Implementation Statement

Asahi Glass Fluoropolymers Pension Scheme

17 May 2023

This note has been prepared for the Trustees of the Asahi Glass Fluoropolymers Pension Scheme (the "Scheme") in response to your request that we provide a draft Implementation Statement for the Scheme.

Background and introduction

There is a requirement for most trust-based defined benefit ("DB") and defined contribution ("DC") pension schemes to produce an annual Implementation Statement (the "Statement") which covers the Scheme Year.

The Department for Work and Pensions ("DWP") issued Statutory Guidance in June 2022 which applies to Statements that trustees are required to prepare in respect of any Scheme year ending on or after 1 October 2022. The guidance gives an overview of the items which Trustees "must", "should", are "encouraged", "could" or "may" include in their Statements.

"Must" items are requirements imposed by legislation. "Should" items are expected to be followed, and if not followed, trustees should describe concisely the reasons for deviating from the guidance approach. For "Could", "May" and "Encouraged" items, it is hoped that trustees will address them where possible, but they are not expected to explain reasons if not followed. We have included all "must" and "should" items.

The guidance has clarified that the Pensions Regulator is the primary audience for the Statement. At the same time, the Statement should be written in plain English as far as possible, such that a reasonably engaged and informed member could interpret and understand the disclosures. Schemes are encouraged to consider producing member-facing summary versions of the Statement (with signposting to the full document) if scheme-specific research has found that members are more likely to engage with a different style of communication, such as a summary version. Please let us know if you would like us to prepare a summary version of the Statement for members.

The DWP has confirmed that it is important that trustees of all schemes understand and consider financially material Environmental, Social and Governance ("ESG") factors and stewardship approaches in their investment decisions. Furthermore, DWP will revisit the extent to which the new guidance has been followed in the second half of 2023 when it is expected to review stewardship disclosure requirements.

The Statement should set out how, and the extent to which, trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. In addition, trustees should seek to demonstrate they have had regard to the Statutory Guidance.

The Statement should set out how, and the extent to which, trustees have followed the **voting and engagement policies** in their Statement of Investment Principles ("SIP") during the Scheme Year. In addition, trustees should seek to demonstrate they have had regard to the Statutory Guidance.

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

The DWP's guidance states: "where trustees use the voting policy of the asset manager, they should briefly summarise in the IS whether the asset manager's voting behaviour was aligned with the Scheme's stewardship priorities."

As agreed, our draft Statement covers just the DB Section of the Scheme.

Key points to note

We have produced the draft Statement in this note based on our current understanding of the regulatory requirements and the DWP's stewardship guidance. Ultimately it is the Trustees' responsibility to produce a compliant Statement and the Pensions Regulator can impose fines for non-compliant statements. Therefore**, you may wish to obtain legal advice to ensure that all requirements have been met**.

There is interest in Implementation Statements from the Pensions Regulator, policymakers, and the media; as such **please ensure you are comfortable with the content being in the public domain**.

In the Section of the Statement on voting behaviour, we have included data on the Scheme's funds that hold equities as follows:

- L&G UK Equity Index Fund
- L&G North America Equity Index Fund
- L&G Europe (ex-UK) Equity Index Fund
- L&G Europe (ex-UK) Equity Index Fund (Hedged)
- L&G Asia Pacific (ex-Japan) Developed Equity Index Fund
- L&G Asia Pacific (ex-Japan) Developed Equity Index Fund (Hedged)
- L&G Global Emerging Markets Equity Index Fund
- L&G World Emerging Markets Equity Index Fund
- Baillie Gifford Multi Asset Growth Fund
- Newton BNY Mellon Real Return Fund

We have included the votes deemed most significant by the investment managers for the above funds, with their interpretation of "most significant votes" outlined in Section 12.

We have also included commentary on the M&G Credit Opportunity Fund IV (High Grade), a fund that doesn't hold listed equities, but invests in assets that can have voting opportunities from time to time.

Next steps

We propose that you review the Statement and include it within your Report & Accounts ending 30 November 2022 to comply with the relevant regulations. The Report and Accounts need to be finalised within seven months of the end of the Scheme Year, ie by 30 June 2023.

You are required to publish your Statement on a website for public access as soon as reasonably practicable after the Report & Accounts are signed off. We expect you will use the same location for the Statement that was published last year. A specific web address for the location of the published materials on the internet must be included in members' Annual Benefit Statements (where members do not receive one, they must be sent a separate notification containing this information).

Please let us know if you have any questions or would like to discuss.

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The use of our work

This work has been produced by Lane Clark & Peacock LLP under the terms of our written agreement with the Trustees of the Asahi Glass Fluoropolymers Pension Scheme ("Our Client").

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Lane Clark & Peacock LLP

Implementation Statement, covering the Scheme Year from 1 December 2021 to 30 November 2022

The Trustees of the Asahi Glass Fluoropolymers Pension Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed their Statement of Investment Principles ("SIP") during the Scheme Year, as well as where relevant details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the SIP in Section 1 and on the implementation of the SIP in Sections 2-11 below. This Statement covers the Defined Benefit ("DB") Section of the Scheme only. References in this Implementation Statement to the Scheme refer to the DB Section unless otherwise stated.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, trustees (including the most significant votes cast by trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12 below.

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

This Statement uses the same headings as the Scheme's SIP dated November 2021 and should be read in conjunction with the SIP.

1. Introduction

The SIP dated November 2021 applied throughout the Scheme Year.

The Trustees have, in their opinion, followed the policies in the Scheme's SIP during the Scheme Year. The following sections provide detail and commentary about how and the extent to which they did this.

The Trustees have also, in their opinion, followed the Scheme's voting and engagement policies during the Scheme Year, by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments, as well as seeking to appoint managers that have strong stewardship policies and processes.

2. Investment objectives

With the help of their investment adviser, the Trustees are able to assess the Scheme's progress relative to its objectives, both shorter-term – being able to meet benefit payments as they fall due and moving towards a fully funded position on a technical provisions basis – and longer-term – achieving a fully funded position on a "gilts flat" basis.

While historically the Trustees policy has been to maintain a relatively high allocation to "growth" assets in order to achieve these objectives, given the gradual improvement seen in Scheme's overall funding position, the Trustees concluded, with advice from their investment adviser, that a review of the Scheme's investment strategy was in order. The conclusions of that review are detailed in Section 3 below.

3. Investment strategy

The Trustees, with the help of its advisers and in consultation with the sponsoring employer, reviewed the Scheme's strategy in August and September 2022. At the conclusion of this review process, the Trustees decided to de-risk the Scheme's strategy to a portfolio targeting an expected return of gilts +c.2.0% pa and to increase the amount of interest rate and inflation hedging to ~90% on the Technical Provisions basis.

Subsequently, as a result of the sharp rise in gilt yields during later September / early October 2022, the Trustees accelerated part of the agreed de-risking of the Scheme's investment arrangements in order to enable the Scheme's existing interest and inflation hedging positions to be maintained (see Section 10 below for more detail).

In November 2022, following the return of a degree of stability to the gilts market, and with advice from their investment adviser, the Trustees reconfirmed the appropriateness of a gilts +c.2.0% pa / 90% hedge investment strategy for the Scheme; further changes have since been made to implement this strategy in full post Scheme Year end.

As part of this review process, the Trustees made sure the Scheme's assets were adequately and appropriately diversified between different asset classes. As part of this exercise, the Trustees received initial information and training on the possible use of a low carbon option for the Scheme's equity holdings and this is something that may be explored further in future, given the Trustees' decisions concerning the Scheme's stewardship priorities, as detailed in Section 8 below.

As at the effective date of this Statement, 30 November 2022, it was estimated that the Scheme was on track as agreed to be fully funded on a gilts flat basis by 30 June 2031.

Following the review, the Trustees continue to monitor the Scheme's asset allocation on an ongoing basis.

These and other changes are to be reflected in a revised SIP.

4. Considerations in setting the investment arrangements

When the Trustees reviewed the DB investment strategy in August / September and subsequently in November 2022, they considered the investment risks set out in Section 10 of this Statement. They also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustees also considered the need for diversification and specific circumstances of the Scheme.

5. Implementation of the investment arrangements

The Trustees have not made any changes to its manager arrangements over the Scheme Year.

The Scheme's investment adviser, LCP, monitors the Scheme's investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors developments at managers and informs the Trustees promptly about any significant updates or events they become aware of with regard to the Scheme's investment managers that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification in the fund.

The Trustees invite all the Scheme's investment managers to meet and present to them on an annual basis and monitors their performance on an ongoing basis. Ahead of the meeting, the investment adviser provides a report to the Trustees which covers the managers' performance and related issues. In addition, the managers provide the Trustees with written submissions, which include, amongst other things, a description of the manager's approach to ESG / RI.   With the exception of Baillie Gifford, whose mandate they decided to terminate, the Trustees were comfortable with all the Scheme's investment manager arrangements over the Scheme Year, including their approach to ESG / RI, given the managers' overall performance, service levels and the investment adviser's assessment of them (see also Section 7 below).

Each manager's overall performance is considered in the context of the manager's benchmark and objectives.

The Trustees have been able to consider the fees charged by the Scheme's investment managers considering LCP's fee survey. Overall, the Trustees believe the investment managers provide reasonable value for money.

6. Realisation of investments

The Trustees review the Scheme's net current and future cashflow requirements on a regular basis. The Trustees' policy is to have access to sufficient liquid assets in order to meet any outflows which maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

7. Consideration of financially material and non-financial matters

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

The Trustees' approach is not to take non-financial matters into account when making investment decisions.

8. Stewardship

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. However, the Trustees take ownership of the Scheme's stewardship by monitoring and engaging with managers as detailed below. Based upon discussions with their managers and information provided by their investment adviser, the Trustees believe that their managers' RI actions during the Scheme Year are consistent with the voting and engagement policies in the Scheme's Statement of Investment Principles ("SIP").

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

Following the introduction of DWP's guidance, in November 2022 the Trustees received training on understanding the DWP's Stewardship Guidance. This covered what stewardship is, why trustees should take it seriously and what trustees are expected to do. As a result of this, the Trustees agreed to set stewardship priorities to focus their future monitoring and engagement with their investment managers on specific ESG factors. The Trustees' chosen priority was Climate Change given the Trustees' view that this is the most important and urgent ESG issue that needs to be addressed by the Scheme's managers and more generally.

Following Year End, in March 2023, the Trustees discussed and agreed communications that have now been sent to the Scheme's investment managers to inform them of the Trustees' chosen stewardship priority and the Trustees' expectations of them when investing the Scheme's assets.

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

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

As noted in Section 5, the Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the regular monitoring reports they receive.

The performance of the professional advisers is considered on an ongoing basis by the Trustees. More specifically, the Trustees have put in place formal objectives for their investment adviser and will review the adviser's performance against these objectives on a regular basis. The next review is to take place in November 2023.

The Trustees actuarial and investment advisers' work is charged for by an agreed fixed fee or on a "time-cost" basis while the investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustees also maintain a risk register, and this is discussed on an ongoing basis.

The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include the risk of inadequate returns, credit risk, equity risk, currency risk, counterparty risk, collateral adequacy risk and ESG (including climate) risks.

From time to time the Trustees monitor the Scheme's risk of inadequate returns to ensure that there is a sufficient allocation to growth assets as well as the Scheme's interest and inflation hedging levels. Over the period the Scheme's hedging levels were maintained at target levels (and subsequently increased).

With regard to collateral adequacy risk, the Trustees hold investments in L&G's Sterling Liquidity Fund (SLF) and L&G's Absolute Return Bond Fund alongside the Scheme's CTI Liability Driven Investment (LDI) portfolio, to be used should the LDI manager require cash to be posted for a deleverage event. In September and October 2022, as a result of the rise in gilt yields described in Section 3 above, the CTI Nominal Dynamic and Real Dynamic LDI Funds went through a series of deleveraging events whereby the monies required for these deleveraging trades were switched automatically out of L&G's Sterling Liquidity Fund and L&G's Absolute Return Bond as per the collateral waterfall agreed with L&G. In order to meet the de-leveraging events, it was necessary to transfer monies into the L&G SLF (sourced from the Scheme's L&G equity fund holdings). The Trustees were well prepared for this and funding the additional collateral required for the deleveraging events was consistent their pre-agreed de-risking strategy.

When considering non-investment risks, the Trustees recognise the importance to the Scheme of the Employer covenant and triennially commission a third-party assessment of the strength of the covenant. The last such assessment was completed by LCP in June 2022.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. On a triennial basis, the Trustees formally review the funding position allowing for membership and other experience. The Trustees consider the Scheme's funding position as part of the annual actuarial report and also informally monitor the funding position more regularly, for example at Trustee meetings and as part of their investment reviews.
The following risks relating to the Scheme's assets are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Sections 5, 7 and 8.

11. Investment manager arrangements (Appendix 3 of SIP)

There are no specific policies in this section of the Scheme's SIP.

12. Description of voting behaviour during the Scheme Year

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to their investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year.

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

- L&G UK Equity Index Fund
- L&G North America Equity Index Fund
- L&G Europe (ex-UK) Equity Index Fund
- L&G Europe (ex-UK) Equity Index Fund (Hedged)
- L&G Asia Pacific (ex-Japan) Developed Equity Index Fund
- L&G Asia Pacific (ex-Japan) Developed Equity Index Fund (Hedged)
- L&G Global Emerging Markets Equity Index Fund
- L&G World Emerging Markets Equity Index Fund
- Baillie Gifford Multi Asset Growth Fund
- Newton BNY Mellon Real Return Fund

In addition to the above, the Trustees contacted the Scheme's other asset managers that don't hold listed equities, to ask if any of the assets held by the Scheme had voting opportunities over the period. Commentary provided from these managers is set out in Section 12.4.

12.1 Description of the voting processes

Baillie Gifford

All voting decisions are made by Baillie Gifford's Governance and Sustainability team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes; however, if a segregated client has a specific view on a vote, then it will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Baillie Gifford's strong preference is to be given the responsibility to vote on behalf of its clients. The Governance and Sustainability team oversees voting analysis and execution in conjunction with the investment managers. Baillie Gifford endeavours to vote every one of its clients' holdings in all markets.

Whilst Baillie Gifford is cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), it does not delegate or outsource any of its stewardship activities or follow or rely upon their recommendations when deciding how to vote clients' shares. All client voting decisions are made in-house. Baillie Gifford votes in line with its in-house policy and not with the proxy voting providers' policies. Baillie Gifford does make use of specialist proxy advisers in the Chinese and Indian markets in order to gather more nuanced market specific information.

Legal & General

L&G's voting and engagement activities are driven by ESG professionals and are reviewed annually, taking into account feedback from its clients. Every year, L&G holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as L&G develops its voting and engagement policies.

All decisions are made by L&G's Investment Stewardship team and are in accordance with the 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.

The Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of its strategic decisions. L&G uses ISS recommendations but purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that L&G receives from ISS for UK companies when making specific voting decisions.

To ensure the proxy provider votes in accordance with L&G's position on ESG, L&G has put in place a custom voting policy with specific voting instructions that apply to all markets globally. L&G retains the ability in all markets to override any vote decisions, which are based on its custom voting policy.

Newton

Overall, Newton prefers to retain discretion in relation to exercising clients' voting rights and has established policies and procedures to ensure the exercise of global voting rights. Newton believes the value of clients' portfolios can be enhanced by the application of good stewardship. This is achieved by engagement with investee companies and through the considered exercise of voting rights. Newton considers the activities to be an integral and important part of its investment process. For this reason, Newton prefers to retain discretion in relation to exercising its clients' voting rights and has established policies and procedures to ensure the exercise of global voting rights. Newton's approach has been designed as an investment-led approach that is aligned with its wider investment activities. Newton's long-term approach to investing aligns well with its stewardship intentions by seeking to understand and influence the long-term sustainability of the investments and investment landscape and, ultimately, the long-term investment requirements for which its clients are seeking solutions and which are a key reason why the clients entrust the Newton Investment Management Group (Newton) to manage their assets.

Newton has established overarching stewardship principles which guide its ultimate voting decision, based on guidance established by internationally recognised governance principles including the OECD Corporate Governance Principles, the ICGN Global Governance Principles, the UK Investment Association's Principles of Remuneration and the UK Corporate Governance Code, in addition to other local governance codes. All voting decisions are taken on a case-by-case basis, reflecting Newton's investment rationale, engagement activity and the company's approach to relevant codes, market practices and regulations. These are applied to the company's unique situation, while also taking into account any explanations offered for why the company has adopted a certain position or policy. It is only in the event that Newton recognises a material conflict of interest that it applies the vote recommendations of its third-party voting administrator.

Newton also employs a variety of research providers that aid it in the vote decision-making process, including proxy advisors such as ISS. The manager utilises ISS for the purpose of administering proxy voting, as well as its research reports on individual company meetings.

Voting decisions are approved by either the deputy chief investment officer or a senior investment team member (such as the head of global research). For the avoidance of doubt, all voting decisions are made by Newton.

It is only in the event of a material potential conflict of interest between Newton, the investee company and/or a client that the recommendations of the voting service used (ie Institutional Shareholder Services, or the ISS) will take precedence.

12.2 Summary of voting behaviour over the Scheme Year

A summary of voting behaviour over the period is provided in the table below.

Voting behaviour								
Manager name	**L&G**						**Baillie Gifford**	**Newton**
Fund name	UK Equity Index Fund	North America Equity Index Fund	Europe (ex-UK) Equity Index Fund	Asia Pacific (ex-Japan) Developed Equity Index Fund	Global Emerging Markets Equity Index Fund	World Emerging Markets Equity Index Fund	Multi Asset Growth Fund	BNY Mellon Real Return Fund
Total size of fund at end of reporting period	£13,929.9m	£21,966.0m	£10,014.6m	£4,169.0m	£127.8m	£4,700.6m	£1,173.4m	£3,948.4m
Value of Scheme assets at the end of reporting period	£2,628,334	£1,087,657	£780,531	£714,246	£416,768	£1,102,341	£2,677,887	£3,756,315
Number of holdings at end of reporting period	561	638	502	395	2,555	1,694	41	66
Number of meetings eligible to vote	759	668	605	503	5,085	4,180	89	75
Number of resolutions eligible to vote	10,854	8,416	10,296	3,592	41,945	35,615	933	1,270
% of resolutions voted	99.9%	99.4%	99.8%	100.0%	99.9%	100.0%	95.6%	100.0%
Of the resolutions on which voted, % voted with management	94.5%	65.2%	81.4%	71.6%	80.0%	78.9%	95.3%	89.1%
Of the resolutions on which voted, % voted against management	5.5%	34.8%	18.1%	28.4%	19.8%	18.8%	3.5%	10.9%
Of the resolutions on which voted, % abstained from voting	0.0%	0.1%	0.5%	0.0%	2.2%	2.3%	1.2%	0.0%
Of the meetings in which the manager voted, % with at least one vote against management	36.5%	97.8%	79.7%	74.0%	58.3%	53.9%	22.5%	45.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	4.3%	26.6%	9.5%	17.8%	8.2%	6.8%	n/a	7.1%

Source: L&G, Baillie Gifford & Newton.
Figures may not sum due to rounding.
All voting data has been provided for the period 1 January 2022 to 31 December 2022.
The Scheme's hedged equity funds have the same underlying holdings as their unhedged equivalents, and therefore the same voting data. The fund size and Scheme assets for the hedged and unhedged funds have been aggregated.
Items denoted with "n/a" have not been provided by the manager.

12.3 Most significant votes over the Scheme Year

Commentary on the most significant votes over the period, from the Scheme's asset managers who hold listed equities, is set out below. We have interpreted "most significant votes" to mean those provided by the investment managers, following the PLSA guidance provided.

<u>Baillie Gifford</u>

Diversified Growth Fund

Baillie Gifford outlined a range of voting situations that it would consider to be significant. These include but are not limited to: situations where Baillie Gifford had a material impact on the outcome of the meeting; voting relating to egregious remuneration, significant audit failings, or controversial equity issuance; or where Baillie Gifford opposed mergers and acquisitions, financial statements, or the election of a director.

Four examples of these significant votes over the Scheme Year are outlined below:

- **Galaxy Entertainment Group Ltd, 12 May 2022**

  Vote: Against

  Summary of resolution: Amendment of Share Capital

  Rationale: Baillie Gifford opposed two resolutions which sought authority to issue equity because the potential dilution levels were not in the interests of shareholders.

  Outcome: The outcome of the vote on this resolution was that it was passed.

- **LEG Immobilien SE, 19 May 2022**

  Vote: Against

  Summary of resolution: Rejection of remuneration policies and reports.

  Rationale: Baillie Gifford opposed the remuneration report due to concerns over executive pay increases and misalignment of pension rates.

  Outcome: The outcome of the vote on this resolution was that it was passed.

- **Lyft Inc, 16 June 2022**

  Vote: For

  Summary of resolution: Shareholder Resolution – Social

  Rationale: Baillie Gifford supported a shareholder proposal requesting further reporting on lobbying activities as it believes the company can make further improvements in this area.

  Outcome: The outcome of the vote on this resolution was that it was rejected.

- **Duke Realty Corporation, 28 September 2022**

  Vote: Against

Summary of resolution: Say on Pay Frequency

Rationale: Baillie Gifford opposed the advisory proposal to approve executive compensation to be paid in connection with the company merger due to concerns regarding single trigger provisions and the introduction of excise tax “gross-ups” in connection with severance payments.

Outcome: The outcome of the vote on this resolution was that it was rejected.

L&G

Equity Index Funds

L&G determines the voting situations it deems to be significant to include but not be limited to: high profile votes which have such a degree of controversy that there is high client and/or public scrutiny; votes where there is significant client interest for a vote which has been directly communicated by clients to the Investment Stewardship team; sanction votes as a result of a direct or collaborative engagement; and votes linked to an L&G engagement campaign in line with L&G’s 5-year ESG priority engagement themes.

UK Equity Index Fund

- **Royal Dutch Shell Plc, 24 May 2022**

  Vote: Against

  Summary of resolution: Approve the Shell Energy Transition Progress Update

  Rationale: L&G voted against this resolution, although not without reservations. L&G acknowledges 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, L&G remains concerned about the disclosed plans for oil and gas production and believes there would be benefit from further disclosure of targets associated with the upstream and downstream businesses.

  Outcome: The outcome of the vote on this resolution was that it was rejected.

- **BP Plc, 12 May 2022**

  Vote: For

  Summary of resolution: Approve Net Zero – From Ambition to Action Report

  Rationale: L&G voted for this resolution, but with reservations. While L&G notes the inherent challenges in the decarbonisation 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 °C. It is L&G’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, L&G remains 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: The outcome of the vote on this resolution was that it was passed.

North America Equity Index Fund

- **Berkshire Hathaway Inc., 30 April 2022**

Vote: Withhold

Summary of resolution: Elect Director Susan L. Decker

Rationale: L&G decided that a withhold vote was warranted for lead independent director Susan Decker as the company does not adequately disclose climate change-related risks and opportunities. L&G expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Outcome: The outcome of the vote on this resolution was that it was passed.

- **Amazon.com, 25 May 2022**

  Vote: Against

  Summary of resolution: Elect Director Daniel P. Huttenlocher

  Rationale: A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

  Outcome: The outcome of the vote on this resolution was that it was passed.

Europe (ex UK) Equity Index Fund (Hedged and Unhedged)

- **UBS Group AG, 6 April 2022**

  Vote: Against

  Summary of resolution: Approve Climate Action Plan

  Rationale: A vote against this proposal was applied following internal discussion. While L&G positively notes the company's progress over the last year, as well as its recent commitment to net zero by 2050 across its portfolio, L&G has concerns with the strength and coverage of the Climate Action Plan's Scope 3 targets and would ask the company to seek external validation of its targets against credible 1.5°C scenarios. Gaining approval and verification by SBTi (or other external independent parties as they develop) can help demonstrate the credibility and accountability of plans.

  Outcome: The outcome of the vote on this resolution was that it was passed.

- **Totalenergies SE, 25 May 2022**

  Vote: Against

  Summary of resolution: Approve Company's Sustainability and Climate Transition Plan

  Rationale: L&G opposed the plan as it is concerned by the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5°C trajectory.

  Outcome: The outcome of the vote on this resolution was that it was passed.

Asia Pacific (ex-Japan) Developed Equity Index Fund (Hedged and Unhedged)

- **Rio Tinto Limited, 5 May 2022**

  Vote: Against

Summary of resolution: Approve Climate Action Plan

Rationale: L&G recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while L&G acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, it remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

Outcome: The outcome of the vote on this resolution was that it was passed.

- **CK Hutchison Holdings Limited, 19 May 2022**

  Vote: Against

  Summary of resolution: Elect Li Tzar Kuoi Victor as Director

  Rationale: L&G opposed the re-election as it expects companies not to combine the roles of Board Chair and CEO. According to L&G, these two roles are substantially different, and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.

  Outcome: The outcome of the vote on this resolution was that it was passed.

Global Emerging Markets Equity Index Fund

- **Meituan, 18 May 2022**

  Vote: Against

  Summary of resolution: Elect Wang Xing as Director

  Rationale: A vote against was applied as L&G expects a company to have at least one female on the board. A vote against the election of Xing Wang is warranted given his failure to ensure the company's compliance with relevant rules and regulations raise serious concerns on his ability to fulfil fiduciary duties in the company.

  Outcome: The final outcome of the vote on this resolution was that it was passed.

- **China Construction Bank Corporation, 23 June 2022.**

  Vote: Against

  Summary of resolution: Elect Graeme Wheeler as Director

  Rationale: A vote against is applied under L&G's Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. Graeme Wheeler, as a member of the Risk Committee, is considered accountable for the bank's climate risk management.

  Outcome: The final outcome of the vote on this resolution was that it was passed.

World Emerging Markets Equity Index Fund

- **Xiaomi Corporation, 2 June 2022.**

  Vote: Against

Summary of resolution: Elect Lei Jun as Director.

Rationale: A vote against was applied because L&G expects the Committee to comprise independent directors and to have at least one female on the board.

Outcome: The final outcome of the vote on this resolution was that it was passed.

- **China Mengniu Dairy Company Limited, 8 June 2022.**

  Vote: Against

  Summary of resolution: Elect Chen Lang as Director and Authorize Board to Fix His Remuneration

  Rationale: The company is deemed to not meet minimum standards with regards to climate risk management.

  Outcome: The final outcome of the vote on this resolution was that it was passed.

<u>Newton</u>

BNY Mellon Real Return Fund

Newton outlined a range of voting situations that it would consider to be significant. These include but are not limited to: situations where Newton had a material impact on the outcome of the meeting; voting relating to egregious remuneration, significant audit failings, or controversial equity issuance; or where Newton opposed mergers and acquisitions, financial statements, or the election of a director.

Four examples of these significant votes over the Scheme Year are outlined below:

- **Bayer AG, 29 April 2022.**

  Vote: Against

  Summary of resolutions: Advisory Vote to Ratify Named Executive Officers' Compensation

  Rationale: Votes were instructed against the remuneration arrangements. Newton did not consider that the company had reasonably aligned short-term performance indicators with the company's performance. The management continues to be rewarded for underperformance where 40% of long-term awards vested despite share price lagging the benchmark.

  Outcome: The outcome of the votes on these resolutions was that they passed but with sizeable votes against.

- **BioPharma Credit PLC, 9 June 2022.**

  Vote: Against

  Summary of resolutions: Approve Capital Raising (X2), Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights

  Rationale: Newton voted against proposals related to share issuance as the authority sought by the company for share issuance with and without pre-emptive rights is high. In addition, the company has not provided a commitment that shares would be issued at a premium to NAV. In the absence of these safeguards for shareholders, there could be scope for significant value dilution.

  Outcome: The resolution was withdrawn.

- **Microsoft Corporation, 13 December 2022.**

  Vote: Against

  Summary of resolution: Ratify Auditors

  Rationale: Newton voted against the ratification of the company's auditor given the firm has served in the capacity for 39 years raising concerns around its independence and objectivity.

Outcome: The outcome of the votes on these resolutions was that they passed.

- **Sanofi, 03 May 2022.**

  Vote: Against

  Summary of resolutions: Elect Director, Advisory Vote to Ratify Named Executive Officers' Compensation, Approve Remuneration Policy

  Rationale: Newton voted against remuneration arrangements and members of the compensation committee since the arrangements are poorly structured. The structure of the plan allows for vesting despite underperformance. In addition, the new remuneration policy is proposing to increase the base salary of the CEO without providing a reasonable justification. It also failed to provide sufficient information on the performance share plan.

  Outcome: The outcome of the votes on these resolutions was that they passed.

12.4 Votes in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that may have had voting opportunities during the period:

M&G – Credit Opportunities Fund IV (High Grade)

M&G did not have any significant votes for this fund over the Scheme year. M&G aims to vote on all resolutions at general meetings of companies held in M&G's actively managed portfolios. M&G will vote against proposals that compromise its clients' interests. It may not vote in favour of resolutions where it is unable to make an informed decision on the resolution because of poor quality disclosure, or due to an unsatisfactory response raised on specific issues.

M&G considers it unnecessary to inform investee companies ahead of meetings of routine capital management resolutions that it typically opposes. M&G discloses its voting records on its website on a quarterly basis.