

## **McCormick (UK) Limited Pension & Life Assurance Scheme ('the Scheme') – Implementation Statement 1<sup>st</sup> April 2023 – 31<sup>st</sup> March 2024**

An Implementation Statement ('Statement') has been prepared in accordance with applicable legislation, taking into account guidance from The Department for Work and Pensions, for the period from 1<sup>st</sup> April 2023 – 31<sup>st</sup> March 2024 ('the Scheme Year').

The Scheme's reporting period for each fund is the holding period of that fund across the Scheme Year.

The Statement sets out how, and the extent to which, the Trustees' policy in relation to exercising voting rights has been followed during the year by describing the voting behaviour on behalf of the Trustees of the Scheme.

The Trustees have appointed Minerva Analytics ('Minerva') to obtain voting and investment engagement information ('VEI') on the Scheme's behalf.

This Statement includes Minerva's report on key findings on behalf of the Trustees over the Scheme Year.

A summary of the key points is set out below.

### **LGIM**

Due to nature of the underlying holdings, LGIM stated that there was no voting information to report for all of the Scheme's holdings except for the All World Equity Index Fund - GBP Currency Hedged. For the same reason, there was also no engagement information to report for the 2053 Green Gilt Fund, the 7 Gilt Funds, the 9 Index-Linked Gilt Funds and the Over 15 Year Index Linked Gilts Fund.

In relation to the All World Equity Index Fund - GBP Currency Hedged, it was determined by Minerva that LGIM's public voting policy and disclosures are broadly in line with good practice as represented by the International Corporate Governance Network ('ICGN') Voting Guidelines Principles, bearing in mind the Scheme's stewardship expectations. LGIM provided a summarised voting record, although this was not in line with the Scheme's reporting period. Significant votes were also provided. From the information provided, Minerva was able to confirm that the manager's voting activity was in line with the Trustees' policy.

For the All World Equity Index Fund - GBP Currency Hedged, AAA-AA-A Bonds Over 15 Year Index Fund, All Stock Index-Linked Gilts Fund, Maturing Buy & Maintain Credit Funds and the Sterling Liquidity Fund, LGIM provided basic fund-level information on engagements. It should be noted that the information provided was not in line with the Scheme's reporting period for some funds. Despite the basic level of information, Minerva was able to confirm that the activity appeared to broadly comply with LGIM's own engagement approach, and so complies with the Scheme's approach.

### **AVCs**

The Scheme holds AVCs and the Trustees have determined they will not be covered in this Statement on the grounds of materiality.

### **Final Comments**

Since last year, LGIM have continued to provide good levels of voting information, although this year the summarised voting record provided for the World Equity Index Fund - GBP Currency Hedged was

not in line with the Scheme's reporting period. This is because the Fund was disinvested from part-way through the Scheme Year.

LGIM have continued to provide basic fund level engagement information and could improve by providing more detail on engagement activity.

# McCormick (UK) Limited Pension & Life Assurance Scheme

Spence and Partners Ltd

## Implementation Statement (IS): Voting & Engagement Information (VEI) Report

Scheme Reporting Period:  
1<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024

10<sup>th</sup> June 2024

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# 1 SIP Disclosures

This section sets out the policies in the Statement of Investment Principles ('SIP') in force at the Scheme year-end relating to the following:

1. Financially Material Considerations
2. Non-Financial Considerations
3. Investment Manager Arrangements

Stewardship - including the exercise of voting rights and engagement activities - is set out in the 'Voting and Engagement' section.

Source of Information:

*McCormick (UK) Limited Pension and Life Assurance Scheme  
Statement of Investment Principles  
July 2023*



## 1.1 Financially Material Considerations

The Trustees have considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine a strategic asset allocation over the length of time during which the benefits are provided by the Scheme for members. They believe that financially material considerations (including climate change) are implicitly factored into the expected risk and return profile of the asset classes that they are investing in.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. The Trustees acknowledge that they cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the Trustees do expect their investment manager and investment consultant to take account of financially material considerations when carrying out their respective roles.

The Trustees accept that the Scheme's assets are subject to the investment manager's own policy on socially responsible investment. The Trustees will assess that this corresponds with their responsibilities to the beneficiaries of the Scheme with the help of their investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for the existing manager with the help of the investment consultant. The Trustees will only invest with investment managers that are signatories to the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standards.

The Trustees will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and their investments;
- Use ESG ratings information provided by their investment consultant, to assess how the Scheme's investment manager takes account of ESG issues; and
- Request that the Scheme's investment manager provides information about its ESG policies, and details of how it integrates ESG into its investment processes, via their investment consultant.

If the Trustees determine that financially material considerations have not been factored into the investment manager's process, they will take this into account on whether to select or retain an investment.

## 1.2 Non-Financial Considerations

The Trustees have not considered non-financial material matters in the selection, retention and realisation of investments.

## 1.3 Investment Manager Arrangements

### *Incentives to align investment managers' investment strategies and decisions with the Trustees' policies*

The Scheme invests in pooled funds and so the Trustees acknowledge the funds' investment strategies and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then select managers that best suits their strategy taking into account the fees being charged, which acts as the investment managers' incentive.

The Trustees use the fund objective/benchmark as a guide on whether their investment strategy is being followed and monitors this regularly.

### *Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term*

The Trustees select managers based on a variety of factors including investment philosophy and process, which they believe should include assessing the long term

financial and non-financial performance of the underlying company that they invest in.

The Trustees also consider the managers' voting and ESG policies and how they engage with the investee company as they believe that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the manager's engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their manager to make every effort to engage with investee companies but acknowledge that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns they achieve, but do expect that those companies with better financial and non-financial performance over the long term will lead to better returns for the Scheme.

The Trustees believe that the annual fee paid to the investment manager incentivises it to do this. If the Trustees feel that the investment manager is not assessing financial and non-financial performance or adequately engaging with the companies that it is investing in, they will use these factors in deciding whether to retain or terminate a manager.

***How the method (and time horizon) of the evaluation of the investment managers' performance and the remuneration for asset management services are in line with the Trustees' policies***

The Trustees review the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustees assess the performance periods of the funds, where possible, over at least a 3-5 year period when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The investment managers' remuneration is considered as part of the manager selection process and is also monitored regularly with the help of their investment consultant to ensure it is in line with the Trustees' policies.

***How the Trustees monitor portfolio turnover costs incurred by the investment managers, and how they define and monitor targeted portfolio turnover or turnover range***

The Trustees monitor the portfolio turnover costs on an annual basis.

The Trustees define target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manage. This is monitored on an annual basis.

The Trustees have delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to their investment consultant.

***The duration of the arrangement with the investment managers***

The Trustees plan to hold each of their investments for the long term but will keep this under review.

Changes in investment strategy or changes in the view of the investment manager can lead to the duration of the arrangement being shorter than expected.



# 2 Sourcing of Voting and Engagement Information

This section sets out the availability of the information Minerva initially requested from the Scheme's managers, to facilitate the preparation of this report:

**Table 2.1: Summary of Available Information**

Fund Manager	Investment Fund/Product	Voting Information	Significant Votes	Engagement Information
LGIM*	2053 Green Gilt Fund	No Info to Report	No Info to Report	No Info to Report
	AAA-AA-A Bonds Over 15 Year Index Fund	No Info to Report	No Info to Report	Part Info Available
	All Stock Index-Linked Gilts Fund	No Info to Report	No Info to Report	Part Info Available
	All World Equity Index Fund – GBP Currency Hedged	Part Info Available	Full Info Available	Part Info Available
	Gilt Fund (7 funds)	No Info to Report	No Info to Report	No Info to Report
	Index-Linked Gilt Fund (9 funds)	No Info to Report	No Info to Report	No Info to Report
	Maturing Buy and Maintain Credit Fund 2025-2029	No Info to Report	No Info to Report	Part Info Available
	Maturing Buy and Maintain Credit Fund 2030-2034	No Info to Report	No Info to Report	Part Info Available
	Over 15 Year Index Linked Gilts Fund	No Info to Report	No Info to Report	No Info to Report
	Sterling Liquidity Fund	No Info to Report	No Info to Report	Part Info Available

\* LGIM have requested that a Disclaimer be shared, which should be read in relation to any stewardship information provided by them. It can be found at the end of this report.

### Table Key

- Full Info Available** The manager has provided either a PLSA Voting Template or voting data that **precisely** matches the specific investment's holding / reporting period
- Part Info Available** The manager has provided either a PLSA Voting Template or voting data that **partially** matches the specific investment's holding / reporting period
- No Info to Report** The manager has explicitly stated that there is no voting or engagement information to report for this specific investment or that it is not expected there will be any voting or engagement information to report due to the nature of the underlying investments
- No Info Provided** At the time of preparing this report, the manager has either not formally responded to the information request or has not provided information when we believe there should be information to report



## Minerva Says:

### Voting Activity

There was voting information disclosed for the Scheme's investments in the following funds:

- LGIM All World Equity Index Fund – GBP Currency Hedged

### Significant Votes

There was 'Significant Vote' information disclosed for the Scheme's investments in the following funds:

- LGIM All World Equity Index Fund – GBP Currency Hedged

### Engagement Activity

There was reportable engagement information provided for the Scheme's investments with the following managers:

- LGIM AAA-AA-A Bonds Over 15 Year Index Fund
- LGIM All World Equity Index Fund – (GBP Currency Hedged)
- LGIM All Stock Index-Linked Gilts Fund
- LGIM Maturing Buy and Maintain Credit Fund 2030-2034
- LGIM Maturing Buy and Maintain Credit Fund 2025-2029
- LGIM Sterling Liquidity Fund

# 3 Voting and Engagement

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The Trustees are required to disclose the voting and engagement activity over the Scheme year. The Trustees have used Minerva Analytics ('Minerva') to obtain voting and investment engagement information (VEI) on the Scheme's behalf.

This statement provides a summary of the key information and summarizes Minerva's findings on behalf of the Scheme over the Scheme's reporting year.

The voting and engagement activity undertaken by the Scheme's managers, as reported by them and set out in this document, has been in the scheme members' best interests inasmuch that it demonstrates that the Scheme's managers have undertaken stewardship activity they deem to be appropriate and proportionate in the oversight and management of the Scheme's investments.

## 3.1 Voting and Engagement Policy and Funds

The Trustees' policy on Stewardship from the Scheme's SIP is set out below:

***'The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.'***

***The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe that this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment manager's voting policy, with the help of their investment consultant, and decide if it is appropriate.***

***The Trustees also expect the investment manager to engage with investee companies on the capital structure and management of conflicts of interest.***

***If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of their investment consultant, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.***

***The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect the investment manager to adhere to this where appropriate for the investments that it manages.'***

The following table sets out:

- The funds and products in which the Scheme was invested during the Scheme's reporting period;
- The holding period for each fund or product; and
- Whether each investment manager made use of a 'proxy voter', as defined by the Regulations

**Table 3.1: Scheme Investment/Product Information**

Fund Manager	Investment Fund/Product	Investment Made Via	Fund / Product Type	Period Start Date	Period End Date	'Proxy Voter' Used?
	2053 Green Gilt Fund	L&G Platform	DB Fund	17/07/23	31/03/24	N/A
	AAA-AA-A Bonds Over 15 Year Index Fund	L&G Platform	DB Fund	01/04/23	21/07/23	N/A
	All Stock Index-Linked Gilts Fund	L&G Platform	DB Fund	01/04/23	21/07/23	N/A
	All World Equity Index Fund – GBP Currency Hedged	L&G Platform	DB Fund	01/04/23	21/07/23	ISS
<b>LGIM</b>	Gilt Fund (7 funds) **	L&G Platform	DB Fund	01/04/23	21/07/23	N/A
	Index-Linked Gilt Fund (9 funds)**	L&G Platform	DB Fund	17/07/23	31/03/24	N/A
	Maturing Buy and Maintain Credit Fund 2025-2029	L&G Platform	DB Fund	17/07/23	31/03/24	N/A
	Maturing Buy and Maintain Credit Fund 2030-2034	L&G Platform	DB Fund	17/07/23	31/03/24	N/A
	Over 15 Year Index Linked Gilts Fund	L&G Platform	DB Fund	01/04/23	21/07/23	N/A
	Sterling Liquidity Fund	L&G Platform	DB Fund	11/07/23	31/03/24	N/A

\*\* - There are six Gilt Fund with the investment dates (17/07/2023 - 31/03/2024) and one Gilt Fund with the investment dates ( 31/03/2023 - 21/07/2023)

## Minerva Says

As shown in the table above:

- LGIM identified 'ISS', or Institutional Shareholder Services, as their 'Proxy Voter'.
- The investments shown as 'N/A' had no listed equity voting activity associated with them, and so had no need for a proxy voter.

# 4 Exercise of Voting Rights

The following table shows a comparison of each of the Scheme’s relevant manager(s) voting activity versus the Trustees’ policy (which in this instance is the manager’s own policy):

**Table 4.1: LGIM’s Approach to Voting**

<b>Asset manager</b>	LGIM (Legal & General Investment Management)	
<b>Relevant Scheme Investment(s)</b>	<ul style="list-style-type: none"> <li>All World Equity Index Fund – GBP Currency Hedged</li> </ul>	
<b>Key Points of Manager’s Voting Policy</b>	<p>LGIM’s latest <a href="#">Corporate Governance and Responsible Investing Policy</a> sets out what the manager considers to be corporate governance best practice. It explains their expectations with respect to topics they believe are essential for an efficient governance framework, and for building a sustainable business model. LGIM have this to say in terms of their overall approach:</p> <p><i>When developing our policies, we consider broader global guidelines and principles, such as those provided by the United Nations Global Compact, OECD and ILO conventions and recommendations, as well as local market regulatory expectations. We expect all companies to closely align with our principles, or to engage with us when exceptional circumstances prevent them from doing so. Although there is no ‘one-size-fits-all’ solution to building a sustainable business model, we look for companies we invest in to demonstrate that sustainability is effectively integrated into their long-term strategy and their daily operations. Companies should aim to minimise any negative impacts their businesses have on the environment, while innovating to find better solutions. Their strategies should include ways to make a positive impact on society, embrace the value of their workforce and supply chains and deliver positive long-term returns to shareholders.</i></p> <p>LGIM’s voting policy is built on the assessment of 5 key policy areas:</p>	
	<b>#</b>	<b>Policy Area</b>
	<b>1</b>	<b>Company Board</b>
		Board Leadership, Board Independence, Board Diversity, Succession Planning and Board Evaluation
	<b>2</b>	<b>Audit, Risk &amp; Internal Control</b>
		External Audit, Internal Audit and Whistleblowing
	<b>3</b>	<b>Remuneration</b>
		Fixed Remuneration, Incentive Arrangements and Service Contracts and Termination Payments

4	Shareholder & Bondholder Rights	Voting Rights and Share-class Structures, Shareholder Proposals and Political Donations
5	Sustainability	Material ESG Risks & Opportunities, Target Setting, Public Disclosure and Engagement

The manager disclosed on their [website](#) how they have voted on the companies in which they invest on a monthly basis, including the rationale for votes against management. The information provided is at firm, rather than fund or product, level.

**Is Voting Activity in Line with the Scheme's Policy?**

**Yes**

Some examples of the manager's voting activity are provided in Section 7 – Significant Votes

### Minerva Says

- LGIM's clearly set out how they approach their stewardship responsibilities for listed companies on behalf of their clients. In our view the available information demonstrates clear and thoughtful approaches from the firms.
- From the information available, we believe that the managers approaches are consistent with the Scheme's voting approach expectations of its investment managers.

# 5 Manager Voting Policy

As the current approach of the Scheme is to use the voting policy of the external asset managers, it is important that these policies are independently reviewed to ensure that they match current good practice and the general stewardship expectations set by the Scheme. Well-managed companies that operate in a commercially, socially and environmentally responsible manner are expected to perform better over the longer term, as the Scheme believe that adopting such an approach will allow each company’s management to identify, address and monitor the widest range of risks associated with their specific business.

Set out in the following table is Minerva’s independent assessment of the Scheme’s managers’ publicly available voting policies, in the context of current good practice as represented by the ICGN Voting Guidelines, whilst also bearing the Scheme’s stewardship expectations in mind. This has been done for each manager where they have identified voting activity on behalf of the Scheme.

We have assessed each manager’s policy individually, looking at it from Minerva’s perspective of seven ‘Voting Policy Pillars’ that are at the core of our proxy voting research process, and which we have developed over the last 25 years. In using this well-tried approach, the Scheme can be sure that their investment managers voting policies are being carefully considered against current good practice.

**Table 5.1: Voting Policy Alignment**

**Manager Voting Policy Alignment with Current Good Practice**

Investment Manager	Audit & Reporting	Board	Capital	Corporate Actions	Remuneration	Shareholder Rights	Sustainability
LGIM	Aligned	Aligned	Aligned	Aligned	Aligned	Aligned	Aligned
<i>Comments</i>	LGIM’s voting policy and disclosures broadly comply with the ICGN Voting Guidelines Principles and good corporate governance practices.						

**Table Key**

- Aligned** This aspect of the manager’s voting policy is aligned with good practice
- Limited Disclosures** This policy pillar could only be partially assessed on the information available in the manager’s voting policy
- No Disclosures** This policy pillar could not be assessed due to a lack of information in the manager’s voting policy
- Not Available** The manager’s voting policy was not disclosed for analysis by Minerva



## Minerva Says

For the Scheme's managers that responded to our information requests by providing voting information:

- LGIM's voting policies are, in our view, broadly in line with good practice, and are what we would expect to see from such a large asset steward.



# 6 Manager Voting Behaviour

The Trustees believe that responsible oversight of investee companies is a fundamental duty of good stewardship. As such, it expects the Scheme's managers to vote at the majority of investee company meetings every year, and to provide sufficient information as to allow for the independent assessment of their voting activity.

The table below sets out the voting behaviour as disclosed by the each of the Scheme's managers:

**Table 6.1: Manager Voting Behaviour**

Manager	Fund	No. of Meetings	No. of Resolutions				
		Eligible for Voting	Eligible for Voting	% Eligible Voted	% Voted in Favour	% of Voted Against	% Abstain
	All World Equity Index Fund – GBP Currency Hedged	4,577	62,920	99.9%	79.7%	19.6%	0.7%
	<b>Comments</b>						
	The manager provided a summarised voting record for the Fund that covered the period from 01/04/23 to 31/03/24, rather than for the Scheme's specific investment holding period of 01/04/23 to 21/07/23.						
	From the summarised information provided, we can see that the manager has voted at almost all investee company meetings for the Fund, which is in line with the Trustees' expectations of its managers.						

## Table Key

**Available Information** matches the Scheme's specific reporting period / investment holding period

**Available Information** is for a different period than the Scheme's reporting period / investment holding period

**Information** was not provided by the manager

**Not Applicable**



## Minerva Says

For the Scheme's managers where voting data was provided in response to our information requests, we believe that they have followed the Scheme's requirements in relation to voting activity, as stated in the Scheme's SIP:

***'The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries.'***

# 7 Significant Votes

Set out in the following section are 5 examples of the Scheme’s manager(s) voting behaviour from the relevant fund(s) in which the Scheme was invested. A ‘Significant Vote’ relates to any resolution at a company that meets one of the following criteria:

1. Identified by the manager themselves as being of significance;
2. Contradicts local market best practice (e.g., the UK Corporate Governance Code in the UK);
3. Is one proposed by shareholders that attracts at least 20% support from investors;
4. Attracts over 10% dissenting votes from shareholders.

Where the manager has not provided sufficient data to identify ‘Significant Votes’ based on criteria 2-4 above, we have used manager-identified examples:

**Table 7.1 LGIM’s ‘Significant Votes’**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund- GBP Currency Hedged	Amazon.com, Inc.	24/05/23	1.41%	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps	For	29% of votes cast were in support of the resolution (resolution failed)
<b>Why a ‘Significant Vote?’</b>							
Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.							
<b>Manager’s Vote Rationale:</b>							
A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company’s diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as we believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.							
<b>Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?</b>							
LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.							

**Next Steps / Implications of the Outcome:**

LGIM will continue to engage with the company and monitor progress.

**Relevance to Manager's Stated Policy:**

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
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**We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach**

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund- GBP Currency Hedged	McDonald's Corporation	25/05/23	0.33%	Resolution 5 - To Adopt Policy to Phase Out Use of Medically-Important Antibiotics in Beef and Pork Supply Chain	For	16.3% of votes cast were in support of the resolution (resolution failed)

**Why a 'Significant Vote'?**

Pre-declaration and Thematic – Health: LGIM considers this vote to be significant as Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and we consider AMR to be a systemic risk.

**Manager's Vote Rationale:**

Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and we consider AMR to be a systemic risk. The resolution asks McDonald's to adopt a company-wide policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains and to set targets with timelines, metrics for measuring implementation, and third-party verification. In line with the shareholder resolution on AMR that LGIM has co-filed (see resolution 6) and our conviction that AMR is a systemic risk, we will be voting FOR.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.

**Next Steps / Implications of the Outcome:**

LGIM will continue to engage with the company and monitor progress.

Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
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We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund- GBP Currency Hedged	Wells Fargo & Company	25/04/23	0.22%	Resolution 8 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	For	30.8% of votes cast were in support of the resolution (resolution failed)

**Why a 'Significant Vote?'**

Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.

**Manager's Vote Rationale:**

We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.

**Next Steps / Implications of the Outcome:**

LGIM will continue to engage with the company and monitor progress.

Relevance to Manager's Stated Policy:

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
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We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund- GBP Currency Hedged	Bank of Montreal	18/04/23	0.09%	Resolution C - SP 3: Publish a Third-Party Racial Equity Audit	For	37.2%% of votes cast were in support of the resolution (resolution failed)

**Why a 'Significant Vote?'**

Thematic - Diversity: LGIM considers this shareholder proposal significant as we view gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

**Manager's Vote Rationale:**

Shareholder Resolution - Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

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

**Next Steps / Implications of the Outcome:**

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress. LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.

**Relevance to Manager's Stated Policy:**

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
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We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach

Manager	Fund	Company Name	Date of Vote	Approx Size of Holding (as % of Fund)	Summary of Resolution	Voting Action	Outcome of Vote
LGIM	World Equity Index Fund- GBP Currency Hedged	Elevance Health, Inc.	10/05/23	0.17%	Resolution 5 - Reduce Ownership Threshold for Shareholders to Call Special Meeting	For	46% of votes cast were in support of the resolution (resolution failed)

**Why a 'Significant Vote?**

High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.

**Manager's Vote Rationale:**

Shareholder Resolution - Shareholder rights: A vote in favour is applied as the current threshold necessary to call a special meeting is high and this resolution is seeking to reduce the threshold.

**Were Votes Against Company Management Communicated to the Company Ahead of the Meeting?**

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

**Next Steps / Implications of the Outcome:**

LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.

**Relevance to Manager's Stated Policy:**

Company Board	Audit, Risk & Internal Control	Remuneration	Shareholder & Bondholder Rights	Sustainability
---------------	--------------------------------	--------------	---------------------------------	----------------

We believe this voting activity is consistent with the manager's stated Policy, and so is also consistent with the Scheme's approach



## Minerva Says

The reported 'Significant Vote' information seems to be consistent with the manager's stated voting policy, and so is consistent with the Scheme's expectations of them.



# 8 Manager Engagement Information

The Trustees has set the following expectation in the Scheme's SIP in relation to its managers' engagement activity:

***'The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustees believe that this will be beneficial to the financial interests of members over the long term. The Trustees will review the investment manager's voting policy, with the help of their investment consultant, and decide if it is appropriate.'***

***The Trustees also expect the investment manager to engage with investee companies on the capital structure and management of conflicts of interest.***

***If the policies or level of engagement are not appropriate, the Trustees will engage with the investment manager, with the help of their investment consultant, to influence the investment manager's policy. If this fails, the Trustees will review the investments made with the investment manager.***

***The Trustees have taken into consideration the Financial Reporting Council's UK Stewardship Code and expect the investment manager to adhere to this where appropriate for the investments that it manages. '***

The Trustees believe that an important part of responsible oversight is for the Scheme's investment managers to engage with the senior management of investee companies on any perceived risks or shortcomings – both financial and non-financial – relating to the operation of the business, with a specific focus on ESG factors. As such, they expect the Scheme's managers to engage with investee companies where they have identified any such issues.

The following table(s) summarises the engagement activity of the manager(s):

**Table 8.1: Summary of Engagement Information Provided**

Manager	Engagement Information Obtained	Level of Available information	Info Covers Scheme's Reporting Period?	Comments
LGIM	YES	FUND	PART	The manager provided <b>basic fund level engagement information, partially</b> covering the Scheme's reporting period

## Table Key

**GREEN = A positive result.** The manager has provided engagement information / fund level info available / matches the Scheme's reporting / investment holding period

**ORANGE = A 'partial' result.** We had to try to source engagement information / firm level info available / does not match the Scheme's reporting / investment holding period

**RED = A negative result.** No engagement information was located at any level

# LGIM

Fund(s)	Period Start	Period End	No. of Engagements	Breakdown of Engagement Topics Covered				Outcomes	
				Environmental	Social	Governance	Other	Resolved	Open
AAA-AA-A Bonds Over 15 Year Index Fund	01/04/23	30/06/23	20	25.00%	0.00%	15.00%	60.00%	Not Stated	Not Stated
All Stock Index-Linked Gilts Fund	01/04/23	30/06/23	12	75.00%	0.00%	25.00%	0.00%	Not Stated	Not Stated
All World Equity Index Fund – GBP Currency Hedged	01/04/23	30/06/23	261	30.30%	10.70%	45.20%	13.80%	Not Stated	Not Stated
Maturing Buy and Maintain Credit Fund 2025-2029	17/07/23	31/03/24	231	30.70%	16.90%	39.00%	13.40%	Not Stated	Not Stated
Maturing Buy and Maintain Credit Fund 2030-2034	17/07/23	31/03/24	164	28.70%	22.00%	47.60%	1.80%	Not Stated	Not Stated
Sterling Liquidity Fund	11/07/23	31/03/24	17	70.60%	0.00%	29.40%	0.00%	Not Stated	Not Stated

Aspect of Engagement Activity	Details
Key Points of the Manager’s Engagement Policy	<p>LGIM’s Investment Stewardship team focuses on client outcomes and broader societal and environmental impacts in its engagements with companies, taking the following six step approach:</p> <ol style="list-style-type: none"> <li>1. Identify the most material ESG issues</li> <li>2. Formulate a strategy</li> <li>3. Enhance the power of engagement (e.g., through public statements)</li> <li>4. Collaborate with other stakeholders and policymakers</li> <li>5. Vote</li> <li>6. Report to shareholders</li> </ol> <p>From LGIM's most recent Active Ownership Report the manager has identified the following as their top 6 engagement topics:</p>

	<ol style="list-style-type: none"> <li>1. Climate: Keeping 1.5°C alive</li> <li>2. Nature: Supporting a world that lives in harmony with nature, recognising the economic value of natural capital</li> <li>3. People: Improving human capital across the corporate value chain</li> <li>4. Health: Safeguarding global health to limit negative consequences for the global economy</li> <li>5. Governance: Strengthening accountability to deliver stakeholder value</li> <li>6. Digitisation: Establishing minimum standards for how companies manage digitisation-related risks</li> </ol>
<p>Additional information on engagements provided by the Manager</p>	<p>Whilst the manager provided a list of engagements undertaken on investments in the fund during the Scheme's holding period, no additional information was provided in terms of:</p> <ul style="list-style-type: none"> <li>• engagement objectives</li> <li>• collaborative engagements</li> <li>• process for escalating ineffective engagement and</li> <li>• whether any fintech solution was used to facilitate engagement</li> </ul>
<p>Comparison of the Manager's Engagement Activity vs the Scheme's Expectations</p>	<p>Set out below is an example of engagement activity reported by LGIM in the All World Equity Index Fund (GBP Currency Hedged):</p> <p><b><u>13/04/23 - Bank of America Corp- Environmental-themed Engagement Activity</u></b></p> <p><i>Engagement Type: Written.</i></p> <p><i>Issue Theme: Environmental / Climate Change.</i></p> <p><i>Engagement Details: Not provided.</i></p> <p><i>Engagement Outcome: Not provided.</i></p>
<p>Is Engagement Activity in Line with the Scheme's Expectations?</p>	<p><b>Whilst we believe that the manager's engagement approach is consistent with the Scheme's approach, we believe that the manager should be able to provide more details in relation to engagement activity undertaken at fund level.</b></p>



## Minerva Says

As can be seen from the previous tables, the Scheme's manager's 'Engagement Activity' appears to comply with their own engagement approaches, and so also complies with the Scheme's approach.

# 9 Conclusions

## 9.1 Assessment of Compliance

In this report, Minerva has undertaken an independent review of the Scheme's external asset managers' voting and engagement activity. The main objective of the review is for Minerva to be in a position to say that the activities undertaken on the Scheme's behalf by its agents are aligned with its own policies.

Set out in the following table is Minerva's assessment of each manager's compliance with the Scheme's approach:

**Table 9.1: Summary Assessment of Compliance**

Fund / Product Manager	Investment Fund/ Product	Does the Manager's Reported Activity Follow the Scheme's Expectations:				UK Stewardship Code 2020 Signatory?	Overall Assessment
		Voting Activity	Significant Votes Identified	Engagement Activity	Use of a 'Proxy Voter?'		
LGIM*	2053 Green Gilt Fund	N.I.R.	N.I.R.	N.I.R.	N/A	YES	N.I.R.
	AAA-AA-A Bonds Over 15 Year Index Fund	N.I.R.	N.I.R.	YES	N/A		COMPLIANT
	All Stock Index-Linked Gilts Fund	N.I.R.	N.I.R.	YES	N/A		COMPLIANT
	All World Equity Index Fund – GBP Currency Hedged	YES	YES	YES	ISS		COMPLIANT
	Gilt Fund (7 funds)	N.I.R.	N.I.R.	N.I.R.	N/A		N.I.R.
	Index-Linked Gilt Fund (9 funds)	N.I.R.	N.I.R.	N.I.R.	N/A		N.I.R.
	Maturing Buy and Maintain Credit Fund 2025-2029	N.I.R.	N.I.R.	YES	N/A		COMPLIANT
	Maturing Buy and Maintain Credit Fund 2030-2034	N.I.R.	N.I.R.	YES	N/A		COMPLIANT
	Over 15 Year Index Linked Gilts Fund	N.I.R.	N.I.R.	N.I.R.	N/A		N.I.R.
	Sterling Liquidity Fund	N.I.R.	N.I.R.	YES	N/A		COMPLIANT

\* LGIM have requested that a Disclaimer be shared, which should be read in relation to any stewardship information provided by them. It can be found at the end of this report.

## Table Key

**GREEN**=Positive outcome e.g., Manager's reported activity follows the Scheme's expectations

**ORANGE**=An issue exists e.g., the information provided does not match the Scheme's reporting / investment holding period

**BLUE**=Manager has confirmed that there is no voting, 'Significant Votes' or engagement information to report (N.I.R.)

**RED**=Negative outcome e.g., no information provided (N.I.P.); Manager is not a signatory to the UK Stewardship Code 2020

**GREY**=Not Applicable e.g., there has been no 'Proxy Voter' used due to the nature of the investments held

## Minerva Says

### Overall Assessment:

**We believe that the Scheme's managers have broadly complied with the Scheme's Voting and Engagement requirements of them.**

### Notes

- 1) The preceding table shows that Minerva has been able to determine that:
  - There was nothing to report for a number of the Scheme's investments, due to the nature of those investments (e.g., Index Linked Gilts)
  - Where Voting and 'Significant Vote' information was available, the manager's overall approach is in step with the Scheme's requirements
  - Where Engagement information was available, the manager's overall approach is also in step with the Scheme's requirements
- 2) The Scheme's investment manager is a Signatory to the UK Stewardship Code.
- 3) We remain somewhat disappointed with the limited engagement information provided by LGIM. Whilst they are now able to provide information on engagements undertaken in individual funds, they are not yet able to provide much in the way of details concerning the engagements.

## LGIM Information Disclaimer

- i. Carbon dioxide equivalent (CO<sub>2</sub>e) is a standard unit to compare the emissions of different greenhouse gases.
- ii. The choice of this metric follows best practice recommendations from the Task Force on Climate-related Financial Disclosures.
- iii. Data on carbon emissions from a company's operations and purchased energy is used.
- iv. This measure is the result of differences in weights of companies between the index and the benchmark, and does not depend on the amount invested in the fund. It describes the relative 'carbon efficiency' of different companies in the index (i.e. how much carbon was emitted per unit of sales), not the contribution of an individual investor in financing carbon emissions.
- v. LGIM set the following threshold for our reportable funds 1) the assets eligible for coverage e.g. eligible ratio needs to be greater than or equal to 50% and 2) the carbon coverage of the eligible assets e.g. eligible coverage needs to be greater than or equal to 60%.
- vi. Eligibility % represents the % of the securities in the benchmark which are eligible for reporting including equity, bonds, ETFs and sovereigns (real assets, private debt and derivatives are currently not included for carbon reporting). The Coverage % represents the coverage of those assets with carbon scores.
- vii. Derivatives including repos are not presently included and the methodology is subject to change. Leveraged positions are not currently supported. In the instance a leveraged position distorts the coverage ratio over 100% then the coverage ratio will not be shown.
- viii. LGIM define 'Sovereigns' as, Agency, Government, Municipals, Strips and Treasury Bills and is calculated by using: the CO<sub>2</sub>e/GDP, Carbon Emissions Footprint uses: CO<sub>2</sub>e/Total Capital Stock.
- ix. The carbon reserves intensity of a company captures the relationship between the carbon reserves the company owns and its market capitalisation. The carbon reserves intensity of the overall benchmark reflects the relative weights of the different companies in the benchmark.
- x. Green revenues % represents the proportion of revenues derived from low-carbon products and services associated with the benchmark, from the companies in the benchmark that have disclosed this as a separate data point.
- xi. Engagement figures do not include data on engagement activities with national or local governments, government related issuers, or similar international bodies with the power to issue debt securities.
- xii. LGIM's temperature alignment methodology computes the contribution of a company's activities towards climate change. It delivers a specific temperature value that signifies which climate scenario (e.g. 3°C, 1.5°C etc.) the company's activities are currently aligned with. The implied temperature alignment is computed as a weighted aggregate of the company-level warming potential.

Third Party ESG Data Providers: Source: ISS. Source: HSBC© HSBC 2022. Source: IMF (International Monetary Fund). Source: Refinitiv. Information is for recipients' internal use only.

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For more information please email [hello@minerva.info](mailto:hello@minerva.info) or call + 44 (0)1376 503500

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