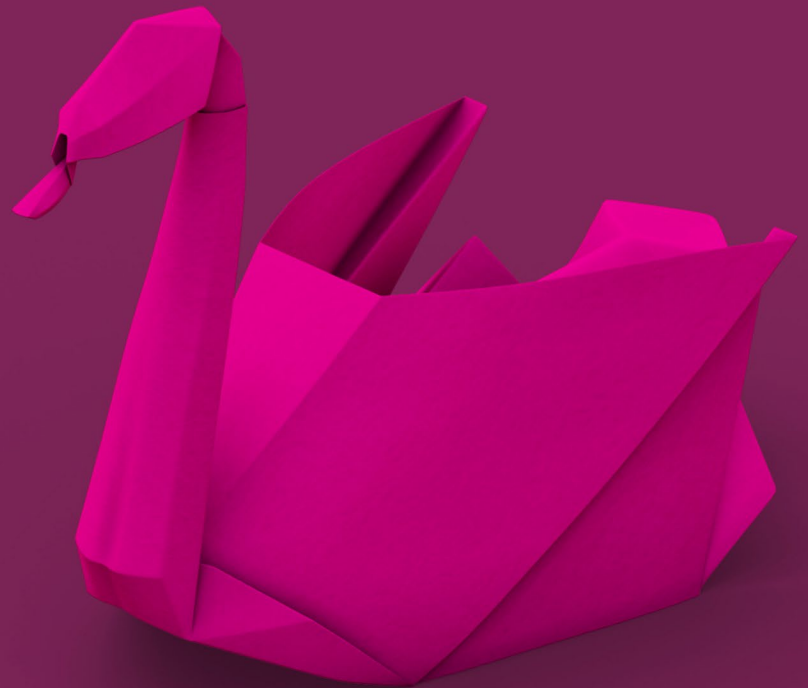


# Royal & SunAlliance UK Pension Scheme 2002 Implementation Statement

Year ending 31 December 2023



**Dalriada.**  
A better way

# Contents

Section	Title	Page
	Background and Implementation Statement.....	3
<b>1</b>	The Trustee’s policies on manager arrangements, ESG considerations and stewardship.....	5
<b>3</b>	The Trustee’s policies on investment objectives.....	7
<b>4</b>	The Trustee’s policies on investment risk.....	11
<b>5</b>	The Trustee’s policies on day-to-day fund management .....	12
<b>6</b>	Voting Behaviour.....	13
<b>7</b>	Engagement .....	17

Signatory of:



# Background and Implementation Statement

## Background

The regulatory landscape continues to evolve as ESG becomes increasingly important to regulators and society. The Department for Work and Pensions ('DWP') has increased the focus around ESG policies and stewardship activities by issuing further regulatory guidance relating to voting and engagement policies and activities. These regulatory changes recognise the importance of managing ESG factors as part of a Trustee's fiduciary duty.

Trustees of pension schemes are required to provide details of how, and the extent to which, their SIP policies on engagement with investee companies have been followed over the year, including a description of their voting behaviour, the most significant votes cast and any use of a proxy voter on their behalf over the year, alongside a review of any changes to the SIP over the year.

## Implementation Statement

This statement has been prepared by the Trustee of the Royal & SunAlliance UK Pension Scheme 2002 (the "Trustee" and the "Scheme" respectively), on behalf of the members of the Scheme, with input from the Investment Consultant, to demonstrate how the Trustee has acted on the policies within the Statement of Investment Principles ('SIP') and is known as the Scheme's Implementation Statement.

Each year, the Trustee must produce an Implementation Statement that demonstrates how it has followed certain policies within the SIP over the Scheme year. This Implementation Statement covers the Scheme year from 1 January 2023 to 31 December 2023.

This Implementation Statement has been prepared in accordance with the Occupational Pension Schemes (Investment and Disclosure) Regulations 2005 Amendments and is in respect of the investments held by the Scheme.

This implementation statement should be read in conjunction with the Scheme's SIP covering the year under review, which gives details of the Scheme's investment policies along with details of the Scheme's governance structure and objectives. The Scheme's latest SIP can be accessed in the following location:

<https://www.dalriadatrustees.co.uk/wp-content/uploads/2024/02/Royal-and-Sun-Alliance-2024-SIP-fnal.pdf>

This report details:

Actions the Trustee has taken to manage financially material risks and implement the key policies within the Scheme's SIP;

The Trustee's current policies and approach with regards to ESG considerations and the actions taken with the Scheme's investment manager on managing ESG risks;

The extent to which the Trustee has followed policies relating to engagement, covering both its engagement actions with the Scheme's investment managers and the engagement activity of each of the investment manager with the companies and counterparties in which they invest; and

The voting behaviour of the Scheme's investment managers covering the reporting year up to 31 December 2023 (noting the Trustee's delegation of Scheme voting rights to the investment manager through its investment via pooled fund arrangements).

This report demonstrates that the Royal & SunAlliance UK Pension Scheme 2002 has adhered to its investment principles and its policies for managing financially material considerations, including ESG factors and climate change.

## Review of the SIP over the year

No changes were made to the Scheme's SIP over the Scheme year.

In December 2023, with a view to de-risking the Scheme's investment portfolio as far as possible in the light of the Scheme's improved funding position, it was agreed that the Scheme's entire Trustee-controlled Category 2b asset portfolio was transitioned to a portfolio of physical gilts and index-linked gilts, designed cognisant of the Scheme's liability profile. The premise being that this switch would enable the Scheme to achieve a higher hedge ratio against movements in interest rates and inflation while simultaneously removing the Scheme's exposure to leverage, and therefore removing the requirement to maintain a collateral buffer.

The updated strategy was implemented in January 2024. As part of the transition, the Scheme's leveraged LDI and buy & maintain credit exposures were removed, alongside the Scheme's Trustee-controlled LGIM Global Equity Market Weights (30:70) Index Fund – 75% Currency Hedged and LGIM Over 5 Year Index-Linked Gilts Index Fund investments, with the proceeds switched into the Over 15 Year Gilts Index Fund and the Over 15 Year Index-Linked Gilts Index Fund, constructed cognisant of the Scheme's liability profile and considering the interest rate, inflation and duration characteristics of the Scheme's non-Category 2b assets (those assets that are not fully under the control of the Trustee), with the aim to hedge c. 95% of the Scheme's liabilities' exposure to interest rate and inflation movements with the intention of reducing ongoing funding volatility. The Scheme's SIP was updated to reflect the new strategy in January 2024, following implementation.

There have been no changes to the Scheme's stewardship priorities over the year.

Extent to which the Trustee's policies have been followed during the year

Having reviewed the actions taken by LGIM on behalf of the Trustee, the Trustee believes that their policies on voting rights (where applicable) and engagement have been implemented appropriately over the year and in line with the Investment Manager's policies. The Royal & SunAlliance UK Pension Scheme 2002 has adhered to its investment principles and its policies for managing financially material consideration including ESG factors and climate change.

The Trustee will continue to monitor the actions taken on its behalf each year, and press for improved information from the Investment Manager.

If the Investment Manager deviates substantially from the Trustee's stated policies, the Trustee will initially discuss this with the manager. If, in the opinion of the Trustee, the difference between the policies and the investment manager's actions is material, the Trustee will consider terminating the mandate.

In the opinion of the Trustee, the wider policies and objectives stated in the SIP have been mostly followed throughout the year for the Scheme.

Signed 

Position **Trustee**

Date 13/05/2024

# 1 The Trustee's policies on manager arrangements, ESG considerations and stewardship

The Scheme's assets are invested entirely in pooled investment funds alongside other investors, and the Trustee does not therefore directly invest in underlying companies or have the ability to engage directly with these companies. It is the investment manager that is responsible for the policy on taking financially material considerations into account in the selection, retention and realisation of investments within the pooled investment vehicles and for the exercise of rights (including voting rights) attaching to these investments.

The Trustee continues to monitor the suitability of the available funds and, alongside the investment consultant, continues to monitor the Investment Manager's actions and performance.

The Trustee acknowledges that certain ESG factors including climate change are financially material and may therefore influence the risk and return characteristics of the Scheme's investments and the likelihood that the Scheme's objectives will be achieved. To confirm, the Trustee's policy is not to take into account non-financial matters in the selection, retention, and realisation of investments. Therefore, no consideration has been given to non-financial matters, nor has the Scheme's membership been consulted on such issues.

Both assets under the control of the Trustee and assets which back members' retirement accounts include exposure to shares. The Trustee does not directly exercise voting rights as these investments are through pooled funds with many other investors. Voting rights are exercised by LGIM and LGIM disclose their voting records on their website at the end of each month, including summaries of their positions for significant shareholder votes. LGIM apply a consistent voting policy across shares held through pooled funds.

In relation to those investment vehicles which are index tracking, the Trustee recognises that the investment objective for the manager is to track the specified index and that the extent to which ESG factors are considered by the manager when selecting, retaining and realising investments will depend on the specified index. However, the Trustee expects the investment manager to use its voting rights and to actively engage with the senior management of the companies in which it invests in order to influence positive change in respect of ESG considerations.

Further detail on the approach taken by LGIM to exercise voting rights is set out later in this report.

## 2 How engagement policies have been followed

The Trustee intends to review a summary of the voting and engagement activity taken on their behalf on an annual basis going forwards. The information published by the Investment Manager on its policies has provided the Trustee with comfort that their voting and engagement policies have been followed during the Scheme year.

A summary of the voting and engagement topics that the Trustee expects LGIM to engage on are shown in the following table.

Voting and Engagement topic	Policy followed in the opinion of the Trustee?	Comments
Performance of debt or equity issuer	✓	The Investment Manager's voting and engagement policies do not cover the past financial performance of investee companies. However, the voting and engagement which the Investment Manager undertakes aims to improve the long-term future performance of these companies.
Strategy	✓	The Trustee believes that the board's duty is to decide the appropriate company strategy, with the CEO in turn responsible for executing the strategy. For this structure to work effectively, the Trustee also believes that the appropriate governance structures need to be in place. These include the separation of duties between the Board and the CEO, as well as policies covering independence, diversity and remuneration. The Investment Manager has clear voting policies covering each of these topics.
Risks	✓	As an example of reducing risk, the Investment Manager encourages all audit committee chairs globally to have a financial background and, in the UK, votes against the audit committee chair's appointment if this is not the case.
Social and Environmental impact	✓	The Investment Manager has stated that it will vote against the chair of the board if it believes insufficient action is being taken on the issue of climate change. Also, if there are no women on the board, the investment manager will vote against the chair and / or the chair of the nomination committee.
Corporate Governance	✓	The Investment Manager's policy is to vote against all elections which combine the roles of CEO and Chair.

### 3 The Trustee’s policies on investment objectives

The Scheme is a “hybrid” benefits pension scheme under which:

- Members have money purchase retirement accounts in the Scheme (equivalent to a defined contribution scheme), but
- The Scheme was contracted-out of the second state pension scheme on the reference scheme basis provided for in Section 9(2B) of the Pension Schemes Act 1993;

and so a member’s retirement benefits are the greater of the retirement benefits which may be provided with the member’s retirement account balance and the minimum defined benefit required under the Scheme’s Trust Deed and Rules for contracting-out of the second state pension scheme.

The Scheme’s assets can be viewed for the purposes of this Statement as being divided into 3 broad categories (although forming one undivided fund):

- **Category 1:** those assets which back members’ retirement accounts that are referred to as Members’ Investment Choice Balance (“MICB”). For the avoidance of doubt, Category 1 assets comprise of members’ contributions, including AVCs and company matching contributions.
- **Category 2a:** those assets of the Scheme referred to as the Company Part Retirement Account Balance (“CPRAB”). Category 2a assets comprise of company core credits.
- **Category 2b:** those assets of the Scheme not allocated to back members’ retirement accounts but available, for amongst other purposes, to meet the Scheme’s defined benefit obligations to the extent not covered by Category 2a or Category 3 as defined here.
- **Category 3:** any annuity contract or policy backing in whole or in part a pension in payment from the Scheme.

Transferred-in sums or benefit augmentations may be allocated to Category 1, Category 2a, Category 2b or Category 3, depending on their nature.

Since all member accounts relate to deferred members of the Scheme there is no requirement to have a default investment vehicle. The Trustee’s primary investment objectives are:

Policy	Assesment
<p><i>Assets which back members’ retirement accounts</i></p> <p>An appropriate range of member investment options is offered for members, within the constraints of the Trust Deed.</p>	<p><i>Category 1 assets</i></p> <p>Given these assets relate to member investment choices, the primary objective is to make available investment providers and investment vehicles offered by the selected providers within the constraints summarised in Table 1 of the Scheme’s SIP.</p> <p>An appropriate selection of investment options exists for MICB assets.</p>

Policy	Assesment
<p><i>Assets under the control of the Trustee – CPRAB and assets of the Scheme not allocated to back members’ retirement accounts but available, for amongst other purposes, to meet the Scheme’s defined benefit obligations</i></p> <p>An appropriate asset allocation strategy exists for those assets under the control of the Trustee.</p>	<p><i>Category 2a assets</i></p> <p>For contributions paid pre-1 May 2004, these assets are invested in the Mixed Fund (which currently is the L&amp;G Multi-Asset Fund). For contributions paid on or after 1 May 2004, these assets are invested in the L&amp;G Equity:Bond 50:50 Index fund.</p> <p>Investing company core credit assets in this way remains an appropriate strategy.</p> <p><i>Category 2b assets</i></p> <p>As at 31 December 2023, prior to implementing the updated investment strategy in January 2024, the aggregated assets were invested in line with the following strategic asset allocation:</p> <ul style="list-style-type: none"> <li>• Equities and alternatives: 37.0%</li> <li>• Fixed interest bonds: 15.7%</li> <li>• Liability driven investment: 47.3%</li> </ul> <p>with assets invested in the Multi-Asset Fund split into the above asset classes on a best endeavours basis.</p> <p>Following an investment strategy review in December 2023 focused on de-risking the Scheme’s Trustee-controlled asset allocation which was implemented in January 2024, the Category 2b assets are invested in a portfolio of nominal and inflation-linked government bonds.</p> <p>The purpose of the government bond-based strategy is to protect the Scheme’s positive funding position by hedging as much of the interest rate and inflation rate risk within the Scheme as is possible without incurring leverage risk.</p> <p>The Category 2b assets are invested in the following funds to achieve the above:</p> <ul style="list-style-type: none"> <li>• L&amp;G Over 15 Year Gilts Index Fund</li> <li>• L&amp;G Over 15 Year Index-Linked Gilts Index Fund</li> </ul> <p>The strategic allocation to the above funds has been designed cognisant of the Scheme’s liability profile and considering the interest rate, inflation and duration characteristics of the Scheme’s non-Category 2b assets (those assets that are not fully under the control of the Trustee).</p> <p>The Trustee recognises that market movements may cause the actual weighting of these assets to drift from the strategic allocation over time. In addition, as the Scheme matures, the Scheme’s liability profile and the underlying non-Category 2b asset allocation will change. The Scheme’s Category 2b asset allocation will be monitored regularly and on a case-by-case basis to ensure the hedging position remains appropriate. Weightings will be rebalanced by re-distributing the current Category 2b assets if deemed appropriate.</p>



Policy	Assesment
	<p><i>Category 3 assets</i></p> <p>Where the Trustee is required under the Trust Deed and Rules to secure a pension in payment through the purchase of an annuity contract or a policy, the Trustee is required to provide for an annuity to be purchased from a panel insurer.</p> <p>An appropriate investment strategy exists to meet the costs of purchasing an annuity contract or a policy.</p>
<p><i>Category 2b assets</i></p> <p>Following investment strategy review in December 2023, the Category 2b assets are invested in an appropriate mix of funds to achieve the desired strategic asset allocation.</p>	<p>As at 31 December 2023, the Category 2b assets were invested in the following funds:</p> <ul style="list-style-type: none"> <li>• L&amp;G Global Equity Market Weights 30:70 Index 75% GBP Currency Hedged Index Fund</li> <li>• L&amp;G Matching Core Fixed Long Fund</li> <li>• L&amp;G Matching Core Real Long Fund</li> <li>• L&amp;G Buy and Maintain Credit Fund.</li> </ul> <p>Following an investment strategy review in December 2023 focused on de-risking the Scheme’s Trustee-controlled asset allocation which was implemented in January 2024, the Category 2b assets are invested in:</p> <ul style="list-style-type: none"> <li>• L&amp;G Over 15 Year Gilts Index Fund</li> <li>• L&amp;G Over 15 Year Index-Linked Gilts Index Fund.</li> </ul>
<p><i>Category 2b assets</i></p> <p>Prior to implementing the updated strategy in January 2024, as at 31 December 2023 assets were kept broadly in line with the strategic benchmark by using cashflows into or out of the Scheme to rebalance towards the strategic weightings. Rebalancing was undertaken, subject to a qualitative overlay or sense check being applied, if the Trustee considered that the actual weightings were materially different to those set out above at a quarter end with this being reviewed at each Trustee Board meeting. A material difference is defined as the actual asset allocation deviating by more than 2.5% from the strategic asset allocation.</p>	<p>As at 31 December 2023, the assets under the control of the Trustee were c. 16.9% underweight in equity and other “risk-seeking” assets, c. 17.8% overweight in Index-linked Gilts and LDI and c. 1.1% underweight in Fixed Interest Bonds compared to the strategic allocation. The deviations from the strategic allocations have increased as a result of market movements over the year, alongside collateral calls in respect of the LDI portfolio which were funded from the global equity portfolio.</p> <p>In January 2024, the de-risked strategy was implemented and as such a new strategic allocation is in place post year end.</p> <p>The Trustee recognises that market movements may cause the actual weighting of these assets to drift from the strategic allocation over time. In addition, as the Scheme matures, the Scheme’s liability profile and the underlying non-Category 2b asset allocation will change. The Scheme’s Category 2b asset allocation will be monitored regularly and on a case-by-case basis to ensure the hedging position remains appropriate. Weightings will be rebalanced by re-distributing the current Category 2b assets if deemed appropriate.</p>
<p>For the chosen funds, the Trustee’s policy is to enter arrangements with no fixed end date.</p>	<p>The Trustee has chosen to make unit-linked insurance policy funds available to members, entering arrangements where it has the power to terminate these in line with the liquidity of the underlying assets</p>

Policy	Assesment
	and as agreed in the mandate. This investment structure remains appropriate.

## 4 The Trustee's policies on investment risk

Risk underlying the assets which back members' retirement accounts lies with the members themselves, whilst risk in assets under the control of the Trustee are met by the Scheme itself. In determining suitable investment choices available to members and the underlying investment strategy for assets under the control of the Trustee, the Trustee has considered a number of risks, including concentration risk, inflation risk, annuity risk, inherent investment risk and fund manager risk.

The Trustee considers that there is an adequate range of Investment Vehicles in relation to the investment of Members' Investment Choice Balance, providing different investment risk and reward profiles to meet the different return and diversification objectives of the different members of the Scheme having given regard to:

- Their differing ages;
- Differing expectations as to time of retirement; and

The option to take benefits as a lump sum or in annuity form.

## 5 The Trustee's policies on day-to-day fund management

The Trustee has entered into unit-linked insurance policies with Legal & General Assurance (Pensions Management) Limited ("L&G"), which has delegated fund management to Legal & General Investment Management Limited ("LGIM").

The day-to-day fund management of the assets is performed by a professional fund manager, LGIM, who are authorised and regulated by the Financial Conduct Authority. The Trustee is satisfied that the appointed fund manager has sufficient expertise and experience to carry out their role.

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles. The assets of the Scheme are managed by L&G and the Investment Manager provides custodial services for investments. Custody services for the L&G funds are provided by HSBC Bank Plc and Citibank.

## 6 Voting Behaviour

The Trustee has enforced the policies in place by monitoring the engagement and voting activities of the Scheme's investment manager to ensure they are aligned with the Trustee's policies. The Trustee's voting behaviour over the Scheme year is summarised below.

The Scheme's mandates are managed by LGIM. There was no change in the investment manager or any of the underlying funds over the year to 31 December 2023.

Over the year, the Scheme was invested in three mandates where underlying assets included publicly listed equities. These were:

- The LGIM Multi Asset (Formerly Consensus) Fund;
- The LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged; and
- The Royal and SunAlliance UK Pension Scheme 2002 (Equity:Bond 50:50 Index Fund).

In addition, the LGIM Buy and Maintain Fund, despite being a credit fund, was eligible to vote in a small number of instances over the Scheme year.

The Trustee has adopted the manager's definition of significant votes and has not set stewardship priorities. The Trustee has obtained voting information from the investment manager on the Multi Asset (Formerly Consensus) Fund, the Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged and the Buy and Maintain Fund. The Trustee's voting behaviour over the Scheme year for these funds is summarised below. Please note that the LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged represents c. 50% of the Royal and SunAlliance UK Pension Scheme 2002 (Equity:Bond 50:50 Index Fund), and therefore the voting information for the Equity:Bond 50:50 Index Fund is in line with that of the Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged.

Fund name	Voting summary	Examples of most significant votes	Commentary
LGIM Multi-Asset (from Consensus)	<p>Number of meetings LGIM was eligible to vote at over the year: 9,413</p> <p>Number of resolutions LGIM was eligible to vote on over the year: 95,582</p> <p>Of the eligible resolutions, percentage that LGIM voted on: 99.8%</p> <ul style="list-style-type: none"> <li>• Of the resolutions voted, percentage that LGIM voted with management: 76.5%</li> <li>• Of the resolutions voted, percentage that LGIM voted against management: 23.3%</li> <li>• Of the resolutions voted, percentage where LGIM abstained: 0.3%</li> </ul> <p>Percentage of eligible meetings where LGIM voted at least once against management: 73.8%</p>	<p><b>Shell Plc</b> – On 23 May 2023, LGIM voted against the approval of the Shell energy transition process. LGIM remained concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations, where both are key areas to demonstrate alignment with the 1.5°C trajectory. The outcome of the vote was a pass.</p> <p>LGIM continues to undertake extensive engagement with Shell on its climate transition plans.</p> <p><b>Microsoft Corporation</b> – On 7 December 2023, LGIM has voted against electing Director Satya Nadella as LGIM expects companies to separate the roles of Chair and CEO due to risk</p>	<p>The Trustee has not adopted its own definition of a significant vote but notes that as LGIM have been delegated responsibility for carrying out votes on their behalf, by extension a significant vote highlighted by LGIM will also be a significant vote for the Scheme.</p> <p>In addition, the Trustee notes that certain ESG factors can be financially material and as such, votes taken on topics related to ESG can be considered significant.</p>

Fund name	Voting summary	Examples of most significant votes	Commentary
	<p>Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy advisor: 14.5%</p>	<p>management and oversight concerns.</p> <p>LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.</p>	
<p>LGIM Multi-Asset (from Consensus)</p>	<p>Number of meetings LGIM was eligible to vote at over the year: 9,413</p> <p>Number of resolutions LGIM was eligible to vote on over the year: 95,582</p> <p>Of the eligible resolutions, percentage that LGIM voted on: 99.8%</p> <ul style="list-style-type: none"> <li>• Of the resolutions voted, percentage that LGIM voted with management: 76.5%</li> <li>• Of the resolutions voted, percentage that LGIM voted against management: 23.3%</li> <li>• Of the resolutions voted, percentage where LGIM abstained: 0.3%</li> </ul> <p>Percentage of eligible meetings where LGIM voted at least once against management: 73.8%</p> <p>Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy advisor: 14.5%</p>	<p><b>Shell Plc</b> – On 23 May 2023, LGIM voted against the approval of the Shell energy transition process. LGIM remained concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations, where both are key areas to demonstrate alignment with the 1.5°C trajectory. The outcome of the vote was a pass.</p> <p>LGIM continues to undertake extensive engagement with Shell on its climate transition plans.</p> <p><b>Microsoft Corporation</b> – On 7 December 2023, LGIM has voted against electing Director Satya Nadella as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.</p> <p>LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.</p>	<p>The Trustee has not adopted its own definition of a significant vote but notes that as LGIM have been delegated responsibility for carrying out votes on their behalf, by extension a significant vote highlighted by LGIM will also be a significant vote for the Scheme.</p> <p>In addition, the Trustee notes that certain ESG factors can be financially material and as such, votes taken on topics related to ESG can be considered significant.</p>
<p>LGIM MW Global Equity (30:70) – 75% GBP Hedged</p>	<p>Number of meetings LGIM was eligible to vote at over the year: 7,128</p> <p>Number of resolutions LGIM was eligible to vote on over the year: 72,933</p> <p>Of the eligible resolutions, percentage that LGIM voted on: 99.9%</p> <ul style="list-style-type: none"> <li>• Of the resolutions voted, percentage that</li> </ul>	<p><b>BP Plc</b> – On 27 April 2023, LGIM voted against the re-election of Hedge Lund as director. The vote against was applied due to governance and board accountability concerns. Given the revision of the company’s oil production targets, shareholders are expected to be given</p>	

Fund name	Voting summary	Examples of most significant votes	Commentary
	<p>LGIM voted with management: 81.0%</p> <ul style="list-style-type: none"> <li>Of the resolutions voted, percentage that LGIM voted against management: 18.5%</li> <li>Of the resolutions voted, percentage where LGIM abstained: 0.5%</li> </ul> <p>Percentage of eligible meetings where LGIM voted at least once against management: 61.8%</p> <p>Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy advisor: 10.6%</p>	<p>opportunity to vote on the company's amended climate transition strategy at the 2023 AGM, where LGIM noted concerns around the governance processes leading to the decision to implement such amendments.</p> <p>LGIM will continue to engage with the company and monitor progress.</p> <p><b>Amazon.com, Inc</b> – On 24 May 2023, LGIM voted for the company to report on median and adjusted gender/racial pay gaps. LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. The outcome of the vote was a fail.</p> <p>LGIM will continue to engage with the company and monitor progress.</p>	
<p>LGIM Buy and Maintain</p>	<p>Number of meetings LGIM was eligible to vote at over the year: 2</p> <p>Number of resolutions LGIM was eligible to vote on over the year: 2</p> <p>Of the eligible resolutions, percentage that LGIM voted on: 100%</p> <ul style="list-style-type: none"> <li>Of the resolutions voted, percentage that LGIM voted with management: 100%</li> <li>Of the resolutions voted, percentage that LGIM voted against management: 0%</li> <li>Of the resolutions voted, percentage where LGIM abstained: 0%</li> </ul> <p>Percentage of eligible meetings where LGIM</p>	<p>There were no significant votes made in relation to the securities held by this fund during the reporting period.</p>	

Fund name	Voting summary	Examples of most significant votes	Commentary
	voted at least once against management: 0%  Percentage of voted resolutions where LGIM voted contrary to the recommendation of their proxy advisor: 0%		

*Note that totals may not sum due to rounding.*

LGIM votes by proxy through the Institutional Shareholder Service’s (‘ISS’) electronic voting platform as given the scale of its holdings the manager cannot be present at shareholder meetings to cast votes. All voting decisions are made by LGIM using its individual market specific voting policies, with LGIM’s own research only supplemented by ISS recommendations and research reports produced by the Institutional Voting Information Service (‘IVIS’). LGIM regularly monitors the proxy voting service provided by ISS through quarterly due diligence meetings.

Reviewing this voting information, the Trustee believes that LGIM has used the vast majority of its votes available to it. LGIM showed its independence by voting against management and also contrary to its proxy advisor on a large number of occasions. It has also used its engagements with a number of investee companies to discuss Environmental, Social and Governance topics.

An analysis of the voting information provided by LGIM reveals that significant votes in respect of the Multi Asset (Formerly Consensus) Fund and the Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged included predominantly voting against approving the election of certain directors, especially where the company is not deemed to meet minimum standards with regards to climate risk management and disclosure or gender and/or racial diversity, and with LGIM advocating for the separation of the roles of CEO and board chair. LGIM also voted against certain climate change plans where there was an absence of quantifiable targets for climate change. However, LGIM cast significant votes in favour of climate change plans that were deemed to be sufficient action.

Note that LGIM publicly communicates its vote instructions on its website the day after the company meeting, with a rationale for all votes against management. LGIM’s policy is not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.



## 7 Engagement

Exercising voting rights is not the only method of influencing behaviours of investee companies. Non-equity investments such as the Scheme’s corporate bond holdings can also include engagement activities, but these investments do not carry voting rights. In such cases, LGIM actively engages with the investee companies via direct messages and meetings with management and engagements via email to influence positive ESG practice.

It is also noted that there is substantial overlap between the companies in which LGIM holds debt and equity and so while certain funds do not hold voting rights, LGIM’s position as the equity holder elsewhere will likely result in them having voting rights to compound the impact and influence that LGIM has on each company’s practices.

The Trustee expects the investment manager to engage with investee companies on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustee’s investments.

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 clients. LGIM’s engagement policies are reviewed annually and take into account client feedback.

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 as LGIM continue to develop voting and engagement policies and define strategic priorities.

LGIM has confirmed there were no engagements relating to the Over 15 Year Gilts Index Fund or the Over 5 Year Index-Linked Gilts Index Fund over the Scheme year. For the remaining funds where engagements are relevant, LGIM has provided an engagement breakdown for each fund held by the Scheme over the Scheme year categorised by Environmental, Social, Governance or Other topics:

Fund name	Engagement summary	Commentary
LGIM Multi-Asset (from Consensus)	<p>Total engagements: 1,952</p> <p>Environmental: 1,388</p> <p>Of which relating to</p> <p>Climate impact and climate change: 1,229</p> <p>Deforestation: 132</p> <p>Social: 246</p> <p>Of which relating to</p> <p>Ethnic diversity: 140</p> <p>Governance: 276</p> <p>Of which relating to</p> <p>Remuneration: 158</p> <p>Other: 42</p>	<p>LGIM aim to ensure that companies integrate environmental, social and governance (ESG) factors into its culture and everyday thinking.</p> <p>LGIM also seek to create an environment in the markets and regulators which good management of ESG factors is valued and supported.</p>

Fund name	Engagement summary	Commentary
LGIM MW Global Equity (30:70) – 75% GBP Hedged	Total engagements: 1,135  Environmental: 600 Of which relating to Climate impact pledge: 371 Deforestation: 101  Social: 205 Of which relating to Ethnic diversity: 103  Governance: 286 Other: 44	
LGIM Buy and Maintain Credit	Total engagements: 154  Environmental: 52 Of which relating to Climate change: 27  Social: 37 Of which relating to Ethnic diversity: 2 Gender diversity: 4  Governance: 59 Of which relating to Remuneration: 27  Other: 6	
LGIM Matching Core Fixed Long	Total engagements: 25  Environmental: 19 Social: 0 Governance: 6	
LGIM Matching Core Real Long	Total engagements: 25  Environmental: 19	

Fund name	Engagement summary	Commentary
	Social: 0 Governance: 6	
LGIM Cash Fund	Total engagements: 9  Environmental: 8 Of which relating to Climate change: 6  Social: 0 Governance: 1 Other: 9	

# Dalriada. A better way

## **Belfast**

Linen Loft  
27-37 Adelaide Street  
Belfast  
BT2 8FE

## **Birmingham**

Edmund House  
12-22 Newhall Street  
Birmingham  
B3 3AS

## **Bristol**

Spaces Castle Park  
Programme Building  
Bristol  
BS1 2NB

## **Glasgow**

The Culzean Building  
36 Renfield Street  
Glasgow  
G2 1LU

## **Leeds**

Princes Exchange  
Princes Square  
Leeds  
LS1 4HY

## **London**

46 New Broad Street  
London  
EC2M 1JH

## **Manchester**

St James Tower  
7 Charlotte Street  
Manchester  
M1 4DZ