

# *Implementation Statement, covering the Plan Year from 1 January 2022 to 31 December 2022*

The Trustee of the Eaton UK Pension Plan (the “Plan”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIP”) during the Plan Year, as well as details of any review of the SIP during the Plan Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Plan 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 the Appendix.

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 is based on and uses the same headings as the Plan’s latest SIP which was in place during the Plan Year – dated 25 April 2022. This Statement should be read in conjunction with the SIP which can be found [here](#).

## 1. Introduction

The SIP was reviewed and updated during the Plan Year on 19 April 2022, when it was approved by the Trustee, to reflect:

### Defined Benefit (“DB”) Section

- The Plan’s allocation to BlackRock’s index tracking equity fund range was replaced with Legal and General Investment Management’s (“LGIM”) Low Carbon Transition Fund Range for the Plan’s developed market equity holdings.
- A revision to the Plan’s regional equity allocation target.
- The agreed de-risking of the Plan’s investment strategy whereby 5% of equity and diversified growth holdings were transferred to the liability driven investment (“LDI”) portfolio (including collateral), and inflation and interest rate hedging targets were increased to 80% of Technical Provisions.

### Defined Contribution (“DC”)<sup>1</sup> and Hybrid<sup>2</sup> Sections

- The agreed changes to the IMA Section including the addition of a new drawdown-targeted lifestyle arrangement, the addition of three new funds within the self-select range and the removal of the two active and four passive funds from the self-select range which were completed in the previous Plan year;
- For the MPA/AVC Section lifestyle, replacing the current diversified growth fund, Standard Life Aberdeen Standard Investments Global Absolute Return Strategies Fund with the BlackRock ALMA Fund.
- General updates to ensure consistency with the DB Section, where relevant, and refining of existing wording.

Further detail and the reasons for these changes are set out in Sections 3, 4 and 5. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes and approved the changes to the SIP.

In October 2022, following significant gilt market volatility, the Trustee and sponsor agreed to take a tactical c10% underweight position to growth assets to provide extra collateral to support the LDI portfolio. This resulted in a deviation from the strategic asset allocation as set out in the Plan’s SIP.

Following the Plan’s year end, the SIP was updated in April 2023 to reflect:

- The de-risked investment strategy agreed with the Sponsor in September 2022. The target allocation to diversified growth was reduced by 5% and the allocation to LDI and collateral increased correspondingly. Additionally, the Plan’s target interest rate and inflation hedge ratios were increased from 80% to 90%.

- The tactical c10% underweight position to growth assets to provide extra collateral to support the LDI portfolio.
- The Trustee's selection of three stewardship priorities which were communicated to the Plan's asset managers.

Other than the points noted above, the Trustee has, in its opinion, followed the policies in the Plan's SIP during the Plan Year. The following sections provide detail and commentary about how and the extent to which it did this.

## 2. Investment objectives

### DB Section

Progress against the Plan's Recovery Plan and the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. As at 31 December 2022 the Plan's required return to achieve full funding by the end of the Recovery Plan (31 January 2026) was 1.2% pa in excess of gilt returns, while the Plan's expected return was 1.9% pa. The Plan is therefore on track to achieve its objectives as set out in its SIP.

### DC and Hybrid Sections

Both the DC and Hybrid sections do not have, and are not required to have, a default investment arrangement but the Trustee does offer a lifestyle investment option within each section.

The Trustee did not formally review the DC investment strategy over the Plan Year. However, the Trustee monitors the performance and asset allocation quarterly and compares this to the strategic asset allocation. The full details of the DC Section's strategic asset allocation are contained in the latest SIP.

The Trustee commenced its triennial strategy review of the DC arrangements shortly after the Plan Year end, in January 2023 where the Trustee considered the DC Section membership demographics and the variety of ways that members may draw their benefits in retirement from the Plan.

Based on the outcome of this analysis, the Trustee concluded that the lifestyle arrangements have been designed to be in the best interests of the majority of the DC Section members and reflects the demographics of those members. Further analysis of the strategy is being considered after the Plan Year during 2023.

In addition to a lifestyle option within each section the Trustee has also made available a wider self-select fund range to members covering all major assets classes to enable appropriate diversification as set out in Appendix 3 of the SIP. Take up of the self-select fund range has been high in comparison to the market.

The Trustee reviewed changes in member choices, behaviour and trends during the triennial strategy review after the Plan Year end. There were no material changes compared to the previous strategy review. Further details of the latest triennial investment strategy review will be reported on in next year's statement.

## 3. Investment strategy

### DB Section

The Trustee reviewed the DB investment strategy over the period and agreed de-risking steps with the sponsor. The Trustee monitors the asset allocation quarterly and compares this to the strategic asset allocation. The full details of the DB Section's strategic asset allocation are contained in the SIP.

In May 2022, the move to the agreed new regional equity benchmark (a 20% allocation to each of the UK, North America, Europe (ex-UK) and Emerging Markets) was completed, after a twelve-month transition period.

In March 2022, the Trustee agreed with the sponsor to reduce risk in the investment strategy by trimming the strategic allocation to return-seeking assets by 10% (5% from each of the equity portfolio and diversified growth fund) and increasing the interest rate and inflation hedging levels towards a target of 80%.

In September 2022, the Trustee agreed with the sponsor to reduce the strategic allocation to return-seeking assets by a further 5% (from the diversified growth fund), to increase the allocation to its LDI portfolio and increase the target hedge ratio to 90%. However, the Trustee and sponsor agreed that hedging would only be increased to the extent it could be supported by collateral (the increase was eventually implemented in March 2023). The Trustee and

sponsor subsequently agreed to take a tactical underweight of 10% to the Plan's return-seeking assets, and a corresponding 10% overweight to its LDI portfolio. This was to ensure there was sufficient collateral to maintain the Plan's hedging levels following the dislocation in the gilts markets in September and October 2022.

### Hybrid Section - IMA

As noted above, the IMA section does not have, and is not required to have, a default investment arrangement. However, the Trustee offers a lifestyle investment option which it reviews on a triennial basis.

The Trustee did not review the IMA investment strategy over the Plan Year but did commence its triennial strategy review shortly after the Plan Year end, in January 2023. Further analysis of the investments is being considered and further information will be provided in next year's Statement.

### DC Section – MPA/AVC

The MPA/AVC section also does not have, and is not required to have, a default investment arrangement but the Trustee does offer a lifestyle investment option which it reviews on a triennial basis.

## 4. Considerations in setting the investment arrangements

When the Trustee reviewed the DB investment strategy in October 2022, it considered the investment risks set out in Section 4.1 of this Statement. The Trustee also considered the need for diversification and specific circumstances of the Plan (eg the investment objectives, funding position, level of contributions and strength of the sponsor covenant).

The Trustee invests for the long term, to provide for the Plan's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustee therefore seeks to appoint managers whose stewardship<sup>1</sup> activities are aligned to the creation of long-term value and the management of long-run systemic risks.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis, through regular research meetings. The investment adviser monitors any developments at managers and informs the Trustee promptly about any significant updates or events they become aware of regarding the Plan'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 Plan invests in, or any material change in the level of diversification in the fund.

The Trustee regularly invites the Plan's investment managers to present at Trustee meetings, seeing each manager approximately once every two years. Over the Plan Year, the Trustee met with JP Morgan and Columbia Threadneedle Investments to discuss the Plan's investments.

The Trustee monitors the performance of the DB and IMA sections' investment managers on a quarterly basis, using the quarterly performance monitoring report and on an annual basis for the MPA/AVC sections. The report shows the performance of each manager over the quarter, 1 year, 3 year and 5 years. Performance is considered in the context of the manager's benchmark and objectives.

The most recent quarterly report (Q4 2022) shows that the majority of funds within the IMA portfolio have produced performance broadly in line with expectations over the short term however turbulent market conditions over the Plan Year has impacted investment returns for some of the funds over the median-long term.

The Trustee last formally reviewed its investment beliefs in July 2022. As part of this, the investment adviser held an interactive beliefs session where a survey was used to explore the Trustee's beliefs, particularly in the area of ESG and climate change factors in investment. After discussing the results of this survey, the Trustee concluded that the SIP was still reflective of its views in these areas.

### DC and Hybrid Sections

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<sup>1</sup> The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

When the Trustee undertakes a performance and strategy review of the DC arrangements described above, it considers the investment risks set out in Section 4.1 of this Statement. It also considers 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.

#### 4.1 Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register and this is discussed at quarterly meetings.

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

##### DB Section

With regard to the risk of inadequate returns, the Trustee targets an expected return from the Plan investments which is sufficiently higher than the expected increase in the Plan's liabilities over time. Therefore, the expected return on the Plan's assets was expected to be sufficient to produce the return needed over the long-term.

The Plan's interest and inflation hedging levels are monitored on an ongoing basis by the investment adviser. In July 2022 the Trustee increased the Plan's target levels of interest rate and inflation hedging to 80% (on a Technical Provisions basis). In September 2022 the Trustee agreed to increase the target levels of interest rate and inflation hedging to 90% provided the Plan had sufficient collateral to support this increase. The hedging increase was eventually implemented in March 2023.

With regard to collateral adequacy risk, the Trustee holds investments in the CTI Sterling Liquidity Fund and Absolute Return Bond Fund alongside the LDI portfolio, to be used should the LDI manager require cash to be posted in order to maintain the level of interest rate and inflation exposure provided by the LDI funds. The Trustee monitors the level of collateral regularly and generally aims to hold a prudent amount sufficient to cover at least two capital calls from the LDI funds.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviews the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings.

##### DC and Hybrid Sections

With regard to the risk of inadequate returns, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used throughout the Drawdown Targeting Lifestyle Strategy and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the standard deviation and returns of these funds on a quarterly basis.

##### All sections

The following risks are covered later in this Statement: excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

The quarterly reports reviewed during the year showed that all managers have produced performance broadly in line with expectations over the long-term.

### 5. Implementation of the investment arrangements

The Trustee evaluates manager performance over both shorter and longer periods, encourages managers to improve practices and considers alternative arrangements where managers are not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

## **DB Section**

The Trustee has not made any changes to its manager arrangements over the Plan Year.

Following the transition to the LGIM Low Carbon Transition Equity Funds, the Plan has benefited from estimated management fee savings of c£44,000 compared to fees charged by BlackRock for the Plan's previous developed market equity holdings.

During the Plan year the net asset value of the JP Morgan Infrastructure Investments Fund reached \$20bn which resulted in a 5% reduction in management fees. In March 2023 the Fund's net asset value exceeded \$30bn resulting in a further 5% fee reduction. This has resulted in a total saving of £40,000 compared to the standard management fees.

## **DC and Hybrid Sections**

The Trustee undertook a "value for members" assessment in March 2023 for the Plan Year to 31 December 2022 which assessed a range of factors, including the fees payable to managers in respect of the DC Section which were found to be reasonable when compared against Schemes with similar sizes of mandates.

During the Plan Year, the Trustee assessed the investment managers' fees considering LCP's fee survey. Members invested in the MPA and AVC sections receive a rebate of 0.50% pa from Standard Life, which was negotiated during the Plan year and increased by 0.10% from 0.40%. Overall, the Trustee believes the investment managers provide reasonable value for money.

## **6. Realisation of investments**

### **DB Section**

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

Over the Plan Year, the Trustee used cashflows to help rebalance the Plan's assets towards the strategic asset allocation. In October 2022 as part of a de-risking exercise, £31m and £42m were disinvested from the Plan's equity and DGF holdings respectively and transferred to the LDI portfolio. Additionally in October 2022, a further £100m was disinvested from the Plan's equity portfolio to ensure sufficient collateral to support the liability hedging provide by the LDI portfolio.

### **DC and Hybrid Sections**

It is the Trustee's policy is to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustee offered during the Plan Year are daily priced.

## **7. Financially material considerations, non-financial matters**

As part of its advice on the selection and ongoing review of the investment managers, the Plan'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).

In March 2022, the Trustee reviewed LCP's responsible investment (RI) scores for the Plan's existing managers and funds, along with LCP's qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager's approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP's ongoing manager research programme, and it is these that directly affect LCP's manager and fund recommendations. The manager scores and red flags are based on LCP's Responsible Investment Survey 2022. The highest score available is 4 (strong) and the lowest is 1 (weak).

Following the review, the Trustee asked its investment consultant to engage with managers regarding red flags that had been identified, and agreed to monitor and review manager's progress with respect to RI where scores had been weak.

Further details of the Trustee's monitoring of and engagement with managers to improve ESG practices is included in Section 8 below.

No specific actions have been taken over the Plan year in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

## 8. Voting and engagement

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. These policies are described in section 9 below. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers and escalating as necessary as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Plan'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, the Trustee received training from LCP on stewardship and agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the November 2022 Trustee meeting, the Trustee discussed and agreed stewardship priorities for the Plan which were: Climate change, Business Ethics and Human Rights.

These priorities were selected because they are key market wide risks and areas where the Trustee believes that good stewardship and engagement can improve financial outcomes for the Plan's members. The Trustee communicated these priorities to its managers in January 2023.

The Trustee is 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 Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements. The Trustee also monitors its managers' responsible investment capabilities using scores provided by its investment adviser, on an annual basis as part of the standard monitoring reports.

## 9. Description of voting behaviour during the Plan Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Plan Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee's expectations.

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

### DB section

- LGIM LCT North America Equity
- LGIM LCT UK Equity
- LGIM LCT Japan Equity
- LGIM LCT Europe ex UK Equity
- LGIM LCT Asia Pacific ex Japan Equity
- BlackRock Emerging Market Equity Fund
- BlackRock Dynamic Diversified Growth Fund

The currency hedged versions of the above funds in which the Plan invests are also included in the Statement.

### Hybrid section – IMA

- **Aegon BlackRock MSCI World Index Fund**



- **Aegon BlackRock Aquila Life Market Advantage Fund**
- **Aegon BlackRock Aquila Life 60:40 Global Equity Index Fund\***
- Aegon BlackRock ACS UK Equity Index Fund

DC section – MPA and AVC

- **Standard Life Global Equity 50:50 Tracker Pension Fund**
- **BlackRock Aquila Life Market Advantage Fund**
- Standard Life SLI Global Absolute Return Strategies Pension Fund
- BlackRock ACS World (Ex UK) Equity Pension Fund
- Standard Life Vanguard FTSE UK All Share Index Pension Fund
- Standard Life Managed Pension Fund

For the IMA and MPA/AVC Sections, the Trustee has included both the equity funds used in the lifestyle strategies as well as any self-select funds. Funds used within the lifestyles are highlighted in **bold**.

\*The Aegon BlackRock Aquila Life 60:40 Global Equity Index Fund is used within the legacy lifestyle strategy – the lifestyle targeting annuity purchase (which is closed to new members).

The Trustee has sought to obtain the relevant voting data for Sections 9.1 and 9.2, from all of the investment managers listed above, however were unable to include the approximate size of the funds holding for individual significant votes at the date of the vote for all of the funds. Each of the managers approached advised that this is not something they typically provide, do not provide or are unable to provide at a fund level.

The Trustee has reviewed this firmwide data and will continue to work with its advisers and investment managers with the aim of providing fuller voting information in future implementation statements.

## 9.1 Summary of voting behaviour over the Plan Year

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

### DB section

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7	Fund 8
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	BlackRock	BlackRock
Fund name	Low Carbon Transition North America Equity Fund	UK Equity Index Fund <sup>1</sup>	Low Carbon Transition UK Equity Fund	Low Carbon Transition Japan Equity Fund	Low Carbon Transition Europe (ex UK) Equity Fund	Low Carbon Transition Asia Pacific (ex Japan) Equity Fund	Dynamic Diversified Growth Fund	Aquila Emerging Markets Fund
Total size of fund at end of the Plan Year	Unhedged: £31.0m Hedged: £31.5m	£13.9bn	£239.1m	Unhedged: £10.4m Hedged: £16.9m	Unhedged: £21.1m Hedged: £32.0m	Unhedged: £6.0m Hedged: £12.9m	£1.5bn	£90.5m
Value of Plan assets at end of the Plan Year (£ / % of total assets)	3.1%	0.0%	3.5%	2%	3.5%	1.2%	5.1%	7.1%
Number of equity holdings at end of the Plan Year	559	561	87	319	389	147	574	374
Number of meetings eligible to vote	607	759	115	342	499	182	898	4446
Number of resolutions eligible to vote	7704	10854	2186	4378	8240	1373	11899	37149
% of resolutions voted	99.4%	99.9%	100.0%	100.0%	99.7%	100.00%	94.0%	99.0%
Of the resolutions on which voted, % voted with management	64.9%	94.5%	95.2%	89.1%	82.4%	71.2%	94.0%	87.0%
Of the resolutions on which voted, % voted against management	35.1%	5.5%	4.8%	10.9%	17.1%	28.8%	5.0%	12.0%
Of the resolutions on which voted, % abstained from voting	0.1%	0.0%	0.00%	0.0%	0.5%	0.0%	1.0%	2.0%
Of the meetings in which the manager voted, % with at least one vote against management	98.2%	36.5%	45.2%	71.9%	80.0%	69.2%	31.0%	43.0%



Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	26.4%	4.3%	4.2%	8.9%	9.7%	18.3%	0.00%	0.00%
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<sup>1</sup>The investment in this fund was a temporary holding whilst the Plan transitioned to its new regional equity benchmark.

### Hybrid section – IMA

	Fund 1	Fund 2	Fund 3	Fund 4
Manager name	BlackRock	BlackRock	BlackRock	BlackRock
Fund name	ACS 60:40 Global Equity Index Fund	MSCI World Index Fund	Aquila Life Market Advantage Fund <sup>1</sup>	ACS UK Equity Index Fund
Total size of fund at end of reporting period	£61.7m	£3.4bn	£1.2bn	£10.3bn
Value of Plan assets at end of reporting period (% of total IMA assets)	0.7%	48.3%	15.5%	13.7%
Number of holdings at end of reporting period	54,472	4,706	10,112	54,105
Number of meetings eligible to vote	3,041	934	4,744	715
Number of resolutions eligible to vote	39,114	14,200	47,681	10,301
% of resolutions voted	93.0%	87.0%	94.0%	99.0%
Of the resolutions on which voted, % voted with management	93.0% <sup>2</sup>	93.0% <sup>2</sup>	90.0% <sup>2</sup>	96.0% <sup>2</sup>
Of the resolutions on which voted, % voted against management	6.0% <sup>2</sup>	6.0% <sup>2</sup>	9.0% <sup>2</sup>	3.0% <sup>2</sup>
Of the resolutions on which voted, % abstained from voting	0.0% <sup>2</sup>	0.0% <sup>2</sup>	2.0% <sup>2</sup>	0.0% <sup>2</sup>
Of the meetings in which the manager voted, % with at least one vote against management	29.0%	29.0%	35.0%	21.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	0.0%	0.0%	0.0%	0.0%

<sup>1</sup> Also applies to MPA and AVC section. Assets held at 31 December 2022 accounted for 1.7% of the MPA/AVC Section holdings.

<sup>2</sup> BlackRock confirmed that the total of the % may not sum to 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

### DC section – MPA and AVC

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5
Manager name	Standard Life now known as Abrdn)	Standard Life	BlackRock	Vanguard	Standard Life
Fund name	Global Equity 50:50 Tracker Pension Fund	Global Absolute Return Strategies Pension Fund	ACS World (Ex UK) Equity Pension Fund	Vanguard FTSE UK All Share Index Pension Fund	Managed Pension Fund
Total size of fund at end of reporting period	£1.1bn	£1.2bn	£6.4bn	£11.6bn	£818.2m
Value of Plan assets at end of reporting period (% of total MPA/AVC assets) <sup>1</sup>	32.2%	1.3%	13.9%	12.5%	14.0%
Number of holdings at end of reporting period	3	51	4,141	580	15
Number of meetings eligible to vote	29	14	1,983	723	273
Number of resolutions eligible to vote	421	183	25,148	10,526	3,069
% of resolutions voted	96.7%	72.1%	95.0%	99.0	94.4%
Of the resolutions on which voted, % voted with management <sup>2</sup>	89.4%	79.6%	93.0%	98.0%	91.1%
Of the resolutions on which voted, % voted against management <sup>2</sup>	9.8%	20.5%	6.0%	1.0%	6.1%
Of the resolutions on which voted, % abstained from voting <sup>2</sup>	0.7%	0.0%	0.0%	0.0%	2.8%

Of the meetings in which the manager voted, % with at least one vote against management	55.6%	88.9%	31.0%	9.0%	30.2%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy adviser	6.4%	17.4%	0.0%	0.0%	6.8%

<sup>1</sup>Assets as at 31 December 2022.

<sup>2</sup> The total of the % may not sum to 100% due to a variety of reasons, such as lack of management recommendation, scenarios where an agenda has been split voted, multiple ballots for the same meeting were voted differing ways, or a vote of 'Abstain' is also considered a vote against management.

## 9.2 Most significant votes over the Plan Year

Commentary on the most significant votes over the Plan Year, from the Plan's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria<sup>2</sup> for creating this shortlist. By informing its managers of its stewardship priorities and through its regular interactions with the managers, the Trustee believes that its managers will understand how it expects them to vote on issues for the companies they invest in on its behalf. Against each vote, the Trustee has captured how the manager's significant votes (and in turn its voting behaviours and policies) aligned to the Plan's stewardship priorities.

The Trustee has interpreted "significant votes" to mean those that:

- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- the Plan or the sponsoring company may have a particular interest in.

The Trustee has reported on one of these significant votes per fund only. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

### DB Section

#### LGIM Low Carbon Transition North American Equity Index Fund

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

**Relevant stewardship priority:** Human Rights

**Vote cast:** Against the resolution

**Outcome of the vote:** Passed

**Management recommendation:** For the resolution

**Summary of resolution:** Elect Director Daniel P. Huttenlocher

**Rationale for the voting decision:** LGIM voted against the resolution as the director was a long-standing member of Amazon's Leadership Development & Compensation Committee which it believes is accountable for human capital management failings.

**The reason the Trustee considered this vote to be "most significant":** Relates to the Human Rights stewardship priority and has a high media profile.

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<sup>2</sup> [Vote reporting template for pension Plan implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- **Outcome and next steps:** LGIM will continue to engage with Amazon on this issue, voice its position publicly and monitor company and market level progress

#### **LGIM UK Equity Index Fund.**

- **Standard Chartered Plc, May 2022.**

**Relevant stewardship priority:** Climate change

**Vote cast:** Against the resolution

**Outcome of the vote:** Pass

**Management recommendation:** For the resolution

**Summary of resolution:** Approve Net Zero Pathway

**Rationale for the voting decision:** As the proposed emissions targets would only cover the activity of lending related to three sectors, LGIM was concerned the plan was not sufficient to achieve the proposed 1.5°C temperature alignment.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Climate Change stewardship priority.

**Outcome and next steps:** LGIM will continue to engage with Standard Chartered on this issue, voice its position publicly and monitor company and market level progress.

#### **LGIM Low Carbon Transition UK Equity Fund.**

- **Melrose Industries Plc., May 2022**

**Relevant stewardship priority:** Business Ethics

**Vote cast:** Against the resolution

**Outcome of the vote:** Passed

**Management recommendation:** For the resolution

**Summary of resolution:** Re-elect Justin Dowley as Director.

**Rationale for the voting decision:** LGIM voted against the resolution because the director is not independent and sits on a Board Committee that should be comprised solely of independent directors.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Business Ethics stewardship priority.

**Outcome and next steps:** LGIM will continue to engage with Melrose Industries on this issue, voice its position publicly and monitor company and market level progress.

#### **LGIM Low Carbon Transition Japan Equity Index Fund.**

- **Electric Power Development Co., June 2022**

**Relevant stewardship priority:** Climate change

**Vote cast:** For the resolution

**Outcome of the vote:** Passed

**Management recommendation:** Against the resolution

**Summary of resolution:** Amend Articles to Disclose Business Plan through 2050 Aligned with goals of Paris Agreement.

**Rationale for the voting decision:** This proposal was supported by LGIM because it expects companies to be taking sufficient action on the key issue of climate change.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Climate Change stewardship priority, and is an example of a successful engagement

**Outcome and next steps:** LGIM expects the company to introduce credible transition plans consistent with the Paris goals of limiting the global average temperature increase to 1.5°C.

### **LGIM Low Carbon Transition Europe ex UK Equity**

- **LVMH Moet Hennessy Louis Vuitton SE, April 2022**

**Relevant stewardship priority:** Business Ethics

**Vote cast:** Against the resolution

**Outcome of the vote:** Resolution Passed

**Management recommendation:** For the resolution

**Summary of resolution:** Re-elect Bernard Arnault as Director

**Rationale for the voting decision:** LGIM expects a company not to combine the roles of Board Chair and CEO. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Business Ethics stewardship priority.

**Outcome and next steps:** LGIM will continue to engage with LVMH and publicly advocate for CEO Chair duality.

### **LGIM Low Carbon Transition Asia Pacific ex Japan Equity Fund**

- **QBE Insurance Group Ltd., May 2022**

**Relevant stewardship priority:** Climate Change

**Vote cast:** For the resolution.

**Outcome of the vote:** Failed

**Management recommendation:** Against the resolution.

**Summary of resolution:** Approve Climate Risk Management

**Rationale for the voting decision:** LGIM supported this proposal as it expects company boards to devise a strategy to manage climate risk that is aligned with the goal of limiting the increase in the global average temperature to 1.5°C.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Climate Change stewardship priority.

**Outcome and next steps:** LGIM will continue to engage with the company on the issue of climate change and voice its position publicly.

### **BlackRock Emerging Markets Funds**

- **Grupo México, S.A.B. de C.V., April 2022**

**Relevant stewardship priority:** Climate Change

**Vote cast:** Against the resolution

**Outcome of the vote:** Passed

**Management recommendation:** For the resolution

**Summary of resolution:** Annual election of board members.

**Rationale for the voting decision:** Due to concerns that the company had not updated their sustainability-related reporting, and in particular, their climate-related disclosures since the release of their “2020 Sustainable Development Report”, BlackRock voted against the resolution to re-elect 14 directors.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Climate Change stewardship priority.

**Outcome and next steps:** BlackRock will continue to engage with the company to share its concerns and to encourage it to clearly articulate how the board oversees executive leadership’s approach to material risks and opportunities, and the company’s strategy overall, in alignment with shareholder’s long-term interests. BlackRock will also aim to gain further insight into the company’s plans to update its environmental and social related disclosures.

### **BlackRock DGF**

- **Meta Platforms Inc., May 2022**

**Relevant stewardship priority:** Human Rights

**Vote cast:** For the resolution.

**Outcome of the vote:** Failed

**Management recommendation:** Against the resolution

**Summary of resolution:** Shareholder Proposal Regarding Report Human Rights Impact Assessment

**Rationale for the voting decision:** BlackRock voted for this shareholder proposal because it believed that, shareholders would benefit from a third-party assessment of the human rights impacts of Meta’s advertising practices given the importance of advertising to the company’s ability to generate long-term financial returns.

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Human Rights stewardship priority and has a high media profile.

**Outcome and next steps:** BlackRock will continue to engage with Meta on how it manages the human rights issues that are material to its business.

### **Hybrid section - IMA**

#### **BlackRock Aquila Life (60:40) Global Equity Fund**

- **Hyundai Development Co. (“HDC”), March 2022.**



- **Relevant stewardship priority:** Human Rights and Business Ethics
- **Vote cast:** Against the resolution, against management
- **Outcome of the vote:** Passed
- **Management recommendation:** For the resolution
- **Summary of resolution:** Elect Kwon In-so as Outside Director
- **Rationale for the voting decision:** BlackRock acknowledges these recent efforts from HDC to improve its health and safety oversight. However, there were two separate fatal incidents in the past 12 months and the findings of the subsequent investigations by several governmental/regulatory bodies revealed repeated lack of oversight by HDC at its construction sites. In addition, as of 27th January 2022, the Serious Accidents Punishment Act (SAPA) is in effect, which further emphasises the importance of a company's approach to health and safety oversight of its operations. Therefore, BlackRock's view is that the company's efforts are belated. BlackRock signalled concerns as a long-term investor on behalf of their clients about insufficient health and safety oversight by the board and executive management in their voting at the 2022 AGM and did not support the re-election of the sole incumbent director standing at the 2022 AGM.
- **Approximate size of the mandate's holding at the date of the vote:** Not provided
- **The reason the Trustee considered this vote to be "most significant":** Relates to the Business Ethics and Human Rights stewardship priorities.
- **Was the vote communicated to the company ahead of the vote:** Not provided
- **Outcome and next steps:** As fiduciary to BlackRock's clients, BlackRock will continue to monitor the progress of HDC in the implementation of its new Safety and Health Committee and the communication of timely, fulsome disclosures on its policies and performance in relation to health and safety-related issues. It is important that HDC demonstrates that it is addressing the operations and health and safety weaknesses that resulted in fatal incidents. BlackRock will also continue to monitor the company's progress on managing other risks associated with its operations.

#### BlackRock MSCI World Index Fund

- **Bank of Montreal, April 2022.**

**Relevant stewardship priority:** Climate Change

**Vote cast:** Against the resolution, with management

**Outcome of the vote:** Failed

**Management recommendation:** Against resolution

**Summary of resolution:** Adopt a Policy to Ensure the Bank's Financing is Consistent with International Energy Agency's Net Zero Emissions by 2050 Scenario

**Rationale for the voting decision:** BlackRock did not support this shareholder proposal because it is overly prescriptive, unduly constraining on management and board decision-making, and would limit the company's ability to support an orderly energy transition. Further, BlackRock consider the company to have made a clear commitment to align their business model with the transition to a net zero economy, which includes greenhouse gas (GHG) emissions reductions targets.

**Approximate size of the mandate's holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be “most significant”:** Relates to Climate Change of the stewardship priorities.

**Outcome and next steps:** Consistent with BlackRock’s long-term focus, they will continue to engage with Bank of Montreal and monitor how the company is delivering on the commitments made in the Net Zero Climate Ambition. BlackRock note that the vast majority of shareholders supported management, with approximately 92% voting against the proposal that the company adopt a policy to not finance new fossil fuel supplies.

#### **BlackRock Aquila Life Market Advantage Fund (also applies to MPA and AVC section)**

- **Barclays Plc, May 2022.**

**Relevant stewardship priority:** Climate Change

**Vote cast:** For the resolution, with management

**Outcome of the vote:** Passed

**Management recommendation:** For the resolution

**Summary of resolution:** Approve Barclays’ Climate Strategy, Targets and Progress 2022

**Rationale for the voting decision:** BlackRock supported this proposal in recognition of the company’s disclosed climate strategy which includes meaningful short-, medium-, and long-term emissions reduction targets, the company’s progress against the commitment laid out in 2020, and the additional enhancements envisioned in their progress report. While BlackRock acknowledge Barclays’ progress against their 2020 commitment, they believe there are areas where Barclays’ disclosure and underlying climate strategy could be enhanced. In particular, reporting additional information regarding their financed emissions outside of energy and power would be helpful for investors to better understand the climate risks, challenges and opportunities the bank is facing and to measure progress on an ongoing basis.

**Approximate size of the mandate’s holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be “most significant”:** Relates to the Climate Change stewardship priority.

**Outcome and next steps:** BlackRock will continue to engage with Barclays to monitor progress against the commitments made in the Climate Strategy, Targets and Progress report and areas for enhanced reporting. This will be carefully considered in BlackRock’s future voting decisions, as will the consistency between corporate decisions and stated climate ambitions.

#### **BlackRock ACS UK Equity Index Fund**

- **J Sainsbury plcs, July 2022.**

**Relevant stewardship priority:** Business Ethics

**Vote cast:** Against the resolution, with management

**Outcome of the vote:** Failed

**Management recommendation:** Against the resolution

**Summary of resolution:** Shareholder Resolution on Living Wage Accreditation

**Rationale for the voting decision:** BlackRock recognises the importance of frontline workers to Sainsbury’s long-term success, and BlackRock see pay and benefits more broadly as a critical issue for companies to be managing effectively. However, BlackRock did not support the proposal given Sainsbury’s strong positive track record on offering above-market employee benefits and because they believe the

legally binding proposal is unduly constraining on management decision-making on a critical operational and financial issue given that it would require management to cede control of worker pay to a third-party entity.

**Approximate size of the mandate's holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be "most significant":** Relates to Business Ethics, one of the agreed Trustee stewardship priorities.

**Outcome and next steps:** Sainsbury's disclosed that as a result of their engagement with the shareholders who submitted the proposal, they have addressed the legacy differential in hourly rates between employees in inner and outer London. Outer London employees have now been moved to the higher inner London rate (which matches the London-wide "real Living Wage"). Given the importance of frontline workers to the company's success, BlackRock will continue to engage with Sainsbury's on their approach to human capital management.

## DC section – MPA and AVC sections

### Standard Life Global Equity 50:50 Tracker Pension Fund

- **Lundin Energy AB, March 2022.**

**Relevant stewardship priority:** Human Rights and Business Ethics

**Vote cast:** Abstained, against management who were for the resolution

**Outcome of the vote:** Failed

**Management recommendation:** Abstain from the vote

**Summary of resolution:** Re-elect Ian H. Lundin as Director

**Rationale for the voting decision:** In November 2021, the Swedish Prosecution Authority announced that Ian Lundin had been indicted in a long running investigation into the company's complicity in war crimes in Southern Sudan between 1997-2003. While the case is yet to go to court, Abrdn engaged with the company to discuss his position on the board. Abrdn recommended to the Nomination Committee that Ian step down from the Committee to limit the conflict of interest, that a new Chair be elected as soon as practicable and that further consideration be given to whether it was tenable for Ian to remain on the board while charged given the reputational risk and the time commitment needed for the case.

**Approximate size of the mandate's holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be "most significant":** Relates to Human Rights and Business Ethics, two of the agreed Trustee stewardship priorities.

**Was the vote communicated to the company ahead of the vote:** Not provided

**Outcome and next steps:** The company has recently announced the board composition of the renewables business, and Abrdn note that Ian will not sit on the board.

### Standard Life Global Absolute Return Strategy

- **The Kroger Co., June 2022.**

**Relevant stewardship priority:** Climate Change

**Vote cast:** For the resolution, against management

**Outcome of the vote:** Failed

**Management recommendation:** Against the resolution

**Summary of resolution:** Report on Efforts to Eliminate HFCs in Refrigeration and Reduce Greenhouse Gas (GHG) Emissions

**Rationale for the voting decision:** Abrdn welcomes the steps made by Kroger to reduce GHG emissions by 30% by 2030. Given the significance of HFC's to the company's Scope 1 emissions and costs associated with moving to gases with lower global warming potential, Abrdn believe that clear disclosure and plans to achieve this is in the interests of shareholders.

**Approximate size of the mandate's holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be "most significant":** Relates to Climate Change, one of the agreed Trustee stewardship priorities.

**Was the vote communicated to the company ahead of the vote:** Not provided

**Outcome and next steps:** There were no outcomes or next steps with regards to this proposal. The Trustee will not be escalating the vote.

#### **Standard Life Managed Pension Fund**

- **Sumitomo Mitsui Financial Group, Inc., June 2022.**

**Relevant stewardship priority:** Climate Change

**Vote cast:** Against the resolution, with management

**Outcome of the vote:** Failed

**Management recommendation:** Against the resolution

**Summary of resolution:** Amend Articles to Disclose Plan Outlining Company's Business Strategy to Align Investments with Goals of Paris Agreement

**Rationale for the voting decision:** Abrdn welcome Sumitomo's participation in the Net Zero Banking Alliance. They encourage it to continue working towards setting more extensive targets and to make swift progress on its Action Plans. In view of the steps that the Company is taking, Abrdn consider it preferable to engage with the Company on these points at this time.

**Approximate size of the mandate's holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be "most significant":** Relates to Climate Change, one of the agreed Trustee stewardship priorities.

**Outcome and next steps:** No outcomes or next steps were provided with relation to this proposal. The Trustee will not be escalating the vote.

#### **BlackRock ACS World (Ex UK) Equity Pension Fund (same as BlackRock DGF)**

#### **Vanguard FTSE UK All Share Index Pension Fund**

- **Future Plc, February 2022.**

**Relevant stewardship priority:** Business Ethics

**Vote cast:** Against the resolution, against management

**Outcome of the vote:** Failed

**Management recommendation:** Against the resolution

**Summary of resolution:** Approve Remuneration Report

**Rationale for the voting decision:** Vanguard had concerns with one or more of the following: pay and performance alignment, magnitude (quantum) of pay, disclosure, and/or pay structure.

**Approximate size of the mandate's holding at the date of the vote:** Not provided

**The reason the Trustee considered this vote to be "most significant":** Relates to Business Ethics, one of the agreed Trustee stewardship priorities.

**Was the vote communicated to the company ahead of the vote:** Not provided

**Outcome and next steps:** No outcomes or next steps were provided with relation to this proposal. The Trustee will not be escalating the vote.

## 10. Appendix

### Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The Trustee reviewed these policies in May 2023, focusing on the elements which relate to its stewardship priorities and is comfortable that the policies are aligned with the Trustee's views and do accord with the Trustee's understanding of the management of the funds and the manager's policies on voting. The Trustee considers a managers' voting policies when appointing new managers and periodically thereafter.

#### BlackRock (All sections)

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS), which consists of three regional teams – Americas, Asia-Pacific, and Europe, Middle East and Africa - located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BlackRock Investment Stewardship team with input from investment colleagues as required, in each case, in accordance with [BlackRock's Global Principles](#) and [custom market-specific voting guidelines](#). While BlackRock subscribes to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis it is just one among many inputs into BlackRock's voting analysis process. BlackRock primarily uses proxy research firms to help identify and prioritize those companies where additional research and engagement would be beneficial. Other sources of information BlackRock uses includes the company's own reporting (such as the proxy statement and the website), its engagement and voting history with the company, and the views of its active investors, public information and ESG research.

BlackRock's voting and engagement work continuously evolves in response to changing governance related developments and expectations. Its voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. Its engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update our regional engagement priorities based on issues that we believe could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcomes discussions with clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

When determining "most significant votes" BlackRock prioritizes themes it believes will encourage sound governance practices and deliver sustainable long-term financial performance. BlackRock's year-round engagements with clients to understand their focus areas and expectations help inform these priorities.

BlackRock publishes vote bulletins after the shareholder meeting to provide transparency for clients and other stakeholders on its approach to the votes it considered to be most significant. Details of other significant votes (including vote rationales, where applicable) are published quarterly here [Proxy Vote Disclosure \(issproxy.com\)](#).

#### L&G (DB section)

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's 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 the strategic decisions.

LGIM's use of ISS recommendations is purely to augment LGIM's own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions.

To ensure its proxy provider votes in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to our voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to:

- High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny;
- Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where it notes a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement;
- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

LGIM provides information on significant votes in the format of detailed case studies in its quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. LGIM provide the rationale for all votes cast against management, including votes of support to shareholder resolutions.

### **Vanguard (MPA and AVC sections)**

Vanguard Investment Stewardship team makes every effort to cast proxy votes at all meetings at which their funds are eligible to vote. Each fund advised by Vanguard has adopted a voting policy, which details the general positions of the funds on recurring proxy proposals at public companies. In some cases, country-specific guidelines for key markets are applied. An experienced team of analysts evaluates each proposal on a case-by-case basis and casts the funds' votes in accordance with Vanguard's voting guidelines and based on their analysis of the impact of the proposal on long-term value. The guidelines for these case-by-case items set forth the general frameworks for Vanguard's analysis. Proposals for which specific guidelines are not defined will likewise be voted on a case-by-case basis in the best interests of each fund consistent with the principles articulated in Vanguard's proxy voting guidelines and each fund's investment objective.

Vanguard Investment Stewardship team votes on behalf of Vanguard's internally managed equity holdings. Vanguard casts proxy votes via dedicated voting providers. They consult a wide variety of third party research providers and their own internal proprietary databases. Vanguard then analyse the various issues and ballot measures in conjunction with their Proxy Voting Guidelines and other relevant data to reach their own independent decisions. The Investment Stewardship team uses a variety of research from well-known providers, such as ISS, Glass Lewis, and Equilar, as well as a number of smaller research providers.

Proxy voting responsibilities for Vanguard's externally-managed active funds are performed by those funds' external advisors. The external managers have proxy voting guidelines designed to ensure they vote consistent with their fiduciary obligations. Each manager has its own policies and guidelines that govern their voting decisions. A number of qualitative and quantitative considerations inform these decisions, including context around the company, the industry, and the region in which business is being conducted. The external managers are carefully selected to ensure their investment principles and processes align with the best interest of the Vanguard funds they manage. The externally managed funds hold their portfolio managers to high standards of portfolio management and compliance, and are confident in the managers' ability to act in the best interest of the funds.

Vanguard do not rely on recommendations from proxy advisors for their voting decisions. Vanguard believe it is valuable to understand all sides of an issue before casting a vote on behalf of a Vanguard fund. As such, proxy



advisors can be a useful data aggregator which serves as one of the many inputs that Vanguard's Investment Stewardship team uses to reach independent voting decisions on each funds' behalf.

Vanguard do not consult with individual clients / investors before voting. Vanguard understands that people have a wide variety of deeply felt humanitarian, ethical, environmental, and social concerns, and that some may want to see their beliefs reflected in their investments. As a fiduciary and the steward of lifetime savings for more than 30 million investors worldwide, Vanguard is required to manage their funds in the best interests of shareholders and obligated to maximize returns in order to help shareholders meet their financial goals.

Vanguard has identified a range of criteria that they contribute to a vote being deemed as a 'Significant vote'. Vanguard's criteria is applied to companies that are held in their internally managed equity portfolios. Vanguard intends to publish its first SRD II-compliant annual report on its engagement policy and significant votes in the second quarter of 2023. Vanguard will report significant vote data at an entity level in accordance with SRD II requirements. It is important to note that under their framework, Vanguard would expect to see variations in the number of significant votes identified per period.

Vanguard's Investment Stewardship website (link to the website can be found below) is the primary source of information about their investment stewardship program, and can provide portfolio companies with comprehensive information about their principles-based approach, perspectives and commentary, proxy voting guidelines, responsible investment policy, insights on environmental, social, and governance (ESG) topics, and proxy votes cast by their funds in the last proxy season. <https://global.vanguard.com/portal/site/portal/investment-stewardship-overview>

#### **Abrdn – previously Standard Life Aberdeen (MPA and AVC sections)**

At Abrdn, they view all votes as significant and vote all shares globally for which we have voting authority, unless there are significant voting obstacles such as shareblocking. In line with PLSA requirements Abrdn identify and record what they deem to be the most significant votes across all their holdings. Abrdn have identified five categories of votes they consider as significant and have ordered these based on their view of their importance. This enables Abrdn to provide a specified number of votes across a client's portfolio upon request. Members of Abrdn's Central ESG Investment Function carry out a monthly review to identify and categorise significant votes.

Abrdn are a strong supporter of the principles of good stewardship that are set out in the UK Stewardship Code. This was published by the Financial Reporting Council in July 2010, and updated in September 2012. Abrdn believe that it is mutually beneficial for companies and long-term investors to have a relationship based on accountability, engagement and trust. Such a relationship helps to ensure that each has a good understanding of the other's views and expectations. It also enables Abrdn to exercise constructive influence as and when appropriate. Abrdn believe this serves to enhance the long-term value of their clients' investments and to protect their interests when necessary.

Abrdn employ ISS as a service provider to deliver their voting decisions efficiently to companies.

Abrdn's voting policy is on their website.

[https://vds.issgovernance.com/repo/2024/policies/Listed Company Stewardship Guidelines.pdf](https://vds.issgovernance.com/repo/2024/policies/Listed_Company_Stewardship_Guidelines.pdf)