

# Baxi Group Pension Scheme ('the Scheme')


## Annual Implementation Statement for the Year Ended 31 March 2023

### 1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ("SIP") produced by the Trustee has been followed during the year running from 1 April 2022 to 31 March 2023. This statement has been produced in accordance with the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, the subsequent amendment in The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the statutory guidance on reporting on stewardship in the implementation statement dated 17 June 2022.

Sections 2.1 and 2.2 of this statement sets out the investment objectives of the Scheme and changes which have been made to the SIP during the Plan Year, respectively.

Section 2.3 of this statement sets out how, and the extent to which, the policies in the Defined Benefit ("DB") Section and Defined Contribution ("DC") Section of the SIP have been followed. **The Trustee can confirm that all policies in the SIP have been followed in the Scheme Year.**


 A copy of the SIP is available at <https://baxipensions.co.uk/downloads>.

Sections 3 and 4 include information on the engagement and key voting activities of the underlying investment managers within each Section of the Scheme.


### 2. Statement of Investment Principles

#### 2.1. Investment Objectives of the Scheme

The Trustee believes it is important to consider the policies in place in the context of the objectives they have set.

 The objectives for the DB Section of the Scheme specified in the SIP are as follows:

- To optimise returns from investments over the long term which are consistent with the long term assumptions of the Actuary in determining the funding of the Scheme.
- To control the various funding risks to which the Scheme is exposed.
- To achieve fully funded status on a low-risk liability basis.
- To gradually de-risk to a low-risk investment strategy over time.
- To provide a suitable range of investment funds for AVC contributions.

 For the DC section of the Scheme, the Trustee's overall objective is to invest contributions in the best interests of members and their beneficiaries.

In addition to the principal objective as stated above and the investment objectives below, the Trustee:

- Believes that understanding the demographics and likely attitudes to risk/reward of the members are essential to developing and maintaining an appropriate investment strategy. It is also believed that members typically seek to optimise the value of their retirement benefits from a given level of contributions, while aiming to protect the value of those benefits in the years approaching retirement against market falls and fluctuations in the costs of turning fund values into retirement benefits / retirement income streams.
- Recognises that members may not believe themselves qualified to take investment decisions. As such the Trustee makes available a default investment option to members.

The Trustee has received advice with regards to member needs throughout their working lives for the purposes of the default option and a set of strategic objectives have been agreed reflecting these needs.

The Trustee has the following investment objectives which are considered when selecting investment options related to the DC section of the Scheme:

- A full range of asset classes, including alternative asset classes;
- The suitability of different styles of investment management and the need for investment manager diversification;
- The suitability of each asset class within a defined contribution scheme; and
- The need for appropriate diversification.

## 2.2. Review of the SIP



During the Scheme Year, there were no changes to the SIP (dated November 2021).

## 2.3. Assessment of how the policies in the SIP have been followed for the year to 31 March 2023

The information provided in this section highlights the work undertaken by the Trustee during the Scheme Year, and longer term where relevant, and sets out how this work followed the Trustee's policies in the SIP (dated November 2021 for the year to 31 March 2022), relating to the DB Section and DC Section of the Scheme.



**In summary, it is the Trustee's view that the policies in the SIP have been followed during the Scheme year to 31 March 2023.**



## Investment Mandates

### Securing compliance with the legal requirements about choosing investments

#### Policy

As required by legislation, the Trustee consults a suitably qualified person when making investment selections by obtaining written advice from its Investment Consultant. The policy is detailed in Section 1 (Introduction) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the year to 31 March 2023?

The Trustee made no changes to its appointed investment managers over the year to 31 March 2023. However, the Trustee received advice as part of an annual review on the construction of the Liability Hedging Portfolio. The Scheme's Enhanced Service Agreement was updated following this review and implemented in July 2022.



#### How has this policy been met over the year to 31 March 2023?

No changes were made during the Scheme year so no further advice was required.

### Realisation of Investments

#### Policy

The Trustee's policy is that the Scheme's investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments. The Scheme's investment managers have responsibility for generating cash as and when required for benefit outgoings. The policy is detailed in Section 9 (Realisation of Assets) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the year to 31 March 2023?

Over the year, the Scheme held a diversified portfolio consisting mostly of readily-realizable assets. This included maintaining sufficient liquid assets to meet both short-term and longer-term cashflow requirements. The diversified growth funds (DGFs) managed by Schroders and BlackRock are daily priced and the remaining invested Scheme assets managed by LGIM are weekly priced.

The Trustee, taking advice from the Investment Consultant, have a cashflow policy process in place which was reviewed in February 2023 as part of the annual review and a quarterly cashflow policy is agreed by the Trustee to ensure sufficient liquidity is available to meet cashflow requirements of the Scheme. Several disinvestments were made from the DGFs over the year to 31 March 2023 to cover cashflow requirements. Income is currently being drawn from the Scheme's equities, LGIM DGF and corporate bonds.



#### How has this policy been met over the year to 31 March 2023?

Members' investments within the DC Section are traded and priced on a daily basis. No issues have been reported by the Scheme's administrators during the year.



## Strategic Asset Allocation

### Kind of investments to be held, the balance between different kinds of investments and expected return on investments



#### Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Investment Objectives and Strategy (SIP Section 3.1)
- Day-to-Day Management of the Assets (SIP Section 3.2)

#### **How has this policy been met over the year to 31 March 2023?**

The Trustee determine an investment strategy which is required to deliver an investment return assumed by the Scheme's Actuary for statutory funding valuation purposes. The Trustee monitors the Scheme's funding position on a quarterly basis.

In addition, the Trustee assess the funding position of the Scheme as at 31 March each year and if at this assessment date, the funding position is in line or ahead of the Recovery Plan, the Trustee have a set of de-risking principles (agreed with the Sponsoring Employer) to gradually reduce the Scheme's allocation to risk-seeking assets. The Trustee's policy on rebalancing is reviewed on a quarterly basis as part of the cashflow advice. If the growth - matching split is +/- 5% deviated from the benchmark then the portfolio will undergo a rebalancing to ensure the strategy is invested in-line with the agreed risk/return objectives.

The SIP currently reflects the Trustee's objective of the Scheme's LDI Portfolio to maintain the level of hedging in inflation and interest rate exposure at 90%.



#### Policy

The Trustee's policy on the kind of investments to be held and the balance between different kinds of investments can be found under the following sections of the SIP:

- Investment Objectives and Strategy (SIP Section 4.1)
- Day-to-Day Management of the Assets (SIP Section 4.3)

The default investment strategy is designed after careful analysis of the membership demographic and other characteristics in order to offer a suitable approach in so far as is practical, to meet the needs of the Scheme's members. The Trustee carries out regular assessments of the performance of the default investment strategy and its design to ensure it continues to remain appropriate for the membership.

The Trustee recognises that the default investment strategy will not meet the needs of all members and as such, alternative investment options are available for members to choose from – including alternative lifestyle strategies and a range of self-select funds.

#### **How has this policy been met over the year to 31 March 2023?**

Over the year, the Trustee received investment performance reports on a quarterly basis from LGIM and its Investment Consultant which monitors the investment performance of the funds within the lifestyle arrangements and the self-select funds, looking at the funds' performances against their benchmarks over both short and longer-term periods. Investment performance is reviewed by the Investment Sub-Committee and the Trustee at the quarterly meetings.

The Trustee was satisfied with the performance of the funds over the Scheme year, which have performed in line with their underlying aims and objectives. The Trustee has noted that 2022 was a particularly challenging year for investment returns. As such, the Trustee is comfortable that the structure remains appropriate for the Scheme's membership.

The next formal investment strategy review is due to be undertaken in Q3 2024.

# Strategic Asset Allocation

## Risks, including the ways in which risks are to be measured and managed

### Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DB Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management and Measurement (SIP Section 3.1.2)

The Trustee considers both quantitative and qualitative measures for a number of risks on an ongoing basis when deciding investment policies, strategic asset allocation, and the choice of asset classes, funds, and fund managers.

#### **How has this policy been met over the year to 31 March 2023?**

The Trustee received updates from its Investment Consultant on developments concerning the Scheme's DB investment managers. There was increased monitoring of the LDI portfolio as a result of market volatility in late 2022. The increases in government bond yields over the course of 2022 resulted in a number of collateral calls in respect of leveraged liability driven investments. The target levels of liability hedging of the Scheme's LDI portfolio was maintained and the Scheme had sufficient liquid assets to meet collateral calls at short notice.

### Policy

The Trustee recognises a number of risks involved in the investment of the assets of the DC Section and that the choice and allocation of investments can help to mitigate these risks. Details of these risks and how they are measured and managed can be found under the following section of the SIP:

- Risk Management and Measurement (SIP Section 4.2)

In determining which investment options to make available the Trustee considers the investment risk associated with DC pension investment. The risk can be defined as the uncertainty over the ultimate amount of savings available on retirement.

#### **How has this policy been met over the year to 31 March 2023?**

The Trustee received updates from the Investment Consultant on developments concerning LGIM. In particular, LGIM's Pre-Retirement Fund was renamed as the Future World Annuity Aware Fund and the fund takes ESG factors into greater account.

None of these updates resulted in any recommended changes to the DC arrangements.



The Trustee maintains a register of key risks, including investment risks. This rates the impact and likelihood of the risks and identifies mitigating factors and additional actions taken. The risk register is reviewed at Quarterly Trustee meetings and the risk ratings adjusted as required.



## Environmental, Social and Corporate Governance (“ESG”)

### Financial and non-financial considerations and how those considerations are taken into account in the selection, retention and realisation of investments

#### Policy

The Scheme’s SIP outlines the Trustee’s beliefs on ESG factors (including climate change). Further details are included in Section 7 of the SIP, which applies to the DB and DC Sections of the Scheme. The Trustee keeps its policies under regular review.

#### How has this policy been met over the year to 31 March 2023?



The Trustee has given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments. In order to monitor the extent to which ESG factors are integrated into the managers’ investment decision making, the Trustee has continued to review the Mercer ESG ratings assigned to the strategies in which the Scheme invests as part of regular quarterly performance reporting. Mercer’s ESG ratings also continued to be monitored as part of the annual Value for Member Assessment in respect of the DC Section.

In addition, the Trustee has asked the managers to comment on these areas when they have presented at meetings. The Trustee met with Schroders in March 2022 and discussed several key topics which included: how ESG factors and climate change targets are considered as part of the investment process and the Trustee challenged the manager on the appropriateness of the performance target of the fund. Following the meeting, Schroders are including climate metrics in their quarterly reports and the Trustee will be monitoring these metrics in the quarterly investment report it receives from the Investment Consultant.

Where managers may not be highly rated from an ESG perspective the Trustee continues to monitor and engage with the managers. When implementing a new manager the Trustee considers the ESG rating of the manager and balances this against the prospects of the fund achieving its objective.

The Trustee does not require the Scheme’s investment managers to take non-financial matters into account in their selection, retention and realisation of investments.

In the first quarter of 2023, the Trustee undertook an “ESG Beliefs Survey” which focused on their attitude towards responsible investment and stewardship, and aimed to establish a set of defined beliefs and key priorities. The outcome from this survey is assisting the Trustee with determining future investment considerations and actions, as well as determining climate change and diversity, equity & inclusivity as key Trustee priorities.



## Voting Disclosures

**The exercise of the rights (including voting rights) attaching to the investments and undertaking engagement activities in respect of the investments** (including the methods by which, and the circumstances under which, the Trustee would monitor and engage with relevant persons about relevant matters).

### Policy

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the Scheme's investments to the investment managers. Further details are set out in Section 7 (Policy on Socially Responsible Investment and Corporate Governance) of the SIP, which applies to the DB and DC Sections of the Scheme.

### How has this policy been met over the year to 31 March 2023?



The Trustee has given appointed investment managers full discretion in exercising voting rights and stewardship obligations attached to the investments. The Trustee expects that the Scheme's investment managers will vote on the Scheme's UK shares in accordance with the guidelines set down by the UK Stewardship Code and UK Corporate Governance Code and encourages them to exercise those rights on behalf of members' interests when they believe there could be a potential financial impact on the funds. The investment managers have full discretion to vote in favour of actions outside these guidelines but will be expected to report to the Trustee with an explanation of its actions. The Trustee will review the investment managers' policies and engagement activities (where applicable) on an annual basis.

In the first quarter of 2023, the Trustee undertook an ESG Beliefs Survey to establish their key priorities in terms of responsible investment and stewardship which has formed the basis of the Trustee's definition of what constitutes a 'significant vote'. The Trustee considers most significant votes to be those that align with one of the following key priorities and with issuers of holdings in a fund that make up at least 1% of a fund's value:

- Climate change: A vote relating to climate change, or a broader environmental impact e.g. company becoming Paris aligned or company net-zero targets.
- Diversity, Equity & Inclusion: A vote pertaining to diversity e.g. female board representation, equity, and the policies in place to ensure there is an inclusive and diverse workforce.

All of the Scheme's investment managers within the DB and DC Sections are currently signatories of the current UK Stewardship Code.

The Trustee does not use the direct services of a proxy voter.

Section 4 sets out a summary of voting activity and a sample of the most significant votes cast on behalf of the Trustee by the Scheme's investment managers with investments in equities.



## Monitoring the Investment Managers

### Incentivising asset managers to align its investment strategy and decisions with the Trustees' policies

#### Policy

The Trustee's policy is set out in Section 8.1 (Aligning Manager Appointments with Investment Strategy) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the year to 31 March 2023?

As the Trustee invests in pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds. However, appropriate funds have been selected to align with the investment strategy.



#### How has this policy been met over the year to 31 March 2023?

As the Trustee invests in exclusively pooled investment funds, it accepts that it cannot specify the risk profile and return targets for these funds.

The Trustee continues to view the incentivisation through asset management charges to be at an appropriate level for the relevant mandates.

### Evaluation of the asset manager's performance and the remuneration for asset management services

#### Policy

The Trustee's policy is set out in Section 8.2 (Evaluating Investment Manager Performance) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the year to 31 March 2023?

Over the year to 31 March 2023, the Trustee received quarterly investment performance reports, which includes both quarter and longer-term performance metrics for all of the Scheme's investment mandates at both an asset class and investment manager level.



#### How has this policy been met over the year to 31 March 2023?

Over the year to 31 March 2023, the Trustee received quarterly investment performance reports which includes fund performance against their benchmarks over both quarter and longer-term periods. Performance is also considered as part of the annual Value for Members assessment.





## Monitoring the Investment Managers

### Monitoring portfolio turnover costs

#### Policy

The Trustee's policy is set out in Section 8.3 (Portfolio Turnover Costs) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the year to 31 March 2023?

As noted in the SIP, the Trustee does not explicitly monitor portfolio turnover costs with respect to the DB Section of the Scheme. Investment manager performance was reported and evaluated net of all fees and transaction costs (costs incurred as a result of buying and/or selling assets).



#### How has this policy been met over the year to 31 March 2023?

Transaction costs are disclosed in the annual Chair's Statement and Value for Member Assessment. The transaction costs for each fund covers the buying, selling, lending and borrowing of the underlying securities in the fund by the investment manager. There were no concerns raised in relation to transaction costs as part of the Value for Member assessment.

### The duration of the arrangement with the asset manager

#### Policy

The Trustee is a long-term investor and does not seek to change the investment arrangements on a frequent basis. Further details of the Trustee's policy is set out in Section 8.4 (Manager Turnover) of the SIP, which applies to the DB and DC Sections of the Scheme.



#### How has this policy been met over the year to 31 March 2023?

Details of the change to the strategic asset allocation are set out in the section on 'Strategic Asset Allocation' (page 4).

No change in the investment managers was made during the year for the DB section.



#### How has this policy been met over the year to 31 March 2023?

All the funds are open-ended. The DC Section's funds have no set end date for the arrangement, however, duration is considered as part of the regular reviews and as part of the ongoing monitoring.

No changes in the investment manager arrangements or fund allocation were made during the year for the DC section.

### 3. Engagement Activity by the Scheme's Equity and Diversified Growth Fund Investment Managers



#### **BlackRock's engagement with Sainsbury on employee wages**

J Sainsbury plc employs over 170,000 people. In July 2022 at AGM the company received a shareholder proposal that, if approved, would legally bind Sainsbury's to peg their worker pay levels to those set by the Living Wage Foundation.

BlackRock sought to understand, from their disclosures, Sainsbury's existing policies and employee benefits plans. Sainsbury's disclosures set out that they paid higher hourly UK-wide and London rates than competitors in the UK supermarket sector, in addition to paying direct employees above the government-mandated UK National Minimum Wage for many years. At the time of the AGM, Sainsbury's was paying at or above the prevailing "real Living Wage". Sainsbury's engaged with the shareholders who submitted the proposal. As a result, the company disclosed that they had addressed the legacy difference in hourly rates between employees in inner and outer London.

BlackRock did not support the shareholder proposal, as it was overly prescriptive and unduly constraining on management, and felt that it is not the role of shareholders to direct company management to cede control of a key decision (i.e., the employee payroll), which is core to the company's ability to deliver their strategy and balance the interests of all stakeholders, to a third-party.

BlackRock have continued to engage with Sainsbury's on this issue, given the importance of frontline workers to the company's success.



#### **LGIM engages with Experian on its ESG strategy**

Global credit bureau Experian has an important role to play as a responsible business for the delivery of greater social and financial inclusion.

LGIM have engaged with the company on several occasions in 2022 and 2023 and are pleased to see continuous improvements made to its ESG strategy, encompassing new targets, greater reporting disclosure around societal and community investment, and an increasing allocation of capital aligned to transforming financial livelihoods. The latter includes the roll-out of Experian Boost, where positive data allows the consumer to improve their credit score, and Experian Go, which is hoped to enable access for more people. The company also launched the United for Financial Health project as part of its social innovation fund to help educate and drive action for those most vulnerable.



#### **Schroders challenges Norsk Hydro on environmental contamination**

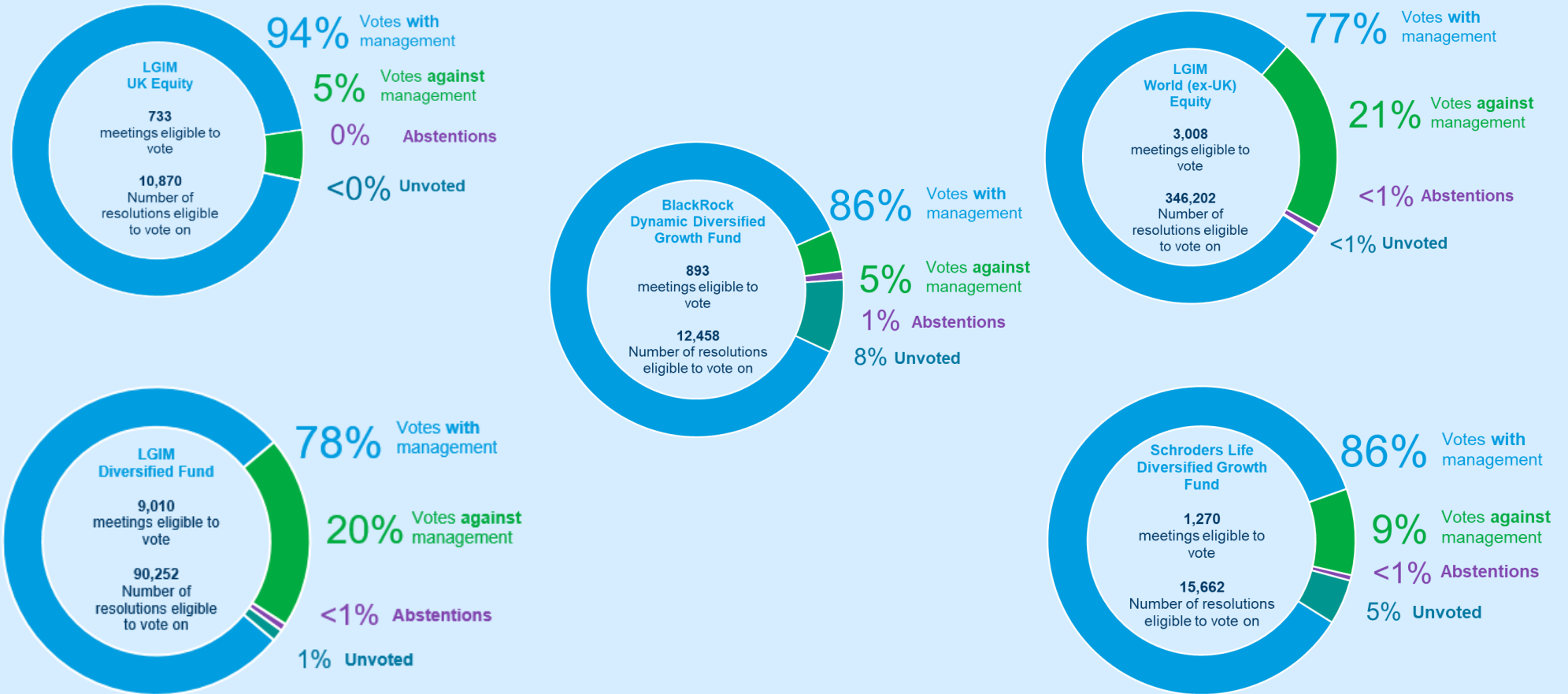
In 2022, Schroders investment team conducted an engagement call with Norsk Hydro during the first quarter in response to an article which rehashed some allegations of environmental contamination within Alunorte during 2018.

Schroder's learnt from Norsk that there were no new developments on this topic, and that all of the issues highlighted in the article have either been addressed as part of the company's initial response, as part of an ongoing lawsuit in the Dutch courts or are inaccurate and/or overblown.

Schroders have been comfortable with Norsk's efforts (both in 2028 and more recently) and remain assured that action taken has been substantial and thorough enough for this to be treated as a one off incident. This is, however a stark reminder of the ongoing risk of its significance in the local communities in Barcarena and the potential likelihood of it being revived following a different political climate within Brazil.

#### 4. Voting Activity during the Scheme year

Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DB Section of the Scheme.



Voting data covering the period from 1 April 2022 to 31 March 2023.  
Source: Investment managers, data may not sum due to rounding.



## Most significant votes



A 'Significant Vote' is defined as one that is related to the Scheme's beliefs and stewardship priorities, which refers to voting in relation to Climate Change and Diversity, Equity & Inclusivity. The Trustee considers a vote to be most significant if the company holding represents the top 4 of the relevant fund assets (where data is available) at the time of voting. The table below shows available voting information of companies in relation to the Trustee's key priority areas.



Resolution **not** passed










Resolution passed

Manager	Fund	Company	Date of vote	% of Fund as at date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
LGIM <sup>1</sup>	UK Equity	Royal Dutch Shell Plc	24 May 2022	6.7%	Climate Change	LGIM voted <b>against</b> the resolution to approve the Shell Energy Transition Progress Update	LGIM remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	
		BP Plc	12 May 2022	3.0%	Climate Change	LGIM voted <b>for</b> the resolution to approve Net Zero target	LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. However, LGIM remain committed to continuing our constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.	
		Rio Tinto Plc	8 April 2022	2.7%	Climate Change	LGIM voted <b>against</b> the resolution to approve the climate action plan	LGIM remained 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.	
		Glencore Plc	28 April 2022	2.7%	Climate Change	LGIM voted <b>against</b> the resolution to approve the climate progress report	LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. LGIM remained concerned over the companies activities around thermal coal and lobbying, which they deem inconsistent with the required ambition to stay within the 1.5°C trajectory.	

Source: Investment managers. "n/a" indicates outcome not available.

LGIM used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes.

Manager	Fund	Company	Date of vote	% of Fund as at date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
LGIM <sup>1</sup>	World Equity (ex-UK)	Alphabet Inc	1 June 2022	1.2%	Climate Change	LGIM voted <b>for</b> the resolution to report on physical risks of climate change	LGIM believed a vote in favour of this shareholder proposal was warranted as LGIM expects companies to be taking sufficient action on the key issue of climate change.	
		NVIDIA Corporation	2 June 2022	0.8%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Harvey C. Jones	A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.	
		Exxon Mobil Corporation	25 May 2022	0.6%	Climate Change	LGIM voted <b>for</b> the resolution to set GHG emissions reduction targets consistent With Paris Agreement Goal	A vote FOR is applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.	
		Costco Wholesale Corporation	19 January 2023	0.4%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Jeffrey S. Raikes	A vote against is applied as LGIM expects a company to have at least one-third women on the board.	n/a
		Prologis, Inc.	4 May 2022	0.4%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Hamid R. Moghadam	A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	
LGIM <sup>1</sup>	Diversified Fund	NextEra Energy, Inc.	19 May 2022	0.3%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Rudy E. Schupp	A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue.	
		Royal Dutch Shell Plc	24 May 2022	0.3%	Climate Change	LGIM voted <b>against</b> the resolution to approve the Shell Energy Transition Progress Update	LGIM remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	
		American Tower Corporation	18 May 2022	0.3%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Robert D. Hormats	A vote against is applied as the company has an all-male Executive Committee	

Source: Investment managers. "n/a" indicates outcome not available.

LGIM used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes.

Manager	Fund	Company	Date of vote	% of Fund as at date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following the vote
BlackRock	Dynamic Diversified Growth	Tesla Inc	4 August 2022	0.58%*	Diversity, Equity & Inclusivity	The Manager voted <b>against</b> a Report on Racial and Gender Board Diversity	The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies.	n/a
					Climate change	The Manager voted <b>for</b> a Report on Corporate Climate Lobbying in line with Paris Agreement	The Company does not meet BlackRock's expectations for disclosure of lobbying and/or political activities	n/a
		Microsoft Corporation	13 December 2022	0.38%*	Diversity, Equity & Inclusivity	The Manager voted <b>against</b> a Report on Cost/Benefit Analysis of Diversity and Inclusion	Company already has policies in place to address these issues.	⊗
		Amazon.com, Inc.	31 March 2022	0.20%*	Diversity, Equity & Inclusivity	The Manager voted <b>against</b> a Report on Median Gender/Racial Pay Gap	The company already provides sufficient disclosure and/or reporting regarding this issue, or is already enhancing its relevant disclosures.	n/a
Schroders	Diversified Growth	Alphabet	01 June 2022	0.21%	Diversity, Equity & Inclusivity	The Manager voted <b>for</b> the report on Steps to Improve Racial and Gender Board Diversity	Schroders voted for the proposal as the company does not comprise 33% women and the board does not address global diversity as requested in the proposal. Given the nature of the company's business we believe that the board needs to address its global stakeholders in its response to the proposal	⊗
					Climate Change	The Manager voted <b>for</b> a report on Climate Lobbying	The company is asked to produce a report on climate lobbying. Shareholders are likely to benefit from a review of how the company and its trade associations' lobbying positions align with Paris Agreement.	⊗
					Climate Change	The Manager voted <b>for</b> a report on Physical Risks of Climate Change	Schroders believe their vote for this item will maximise the value to their clients. The company is asked to report on the physical risks of climate change. Schroders feel that shareholders would benefit from increased disclosure regarding how the company is assessing and managing its climate change risks.	⊗
		Apple	10 March 2023	0.16%	Diversity, Equity & Inclusivity	The Manager voted <b>for</b> a report on Median Gender/Racial Pay Gap	Shareholders could benefit from the median pay gap statistics that would allow them to compare and measure the progress of the company's diversity and inclusion initiatives.	⊗

Source: Investment managers. "n/a" indicates outcome not available.

\* Data as at 31 March 2023, based on information provided by BlackRock.

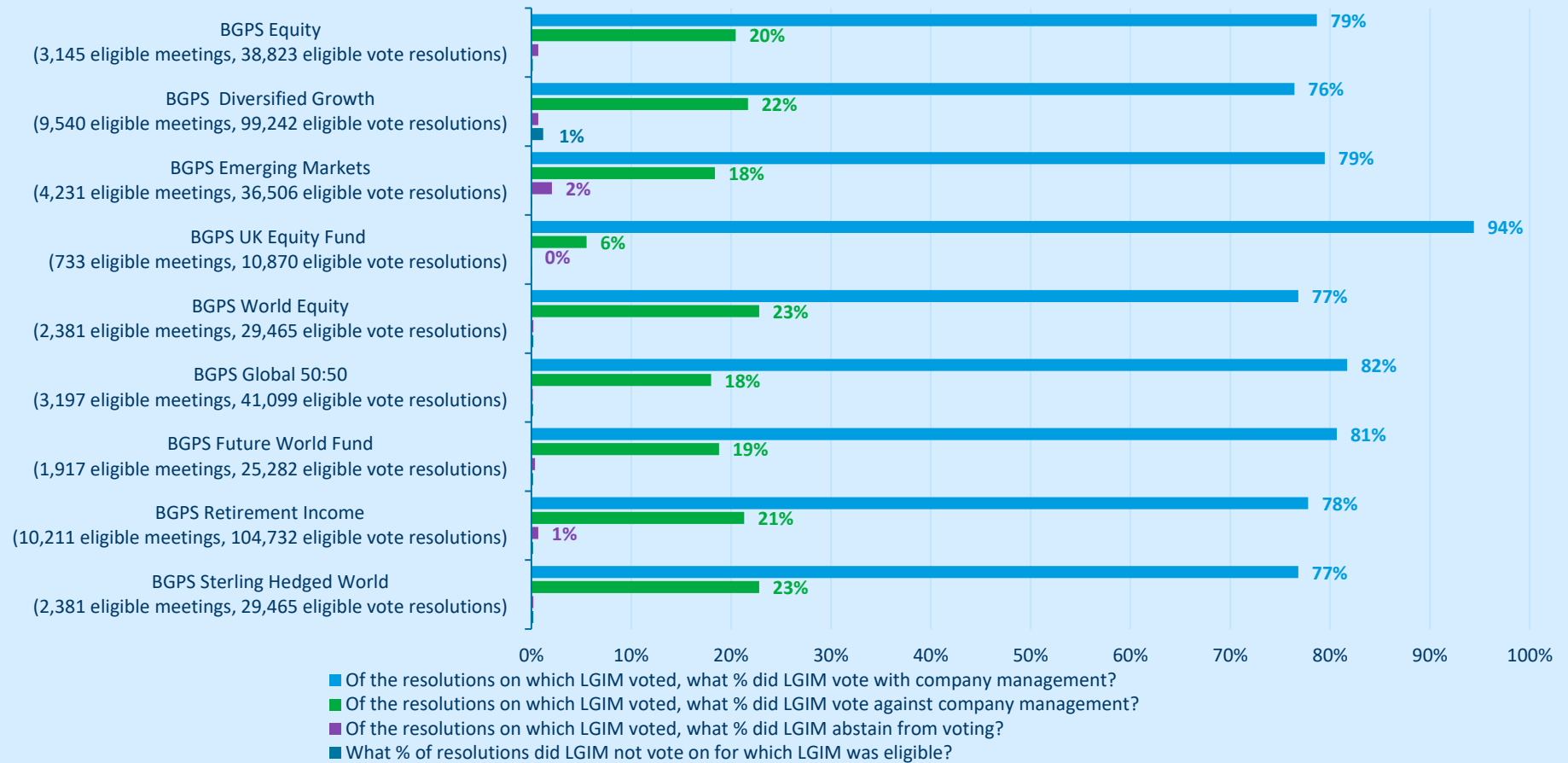
BlackRock's Investment Stewardship team publishes vote bulletins after shareholder meetings to provide transparency for clients and other stakeholders on their approach to the key votes that they consider to be most significant, and thus require more detailed explanation.

Schroders evaluate voting issues arising at its investee companies and, where they have the authority to do so, vote on them in line with its fiduciary responsibilities in what they deem to be the interests of its clients. Schroders utilise company engagement, internal research, investor views and governance expertise to confirm its intention.

## Voting Activity during the Scheme year



Set out below is a summary of voting activity for this reporting period relating to the relevant strategies in the DC Section of the Scheme. Funds where voting is not applicable are not included in the list below. With the exception of certain legacy AVCs invested, all DC investments are managed by LGIM



Source: LGIM

Extracts from LGIM's voting policy:

"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 our clients. Our voting policies are reviewed annually and take into account feedback from our clients.

All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually.

LGIM's Investment Stewardship team uses Institutional Shareholders Services' (ISS) 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions."



## Most significant votes



A 'Significant Vote' is defined as one that is related to the Scheme's beliefs and stewardship priorities, which refers to voting in relation to Climate Change and Diversity, Equity & Inclusivity. The Trustee considers a vote to most significant if the company holding represents the top 4 of the relevant fund assets, which are used in the default strategy (where data is available) at the time of voting. The table below shows available voting information of companies in relation to the Trustee's key priority areas.



Resolution **not** passed



Resolution passed

Fund	Company	Date of vote	% of Fund as at Date of vote	Trustee Priority	Summary of vote and how the Manager voted	Rationale of Manager vote	Final outcome following vote
BGPS UK Equity Fund	The votes relating to this fund which meets the Trustee's definition of 'most significant votes' can be found in the DB Section. The						
BGPS World (Ex-UK) Equity Fund	The votes relating to this fund which meets the Trustee's definition of 'most significant votes' can be found in the DB Section						
BGPS Diversified Growth Fund*	The votes relating to the LGIM Diversified Fund which is a 50% allocation of the BGPS Diversified Growth Fund and meets the Trustee's definition of 'most significant votes' can be found in the DB Section.						
LGIM Retirement Income Multi-Asset Fund	Prologis, Inc.	4 May 2022	0.26%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Hamid R. Moghadam	A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	
	Royal Dutch Shell Plc	24 May 2022	0.25%	Climate Change	LGIM voted <b>against</b> the resolution to approve the Shell Energy Transition Progress Update	LGIM remained concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.	
	Rio Tinto Plc	8 April 2022	0.14%	Climate Change	LGIM voted <b>against</b> the resolution to approve the climate action plan	LGIM remained 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.	
	American Tower Corporation	18 May 2022	0.14%	Diversity, Equity & Inclusivity	LGIM voted <b>against</b> the resolution to elect Director Robert D. Hormats	A vote against is applied as the company has an all-male Executive Committee	

Source: Investment managers. "n/a" indicates outcome not available.

LGIM used a third party corporate governance data provider, Institutional Shareholder Services ("ISS"), to receive meetings notifications, provide company research and process its votes.

\*The BGPS Diversified Growth Fund has a 50% allocation to the Insight Broad Opportunities Fund. The strategy invests in listed closed-end investment companies with a focus on cash-generative investments in social infrastructure, renewable energy and asset-backed aviation finance. The corporate structure of closed-end investment companies held in the strategy includes an independent board which is responsible for providing an overall oversight function on behalf of all shareholders. This governance framework includes a range of aspects including setting out investment objectives, and on an ongoing basis ensuring that the underlying strategy and portfolio activities within it remain within the agreed framework. This governance framework, that is with an independent board acting on behalf of shareholders, generally limits contentious issues that can arise with other listed entities. As a result, significant votes cast that may be comparable to other listed entities are not applicable to the strategy's exposures.