these investments, and this enhanced our conviction in their supply chain processes and ESG system relative to similar companies. At our first-ever meeting with the company founder and chairman during our most recent engagement, we were encouraged to hear his serious commitment to achieving ESG excellence. We believe the management team overall is committed to better ESG practices.

DC Section

The tables on the following pages provides examples of engagement activity by the Fund's DC investment managers, where engagement should be a material activity in the management of the assets.

BlackRock

Key points

Engagement Theme:
Environmental impact

Industry:
Industrials

Outcome:
The company identified water risk as one of the five most "relevant hazards" when analysing the physical risks under the TCFD framework. BlackRock notes the company's disclosure efforts and appreciates the ongoing dialogue to further understand its water management approach to support continued operational efficiency in high-water stress areas.

Engagement activity

ASM International NV ("ASMI") is a Netherlands-based company which is a major supplier of water-processing equipment to semiconductor manufacturers. The company faces material water-related risks given that its water-withdrawal operations are in regions exposed to high water stress. ASMI's main water consumption stems from its research and development labs. However, given the potential risks to the company's operations and reputation from its significant water usage in high water-stressed regions, it has taken action to reduce the consumption of water or improve the reusability of water through equipment, system, or operational enhancements. This decision followed water audits on key engineering sites that the company undertook.

BlackRock engaged with ASMI in 2023 to discuss the company's approach to managing material natural capital-related risks and its efforts to re-use water, where possible. This is particularly important given the company's absolute water consumption increased due to operation expansions as a result of higher demand for its products.

LGIM

Key points

Engagement Theme:
Climate Change

Industry:
Chemicals

Outcome:
Engagement with Croda management has been extremely progressive, and LGIM is pleased by the evolution of their sustainability strategy, reporting and KPI measurement.

Engagement activity

Chemical business Croda is a leading global producer of high-performance ingredients and technologies based on natural ingredients across consumer care and life science industries. Croda is considered an enabler of industry transition, where growing its sustainable solutions will help its customers reformulate products to meet their own sustainability targets. Positive portfolio action and performance will not only have beneficial carbon avoidance and land impact, but it will help transform the emission pathways of consumer care and life science industries through its innovation developments.

LGIM regularly engages with C-suite level management and the sustainability team, having met four times in twelve months. Further, LGIM also presented to the Croda exec team and board at an ESG strategy event, sharing LGIM's views on ESG investing and shareholder expectations. This is the second time in three years that LGIM has presented in this forum.

Engagement has been led by the Active Strategies team, but LGIM has collaborated with Investment Stewardship on areas linked to its climate impact pledge and biodiversity.

As part of a rigorous sustainability strategy, the company commits to become Climate, Land and People Positive by 2030. Overall, LGIM is supportive of management's capital allocation policy, backing recent bolt-on merger and acquisition activity, and its broader position on sustainability initiatives where it is widely regarded as an industry leader. Its framework includes a combination of short, medium and long-term targets, which continue to evolve over time as company assessment improves.

HSBC

Key points

Engagement Theme:
Human Rights

Industry:
Finance

Outcome:
The company, whilst giving HSBC access and responses, have been unwilling to entertain the idea that they could disclose more, set higher targets, and ultimately improve workforce management performance.

For this reason, the stock remains a significantly underweight in the portfolios linked to this engagement. News flow about working conditions at the company remains negative.

HSBC has written again to the company from the portfolio management team to underline their concerns and request more access.

Engagement activity

The investee company has repeated labour rights challenges, including some claims of union-busting. The company has high levels of injury rates, and suspected high turnover of staff due to low morale.

HSBC visited a company distribution facility to observe workforce management, and noticed some issues with employee voice opportunity.

HSBC met IR ESG in person in London to discuss HSBC's observations and share best practice.

HSBC met management virtually pre-2022, and 2023 AGMs to discuss their views, hear management's perspectives on shareholder resolutions, and discuss other matters such as executive compensation. The company requested to see news flow on their employee management given HSBC's concerns.

HSBC wrote to the company twice to share news flow and ask further questions and make some gentle suggestions on what investors may wish to see the company disclose in future.