

# Implementation Statement, covering the Plan Year from 1 October 2022 to 30 September 2023

The Trustee of the NatWest Group Retirement Savings 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 the remaining sections below.

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

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 the Plan’s SIP dated 17 November 2021, in place between 1 October 2022 and 26 March 2023, and the SIP dated 27 March 2023, in place between 27 March 2023 and 30 September 2023. This Statement should be read in conjunction with the latest SIP which can be found online at <https://www.legalandgeneral.com/workplace/n/natwest-group/helpful-resources/document-library/>.

## Introduction

1. A formal review of the SIP was undertaken during the Plan Year by the Trustee with advice taken from the Trustee’s investment advisers, LCP, and the Trustee’s legal advisors, Pinsent Masons and updated on 27 March 2023. The review primarily focused on reflecting the ESG-related changes in the Plan, including the Trustee’s perspective on managing ESG risks and the removal of ESG tilts within the Plan, and the change in name of the Trustee. The Trustee, with advice taken from its advisers also ensured that the SIP fully reflects the Trustee’s investment policies and aligns with current regulations at the point of update. The changes to the Plan’s SIP included:
  - a. the removal of references to investment tilts based on ESG scores within the Plan and references to market mispricing of ESG risks. This followed consideration by the Trustee of whether it considered tilts based on ESG scores to be the most effective way to take account of ESG related risks within portfolios;
  - b. the Trustee’s view that using techniques, such as ESG tilts, which move the equity portfolio in the Default away from a market capitalisation weighting may introduce unintended risks to member assets. The SIP was updated to reflect this view as the Trustee takes this view into account in setting the investments within the Default;
  - c. the Trustee’s opinion that stewardship is the most effective means of addressing ESG risks in passive investment strategies. The SIP was updated to reflect this view as this aligns with the Trustee’s investment beliefs and how it intends to select investments within the Default;
  - d. wording on additional exclusions used by Legal & General in their ‘Minimum Exclusions’ funds. The SIP was updated to reflect the exclusion of certain companies involved in business areas deemed to be a material financial risk;
  - e. t as the name of the Trustee was changed to NatWest Group Retirement Savings Trustee Limited during the Plan Year, the name has been updated accordingly; and
  - f. as an updated Investment Management and Advisory Agreement (“IAMA”) was entered into during the Plan Year and so the date has been updated accordingly.
2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes. The Trustee has, in its opinion, followed the policies in the Plan’s SIP, including voting and engagement policies, during the Plan Year.

Further detail and commentary about how and the extent to which it has done so is covered below, focussing on those areas that were of most importance in the Plan Year.

### **Structure of the Plan's Investment Arrangements**

3. Upon joining, members have the opportunity to self-select a fund. Those that do not are allocated to the default strategy ("Default") known as the "Drawdown Lifestyle". For technical reasons, the Plan has further defaults.
4. Given the structure of the Plan's investments, this Statement relates to the Drawdown Lifestyle except where specific reference is made to the UK Equity Default, the Cash Default, and the self-select options or otherwise.
5. There have been no major changes to the strategic asset allocation approach over the course of the year.

### **Choosing investments, Kinds of investments and Balance between different kinds of investment**

6. The Trustee considered a wide range of asset classes for investment when last reviewing the Default strategy in February 2023, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Trustee also considered the balance of investments in the Default strategy, UK Equity Default, and self-select funds as part of this review and found this to be appropriate. The Trustee focused on the pre-retirement phase of the Default strategy and considered the impact of shortening the de-risking period. The Trustee also reviewed the level of cash held at-retirement in the default. The Trustee concluded that the de-risking period and the level of cash in the at-retirement phase of the default remains appropriate.
7. The Trustee's Asset Manager, RSP Investment Executive Limited ("RIEL"), manages investments in accordance with (amongst other things) the investment strategy as determined by the Trustee and confirmed in writing to the Asset Manager. The SIP sets out the Trustee's current investment strategy for these purposes in Appendix D. The terms of the Asset Manager's appointment are governed by an IAMA dated January 2023. The Asset Manager has been delegated responsibility to manage the investment funds made available to members in line with the IAMA.
8. As part of the agreed arrangements with the Trustee, the Asset Manager considers a wide range of asset classes including equities, bonds and property for investment when reviewing the underlying funds of the Default strategy, taking into account the nature of the fund, its objective and benchmark and the risk controls which operate whilst also considering the balance between investments. As a result, the Asset Manager made a change to the RSP Diversified Growth Fund ("DGF") over the Plan Year and added a new allocation to a Clean Power Infrastructure Fund managed by NTR and LGIM. The Asset Manager made this change with a view to improving the level of diversification within the DGF and because of its views on the expected risk and return of different asset classes.
9. As part of the agreed arrangements with the Trustee, the Asset Manager regularly meets with the Plan's underlying investment managers, with each manager formally met with at least once every 12 months. The Asset Manager meets more regularly with Leadenhall, due to the more complex nature of the fund.
10. The Trustee invests for the long term, to provide for the Plan's members. To achieve good outcomes for members over this investment horizon, the Trustee seeks to appoint managers whose stewardship activities are aligned to the creation of long-term value and the management of long-run systemic risks.
11. The Trustee is therefore comfortable that the SIP policies on the kind and balance of investments is being followed as the changes to the investment strategy are in line with the SIP.

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

12. The Trustee considered the investment risks set out in Sections 28-30 of the SIP when monitoring the performance of the Default and as part of the last strategy review of the Default. Risks are monitored on an ongoing basis with the help of the investment adviser and the Asset Manager, to ensure compliance with the Trustee policy under the SIP.
- a. Diversification – The Trustee and Asset Manager monitor diversification in the Default as part of the quarterly monitoring provided by the Asset Manager. This ensures the strategy retains investments across a wide range of asset classes.
  - b. Underperformance - The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report. The report shows the performance of each fund over the quarter, one year, and longer-term periods. Performance is considered in the context of the manager's benchmark and objectives. Despite market volatility over the course of the 2022/23 Plan Year, the most recent quarterly report shows that all managers have produced performance broadly in line with expectations over the long-term.
  - c. Risk from excessive charges – The Trustee undertook a value for members' assessment in January 2024 for the Plan Year to 30 September 2023 which assessed a range of factors, including the fees payable to the managers which were found to be reasonable when compared against schemes with similar sized mandates. Members benefitted from a decrease in the administration charge over the Plan year, which reduced from 0.07% pa to 0.06% pa.
  - d. Inflation risk – Inflation rose markedly over the Plan Year reducing the purchasing power of members' investments. The Trustee monitors this through the use of inflation-linked benchmarks for the DGF which are reviewed on a quarterly basis. The Trustee found inflation risk is somewhat mitigated by the rising bond yields over the year which has improved the return expectations for the DGF.
  - e. Capital risk – Most of the Plan's funds increased in value over the Plan Year from contributions and positive returns from most asset classes. The Trustee offers investment funds that offer different levels of capital protection, such as the Cash Fund. This risk is also managed in the Default strategy early in the members' journey to retirement through diversification within the DGF, which includes exposure to less liquid assets that are less correlated to equities and bonds.
  - f. Sequencing risk – The diversified approach employed in the Default strategy provided smoother returns than equities over the Plan Year which reduced members' exposure to sequencing risk.
  - g. Pension conversion risk - The Trustee provides two investment funds whose returns generally reflect changes in annuity prices. The Trustee monitors the ability of the funds to do this on an annual basis. In the most recent review, the Trustee found the value of the two investment funds had remained in line with annuity prices over the year, protecting members' purchasing power.
13. The Trustee maintains a risk register, and this is reviewed on a regular basis with more in-depth reviews carried out on an annual basis. These reviews capture some of the risks set out in the SIP including political risk, the risk of fraud and suitability risk. Risks arising from environmental, social and governance factors are covered in the "Financially material considerations" section below.
14. Work was carried out over the year to identify the key risks in relation to investment and the associated key risk indicators. The Trustee, with advice from its adviser, LCP, held a formal session focused on identifying and recording key risks. This was recorded in the Risk Register and also as part of work to establish an Effective System of Governance. The results from this work are being implemented to enhance the Trustee's risk monitoring framework.

15. The Trustee is therefore comfortable that the SIP policy on risk is being followed as the identified risks continue to be monitored on a regular basis, in line with the SIP.

### **Expected return on investments**

16. The Asset Manager selected new investments over the Plan Year that complied with the Trustee's policy on expected return of investments. For instance, the new allocation to a Clean Power Infrastructure Fund managed by LGIM and NTR increased diversification in the DGF and is intended to support the transition to a low carbon economy. The Fund's fees were negotiated by the Asset Manager prior to investment. In this way, the Trustee is of the view that the policy on expected returns (being, in summary that diversification is a key focus and that fee negotiation is important as fees can be a drag) has been broadly followed. The Fund adopts a target leverage to help achieve its required return. While the Trustee does not believe that leverage is appropriate within its strategic asset allocation, it invests in some underlying funds which have leverage in order to seek to achieve their required returns or manage risk.
17. The Asset Manager also replaced the underlying funds of the Plan's self-select regional equity funds with ESG exclusion funds. This change was in line with the Trustee's views on the merits of employing exclusions within passive funds when engagement with companies proves unsuccessful. As these new underlying funds are passively-managed (since the Trustee believes that on average active equity managers are unlikely to outperform after costs and the Trustee does not believe it is able to consistently select outperforming active managers) and have similar fees to the previous underlying funds, the Trustee's policy on expected returns has been broadly followed.

### **Realisation of investments**

18. It is the Trustee's policy to primarily invest in funds that offer daily dealing to enable members to readily realise and change their investments. The RSP DGF primarily invests in this way but also has a small allocation to illiquid assets.
19. The Trustee has put in place a policy to monitor the overall illiquidity of the DGF and has set limits on the amount and characteristics of illiquid investments in the DGF. The Trustee has instructed Legal & General ("L&G"), the Plan's platform provider and administrator, to put in place a mechanism to manage the purchase and sales of all components of the DGF, including the illiquid assets. The individual illiquid assets within the DGF may not be readily realisable; however, the Trustee has satisfied itself that the liquidity available in other components of the DGF and the process to manage the purchases and sales of the DGF components enables the overall DGF to provide daily dealing and enables members to change their investments.
20. The Trustee is of the view that the liquidity of investments is in line with the SIP policy in this area.

### **Financially material considerations**

21. As part of its advice on the selection and ongoing review of the investment managers, RIEL incorporates its assessment of the nature and effectiveness of investment managers' approaches to financially material considerations (including climate change and other ESG considerations). The Trustee believes that effective stewardship is the most important means of addressing financially material ESG considerations within passive funds; which are used extensively within the Default. When considering the selection, retention and realisation of investments the Trustee considers a manager's approach to stewardship to be a key consideration. Over the Plan year the Trustee has received updated from RIEL and its adviser, LCP, on the quality of stewardship undertaken by the underlying managers used within the Default and self-select fund range.
22. In December 2023, the Trustee reviewed LCP's responsible investment (RI) scores for the Plan's existing managers, along with LCP's qualitative RI assessments for each fund. These scores cover the manager's approach to ESG factors, voting and engagement. The fund 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 are based on LCP's Responsible Investment Survey 2022. The Trustee was satisfied with the results of the review and no further action was taken.

23. The Trustee has considered climate risks and opportunities over the Plan Year by:
  - a. Reviewing the Trustee's climate and ESG beliefs in the SIP to formulate and agree the Trustee's views;
  - b. Reviewing climate-related metrics to understand the climate exposure of the Plan's investment arrangements; and
  - c. Conducting climate scenario analysis to understand how risks and opportunities related to climate change could affect the Plan's investments.
24. These activities will feed into the Trustee's second official Taskforce for Climate-related Financial Disclosures (TCFD) report which will be published following the end of the Plan Year.
25. The Trustee reviews LGIM's ESG Impact Report on a quarterly basis. The report comments on the effectiveness of its engagements and provides a thematic review of its wider engagement activities.
26. The Trustee has therefore kept under review the ESG analysis as per the Trustee's policy for financially material considerations.

#### **Non-financially material considerations**

27. The Trustee recognises that some members may wish for ethical matters to be taken into account in their investments but has to balance this against providing investment options it considers are appropriate for the majority of members and which only take account of material financial considerations. The Trustee makes available the International Equity Sharia Fund in the investment range to all members, in particular to enable members with a religious view in line with Sharia law to self-select an option that aligns with their views.
28. The Trustee's policy in the SIP is to not take non-financial considerations into account in the selection, retention and realisation of investments. Therefore, the Trustee is of the view that the SIP has been followed in this regard over the course of the Plan Year.

#### **Stewardship & Voting rights**

29. 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 rights attaching to investments, including voting rights and engagement. 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. The Asset Manager reviews the managers' voting policies as part of the selection and retention of the Plan's investment arrangements. The Asset Manager confirmed the managers voting policies align fully with the Trustee's over the Plan Year. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers, as detailed below.
30. The Trustee received training on the DWP's first formal guidance on stewardship during the Plan Year, including what stewardship is and why it is important and what the Trustee is expected to do to comply with the new guidance.
31. Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the April 2023 Board meeting, the Trustee discussed and agreed stewardship priorities for the Plan which were: Climate change, Human Rights and Biodiversity.
32. The Trustee selected these priorities as key market-wide risks and areas where the Trustee believes that good stewardship and engagement can improve long-term financial outcomes for Plan members. The Trustee communicated

these priorities to its managers in July 2023. The Plan's managers acknowledged the Trustee's priorities and its expectations of the managers and confirmed that they were comfortable with these.

33. 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 intends to further develop its oversight of managers' voting and engagement activity to outline the extent to which the managers' policies relate to the Plans' stewardship priorities.
34. The Trustee is supportive of utilising exclusion as a means of removing companies with exceptionally poor ESG credentials in specific areas within the passive equity exposure within the Default fund. During the Plan Year, the Trustee adopted exclusions to the UK Equity Default and the Plan's remaining passive regional self-select equity funds to exclude holdings where reputational and legal risks to financial value exist, including investment in controversial weapons systems like land mines and cluster munitions, investment in companies in perennial breach of UN Global Compact, and investment in thermal coal companies.

### **Asset manager arrangements**

35. Clause 3.7.5 of the IAMA requires RIEL to manage investments in accordance with (amongst other things) the Investment Strategy as determined by the Trustee from time to time and confirmed in writing to RIEL.
36. The performance reviews are carried out quarterly at Trustee meetings by the Trustee's Asset Manager (i.e. RIEL). LCP also carry out an annual review of the performance of the Default and its component funds. RIEL also provides the Trustee with regular updates from its meetings with underlying managers and proactively raises any issues with the Trustee that might impact on the extent to which managers are aligned with the Trustee's policies as laid out in the SIP. Over the Plan year RIEL advised the Trustee that it is comfortable that the Plan's underlying investment managers are well aligned with the policies in the SIP.
37. The Trustee reviewed RIEL's performance over the Plan year in December 2023 by assessing the performance of the RSP DGF and RSP Lump Sum Fund against metrics agreed by the Trustee and RIEL. On the whole, metrics were met for the DGF but not the Lump Sum Fund. However, the Trustee noted that both funds struggled against their targets over the Plan Year given the high inflationary and interest rate environment in 2023. The Trustee will continue to review the performance of both funds against the metrics on a regular basis.
38. The Trustee regularly reviews the performance of the Plan's investments over both the short and long term (quarterly to 5 years) at monthly Board meeting to ensure performance aligns with expectations. Member borne charges and transaction costs are assessed annually as part of the Trustee's Value for Members review.

### **GOVERNANCE: DEFAULT INVESTMENT ARRANGEMENTS**

39. The Trustee, with the help of its advisers and in consultation with the sponsoring employer, reviewed the strategy and performance of the Plan's default arrangements over the Plan Year. As part of this review, which concluded in February 2023, the Trustee considered the membership demographics and the variety of ways that members may draw their benefits in retirement from the Plan. The Trustee reviewed the pre-retirement phase of the Default Drawdown Lifestyle, including the suitability of the length of the de-risking period and the expected performance of the Default against comparable strategies.
40. Based on the outcome of this analysis, the Trustee concluded that the Default Drawdown Lifestyle has been designed to be in the best interests of members generally and reflects the demographics of the membership as a whole so no changes were required.

41. During the Plan Year, the Trustee also reviewed the RSP UK Equity Tracker Fund and the RSP Cash Fund which are also default arrangements of the Plan. The Trustee was satisfied that both funds have performed in line with their objectives, and was comfortable that they remained appropriate as default arrangements.
42. The Trustee also provides members with access to a range of self-select funds, which enable suitable diversification. The Trustee has made available alternative lifestyle strategies and a self-select fund range to members covering all major assets classes. The Trustee monitors the take up of these funds and it is limited, but is moderate in comparison to most other DC schemes. The Trustee has reminded members to review their investment holdings and check they are suitable for their risk tolerances and retirement planning.
43. As part of the performance and strategy review during the Plan Year, the Trustee made sure that the alternative lifestyle strategies and self-select fund range remained appropriate for members' needs.
44. The Trustee reviews changes in member choices, behaviour, and trends in the strategy reviews with the assistance of its investment advisor, LCP.
45. The Trustee reviewed retirement data as part of the performance and strategy review, looking at how members choose to access their benefits as well as at what age they accessed them versus when they said they would. The Trustee found that members have typically taken their benefits five years before their Target Retirement Age and have typically taken their benefits at retirement as cash or transferred them out of the Plan for drawdown.

#### **Details of voting behaviour over the Plan Year**

46. 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 a regular basis and challenges managers where their activity has not been in line with the Trustee's expectations.
47. In this section the Trustee has 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. We have included only the funds with equity holdings used in the Default lifestyle strategy given the high proportion of assets invested in these funds. We have also included the LGIM MSCI UK Equity Index ESG Exclusions Fund (underlying the RSP UK Equity Fund) since this is also a default arrangement of the Plan.
  - a. LGIM Future World Europe ex UK Equity Index Fund
  - b. LGIM Future World Emerging Markets Equity Index Fund
  - c. LGIM Future World UK Equity Index Fund
  - d. LGIM Future World Japan Equity Index Fund
  - e. LGIM Future World North America Equity Index Fund
  - f. LGIM Future World Asia Pacific ex Japan Equity Index Fund
  - g. LGIM MSCI UK Equity Index ESG Exclusions Fund
  - h. LGIM MSCI ACWI Equity Index ESG Exclusions Fund
  - i. LGIM Global Developed Small Cap Index Fund

- j. LGIM Global Real Estate Equity Index
- k. LGIM Retirement Income Multi-Asset Fund
- l. Janus Henderson Diversified Alternatives Fund

48. The Trustee is satisfied that for the period covered by this statement, there is no voting information missing. The Trustee is also comfortable that no manager conflicts have been identified that require action.

### **Description of the voting processes**

49. For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. The voting processes for the Plan's managers are set out below.

### **LGIM**

50. All decisions are made by LGIM's Investment Stewardship team and in accordance with LGIM's relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually by LGIM. 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 the 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.
51. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector, and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also takes into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.
52. 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. To ensure the proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.
53. 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 its 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.
54. In respect of the Plan's investments, LGIM's Investment Stewardship Team is in regular contact with the Trustee, typically attending one meeting per annum, whilst meeting RIEL more often as required. The subject matter can be focused on a particular area or be more general. A quarterly ESG Impact report is also available to the Trustee, providing insight into how LGIM has voted at all Annual General Meetings ("AGMs") across all regions.
55. Over recent years, LGIM has been working with the Tumelo platform, which enables individual members to see their holdings within components of the funds used within all the Plan's funds including the Default and presents members with upcoming votes at AGMs. Members can submit a preference on how they would like LGIM to vote, these preferences are then submitted by Tumelo to LGIM on a weekly basis, and LGIM's Investment Stewardship team reviews this data and consider it amongst all the other datasets, engagement information and policy that determine the vote. The data is also analysed in other ways, for example to understand the underlying topics of most interest to members. Once the LGIM



Stewardship Team votes, the data is passed through to the Tumelo platform enabling members to see the outcomes on how LGIM voted and any rationale that is available.

### **Janus Henderson**

56. In formulating its approach to corporate governance, Janus Henderson is conscious that a 'one size fits all' policy is not appropriate. Corporate governance regimes vary significantly as a function of factors such as the relevant legal system, extent of shareholder rights, and level of dispersed ownership. Janus Henderson varies its voting and engagement activities according to the market and pays close attention to local market codes of best practice. However, Janus Henderson considers certain core principles to be universal, including disclosure and transparency, board responsibilities, shareholder rights and audit and internal controls.
57. A key element of Janus Henderson's approach to proxy voting is to support the above principles and to foster the long-term interests of its clients. Janus Henderson also recognises that in some instances, joint action by shareholders has the potential to be more effective than acting alone. This is especially true when shareholders have a clear common interest. Where appropriate, Janus Henderson pro-actively collaborates with other investors on governance and wider environmental and social engagement issues, directly and through industry bodies. The Trustee's Asset Manager, RIEL, meets with all of the Plan's managers at least once a year and met with Janus Henderson in this capacity.
58. Janus Henderson recognises that ESG issues present risks and opportunities that can have a material impact on the value of an investment. Janus Henderson therefore analyses and votes on ESG proposals accordingly. Janus Henderson does not have specific voting guidelines on climate change issues. Voting policy on climate related issues is decided on a case-by-case basis by its investment teams utilising independent research, guidance from its in-house governance and responsible investment team and company engagement activity where applicable.
59. Janus Henderson exercises the voting rights on behalf of clients at meetings of all companies in which it has a holding. The only exception to this is meetings where share blocking or other restrictions on voting are in place. Where applicable to specific mandates, clients may be consulted prior to voting, however the fund accessed by the Plan does not offer this feature being a co-mingled fund and the Trustee has not been consulted before any votes. Some clients retain their own right to vote. Janus Henderson has a Proxy Voting Committee, which is responsible for its positions on major voting issues and creating guidelines overseeing the voting process. The Committee comprises representatives of investment portfolio management, corporate governance, accounting, legal and compliance. Additionally, the Proxy Voting Committee is responsible for monitoring and resolving possible conflicts of interest with respect to proxy voting. Janus Henderson uses Institutional Shareholder Services as its primary advisor. In the UK, Janus Henderson also receive Institutional Voting Information Service research.

### **Summary of voting behaviour over the Plan Year**

60. A summary of voting behaviour over the Plan Year is provided in the table below, with last year's voting data in parentheses for comparison.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7	Fund 8	Fund 9	Fund 10	Fund 11	Fund 12
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	LGIM	Janus Henderson
Fund name	Future World Europe ex UK Equity Index	Future World Emerging Markets Equity Index	Future World Japan Equity Index Fund	Future World North America Equity Index Fund	Future World Asia Pacific ex Japan Equity Index Fund	Future World UK Equity Index Fund	MSCI UK Equity Index ESG Exclusions Fund	MSCI ACWI Equity Index ESG Exclusions Fund*	MSCI World Small Cap ESG Exclusions Equity Index Fund	Global Real Estate Equity Index	Retirement Income Multi-Asset	Diversified Alternatives
Total size of fund at end of the Plan Year	£3,068m (£2,212m)	£2,854m (£2,127m)	£1,898m (£1,363m)	£10,830m (£8,032m)	£1,091m (£873m)	£2,328m (£1,902m)	£424m	£723m (£603m)	£2,536m (£2,168m)	£3,442m (£3,931m)	£2,003m (£1,626m)	£142m (£165m)
Value of Plan assets at end of the Year*	£3m	£2m	£1m	£15m	£0.7m	£0.9m	£131m	£718m	£79	£59m	£99m	£20m
Number of equity holdings at end of the Plan Year	330 (359)	1,479 (1,335)	322 (328)	554 (584)	148 (155)	321 (373)	329	2,910 (2,934)	4,157 (3,596)	366 (376)	7,694 (7,632)	19 (24)
Number of meetings eligible to vote	411 (428)	3,070 (2,802)	320 (338)	563 (610)	139 (186)	386 (498)	376	4,544 (261)	4,182 (4,030)	385 (429)	9,979 (10,124)	46 (53)
Number of resolutions eligible to vote	7,444 (7,631)	25,745 (23,961)	3,931 (4,313)	7,689 (7,711)	1,100 (1,360)	6,354 (7,372)	6,434	49,774 (1,899)*	44,370 (41,792)	4,345 (4,377)	104,462 (102,790)	537 (594)
% of resolutions voted	99.9 (99.7)	100 (100)	100 (100)	99.8 (99.4)	100 (100)	99.8 (100)	100	99.9 (99.8)	99.7 (99.7)	99.5 (99.7)	99.8 (99.8)	100 (97.6)
Of the resolutions on which voted, % voted with management	81.1 (82.7)	80.9 (79.6)	89.0 (89.4)	65.2 (64.6)	73.2 (72.4)	93.7 (94.4)	94.5	80.3 (78.1)	73.8 (75.4)	79.0 (79.9)	77.6 (77.9)	99.8 (99.5)

Of the resolutions on which voted, % voted against management	18.5 (16.8)	18.2 (18.6)	11.0 (10.6)	34.8 (35.3)	26.8 (27.7)	6.3 (5.6)	5.5	19.1 (20.2)	26.1 (24.5)	21.0 (20.1)	22.1 (21.4)	0.2 (0.5)
Of the resolutions on which voted, % abstained from voting	0.5 (0.6)	0.9 (1.8)	0.0 (0.0)	0.0 (0.1)	0.0 (0.0)	0.0 (0.0)	0.0	0.6 (1.7)	0.1 (0.1)	0.0 (0.1)	0.3 (0.7)	0.2 (0.3)
Of the meetings in which the manager voted, % with at least one vote against management	82.5 (80.1)	56.1 (56.6)	68.4 (70.7)	98.1 (97.9)	74.8 (67.7)	44.4 (36.4)	43.4	63.6 (46.9)	86.6 (83.9)	72.7 (66.7)	72.3 (69.8)	n/a
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	10.8 (9.4)	7.4(8.0)	9.0 (8.7)	28.7 (26.3)	16.5 (15.9)	4.2 (5.3)	4.1	11.6 (6.6)	17.3 (15.5)	16.6 (14.7)	13.5 (12.4)	n/a

Figures may not sum due to rounding. \*The MSCI ACWI Equity Index ESG Exclusions Fund was only launched on 1 August 2022, so voting data for the previous Plan Year in brackets reflects only the period from 1 August 2022 to 30 September 2022.

## Most significant votes over the Plan Year

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 inform its managers which votes it considered to be most significant in advance of those votes. The Trustee will consider the practicalities of informing managers ahead of the vote and will report on it in next year's Implementation Statement.

The Trustee has 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 for creating this shortlist.

Janus Henderson reported no significant votes for the Diversified Alternatives Fund over the period. Janus Henderson only considers a vote to be significant if it is a vote against management with high levels of dissent. However, no vote against management over the period met the criteria.

LGIM provided examples of the votes it considered to be the most significant for the Plan over the period. These votes are broadly aligned with the Trustee's view for what is significant.

The Trustee's criteria for what is a significant vote will develop over time with input from its Investment Adviser, Asset Manager, and underlying investment managers. In general terms, the Trustee views the most significant votes to be those which align with the Trustee's stewardship priorities or those impacting stocks which are a material holding within a portfolio. The Trustee seeks to report on a range of different types of resolutions to demonstrate the breadth of voting undertaken on its behalf.

The Trustee has reported on one of these significant votes per fund as the most significant votes.

Commentary on these votes is set out below.

### LGIM Future World Europe ex UK Equity Index

- **Schneider Electric SE, May 2023**
- **Summary of resolution:** Approve Company's Climate Transition Plan
- **Relevant stewardship priority:** Climate change
- **Management recommendation:** For
- **Manager vote:** Against
- **Approx size of the holding at the date of the vote:** 1.7%
- **The reason the Trustee considered this vote to be "most significant":** The vote relates to one of the Trustee's stewardship priorities – climate change.
- **Rationale:** LGIM expects companies to implement credible transition plans aligning with the Paris Agreement's goal of limiting the global average temperature increase to 1.5°C. This includes disclosure of scope 1, 2, and material scope 3 emissions, and short-, medium-, and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The resolution passed, with 94.9% votes for. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

### LGIM Future World Emerging Markets Equity Index

- **Tencent Holdings Limited, May 2023**
- **Summary of resolution:** Elect Jacobus Petrus (Koos) Bekker as Director
- **Management recommendation:** For
- **Manager vote:** Against
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 3.5%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities – climate change.
- **Rationale:** LGIM believes that the company does not meet minimum standards regarding climate risk management, and expects the remuneration committee to consist of independent directors.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The resolution passed, with 88.4% votes for. LGIM will continue to engage with the company and monitor progress.

#### Future World Japan Equity Index Fund

- **Toyota Motor Corp., June 2023**
- **Summary of resolution:** Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
- **Management recommendation:** Against
- **Manager vote:** For
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 4.8%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities – climate change.
- **Rationale:** LGIM believes that climate lobbying is essential for achieving a net-zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. While acknowledging Toyota Motor Corp’s progress in climate lobbying disclosure in recent years, LGIM believes that additional transparency is necessary with regard to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.
- **Was the vote communicated to the company ahead of the vote:** 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.

- **Outcome and next steps:** The resolution failed, with 15.1% votes for. LGIM will continue to engage with the company and monitor progress.

#### LGIM Future World North America Equity Index Fund

- **Yum! Brands, Inc., May 2023**
- **Summary of resolution:** Report on Efforts to Reduce Plastic Use
- **Management recommendation:** Against
- **Manager vote:** For
- **Relevant stewardship priority:** Biodiversity loss
- **Approx size of the holding at the date of the vote:** 0.2%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities - biodiversity.
- **Rationale:** The circular economy is a key component of LGIM's approach to nature, and LGIM believes solving plastic pollution is critical in a just transition to net zero and nature-positive economies. As the filer of this resolution noted, the company has not aligned its packaging targets with key initiatives such as the Pew Report, which suggests that companies should commit to reducing at least one-third of plastic demand through elimination, reuse, and new delivery models. Although the company published its Sustainable Packaging Policy, the policy does not make any reference to single-use plastics (but rather mentions “unnecessary packaging”) and its disclosures do not seem to sufficiently address the regulatory risks and the risk of higher costs in case of inaction. Therefore, LGIM believed a vote for this resolution is warranted.
- **Was the vote communicated to the company ahead of the vote:** 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.
- **Outcome and next steps:** The resolution failed, with 36.4% of votes for. LGIM will continue to engage with the company and monitor progress.

#### LGIM Future World Asia Pacific ex Japan Equity Index Fund

- **Woodside Energy Group Ltd., April 2023**
- **Summary of resolution:** Re-elect Ian Macfarlane as Director
- **Management recommendation:** For
- **Manager vote:** Against
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 0.7%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities – climate change.
- **Rationale:** LGIM’s vote against the most senior director up for re-election, Mr Ian Macfarlane, reflects its concerns around the company’s lack of commitment to aligning with the Paris objectives and net

zero, and the insufficient reaction to the significant proportion of shareholder votes against their climate report (49%) in the 2022 AGM. Additionally, following the completion of the BHP petroleum assets merger in 2022, LGIM is looking to get more clarity on the decarbonisation targets of the combined group, and note a number of gaps in the company's disclosure, primarily around the overreliance on offsets for achieving climate goals. In 2023, LGIM met with the company (investor relations) and with the chair of the board. However, LGIM still feels that actions taken are insufficient to restore investor confidence and that there is a lack of urgency around better aligning the company with the Paris objectives.

- **Was the vote communicated to the company ahead of the vote:** 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.
- **Outcome and next steps:** The resolution passed, with 65.2% of votes for. LGIM will continue to engage with the company and monitor progress.

#### LGIM Future World UK Equity Index

- **Shell Plc, May 2023**
- **Summary of resolution:** Approve the Shell Energy Transition Progress
- **Management recommendation:** For
- **Manager vote:** Against
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 4.6%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee's stewardship priorities – climate change.
- **Rationale:** LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with the 1.5C trajectory.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The resolution passed, with 80% of votes for. LGIM continues to undertake extensive engagement with Shell on its climate transition plans.

#### LGIM MSCI UK Equity Index ESG Exclusions Fund

- **InterContinental Hotels Group Plc, May 2023**
- **Summary of resolution:** Re-elect Graham Allan as Director
- **Management recommendation:** For
- **Manager vote:** Against

- **Relevant stewardship priority:** Biodiversity loss
- **Approx size of the holding at the date of the vote:** 0.4%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities - biodiversity.
- **Rationale:** LGIM voted against the resolution as the company is deemed to not meet minimum standards with regard to LGIM’s deforestation policy. LGIM believes it is vital that companies proactively analyse, assess, and address deforestation risks within their operations and supply chains and pay attention to the rising expectations from investors and a broader set of stakeholders.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The resolution passed, with 97.3% votes for. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

#### **LGIM MSCI ACWI Equity Index ESG Exclusions Fund**

- **Amazon.com, Inc., May 2023**
- **Summary of resolution:** Report on Median and Adjusted Gender/Racial Pay Gaps
- **Management recommendation:** Against
- **Manager vote:** For
- **Relevant stewardship priority:** Human rights
- **Approx size of the holding at the date of the vote:** 1.6%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities – human rights.
- **Rationale:** LGIM voted for the resolution as it 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.
- **Was the vote communicated to the company ahead of the vote:** 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.
- **Outcome and next steps:** The resolution failed, with 29% votes for. LGIM will continue to engage with the company and monitor company.



## LGIM Global Developed Small Cap Index

- **Chemed Corporation, June 2023**
- **Summary of resolution:** Submit Severance Agreement (Change-in-Control) to Shareholder Vote
- **Management recommendation:** Against
- **Manager vote:** For
- **Relevant stewardship priority:** Human rights
- **Approx size of the holding at the date of the vote:** 0.1%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities – human rights.
- **Rationale:** LGIM believes that although the company's existing severance policies align with industry standards, and equity awards require specific triggers, adopting a policy like the one outlined in the proposal would significantly reduce the potential for excessive cash severance payments that deviate from market norms. It is important to note that the proposal applies only to new or renewed severance arrangements.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with their investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The resolution failed, with 48.4% votes for. LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.

## LGIM Global Real Estate Equity Index

- **Realty Income Corporation, May 2023**
- **Summary of resolution:** Elect Director Michael D. McKee
- **Management recommendation:** For
- **Manager vote:** Against
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 2.5%
- **The reason the Trustee considered this vote to be “most significant”:** The vote relates to one of the Trustee’s stewardship priorities – climate change.
- **Rationale:** A vote against is applied as the company is deemed to fall short of minimum standards in climate risk management. In addition, LGIM expects the chair of the Board to have served on the board for no more than 15 years and the board to be regularly refreshed to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with its investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

- **Outcome and next steps:** The resolution passed, with 95.1% votes for. LGIM will continue to engage with the company and monitor progress.

#### **LGIM Retirement Income Multi-Asset**

- **Public Storage, May 2023**
- **Summary of resolution:** Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal
- **Management recommendation:** Against
- **Manager vote:** For
- **Relevant stewardship priority:** Climate change
- **Approx size of the holding at the date of the vote:** 0.1%
- **The reason the Trustee considered this vote to be “most significant”:** the vote relates to one of the Trustee’s stewardship priorities – climate change.
- **Rationale:** LGIM voted for this shareholder resolution as it expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5°C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5°C goal.
- **Was the vote communicated to the company ahead of the vote:** LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. Its policy is not to engage with their investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.
- **Outcome and next steps:** The resolution failed, with 34.7% votes for. LGIM will continue to monitor the board’s response to the relatively high level of support received for this resolution.