Cummins UK Pension Plan

Implementation statement

1 January 2023 to 31 December 2023

About this statement

The Trustee of the Cummins UK Pension Plan (the Plan) must produce a yearly statement explaining how, and the extent to which, it has followed its Statement of Investment Principles (SIP) during the Plan year. This must include:

- details of any review of the SIP during the Plan year
- any changes made to the SIP and why
- the date of the last SIP review
- a description of the voting behaviour by (and on behalf of) the Trustee
- the most significant votes cast, stating any use of the services of a proxy voter during that year. This is provided in Section 8 below.

In preparing this statement, the Trustee has considered the guidance issued by the Department for Work and Pensions (DWP's guidance) on reporting on stewardship and other topics through the SIP and the Implementation statement.

This statement is based on the SIP, dated July 2022, for periods from January 2023 to November 2023 and the SIP dated December 2023. Please read this statement in conjunction with the Plan's **current SIP.**

Contents

1 Introduction

The Trustee has, in its opinion, followed all the policies in the Plan's SIP during the Plan year. The following sections provide detail and commentary about how and the extent to which it has done so.

A review of the SIP was carried out during the Plan year, with the updates finalised in December 2023. It was updated to reflect:

- a new policy on illiquid investments in the default arrangements of the DC Section
- DWP's guidance which expects trustees to take a more active role in monitoring and engaging with investment managers on stewardship
- the Trustee's net-zero aspiration, which it expects the Plan's investment managers and advisers to help it achieve
- the redemption of a number of private asset managers following the completion of the private equity sale, known as Project Lenoir
- the introduction of an allocation to unleveraged long-dated gilts.

2 Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring reports. The Trustee can also view the progress on an ongoing basis online and using LCP Visualise (a tool provided by the Plan's investment adviser that shows key metrics and information about the Plan including the investment strategy's expected return and risks).

As at 31 December 2023, the Plan's long-term funding target and DB investment strategy was in the process of being reviewed by the Trustee. The current target is to achieve 103% funding on the Plan's self-sufficiency basis by 31 December 2028.

As part of the performance and strategy review of the DC and AVC default arrangements, in March to November 2023, the Trustee considered the membership demographics and the variety of ways that DC and AVC members may take their Plan savings at retirement.

Based on the outcome of this analysis, the Trustee concluded that the default arrangements have been designed to be in the best interests of the majority of the DC Section and AVC members and reflect the demographics of those members.

The Trustee also provides members with access to a range of investment options which it believes are suitable for the purpose and enable appropriate diversification. The Trustee has made alternative lifestyle strategies and a self-select fund range available to members covering all major assets classes. Details are included on the **Plan website**. The Trustee monitors the take-up of these alternative choices, and it has been low in comparison with the number of members using the default strategies. The Trustee reminded members in their annual benefit statements in July 2023 to review their investment holdings and check these are suitable for their risk tolerances and retirement planning.

The Trustee reviews the ongoing charges members pay and this is covered further in **section 4**, under Fees.

3 Investment strategy

DB Section

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the DB Section's investment strategy on multiple occasions during the Plan year. The strategy remained under review as at 31 December 2023, as strategy discussions are continuing.

As part of the strategy review, the Trustee seeks to ensure that the DB Section's assets are adequately and appropriately diversified between different asset classes.

During the Plan year, the Investment sub-committee (ISC) initiated a new allocation to un-leveraged fixed-interest gilts and index-linked gilts to partially restore the Plan's level of interest rate and inflation hedging following the gilts crisis in 2022. It expects this allocation to increase over time as and when the DB Section reduces risk. In October 2023, a further c.£19m was invested into the fixed-interest gilt mandate to increase the Plan's interest rate hedging levels. These investments were sourced from redemption proceeds from the Plan's private market assets.

The Trustee monitors the Plan's asset allocation on a quarterly basis, which has been broadly in line with its strategic allocation over the Plan year. The Trustee is currently reviewing this strategic allocation.

Required return triggers put in place as part of the Plan's investment de-risking mechanism were monitored daily using LCP Visualise during the year, and none of these triggers were hit. If a trigger were to be hit, LCP would notify the Trustee so that a discussion could take place. The Trustee also reviews the Plan's progress against the triggers as part of the quarterly investment monitoring reporting it receives.

The Trustee reviews the DB Section's net current and future cashflow requirements on a regular basis. The policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets. The Trustee maintained sufficient liquidity to meet all cashflow requirement throughout the year and is reviewing the liquidity of the Plan's assets as part of the ongoing investment strategy review.

DC Section

The Trustee, with the help of its advisers and in consultation with the Company, reviewed the strategy and performance of the default arrangements over the Plan year, as mentioned in **section 2**. The Trustee concluded that the respective targets for the drawdown, cash and annuity lifestyles remained appropriate for the default lifestyle arrangements, and that the Cash fund remains an appropriate vehicle for any member contributions to be invested due to any fund closures.

In addition, the Trustee agreed that the default arrangements were adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from. In the review, some changes were recommended and agreed by the Trustee. However, the Trustee decided not to implement any changes given a broader review of the investment arrangements taking place in 2024. On a quarterly basis, the Trustee monitored the illiquid assets allocation in the default arrangements over the Plan year to ensure that they remained appropriate.

The Trustee previously carried out a review of the DC Section between August 2021 and March 2022. The changes agreed as part of that review were implemented in February 2023. The changes agreed were as follows

<table>
<tr><th>Underlying funds</th><th>Accelerated growth – old</th><th>Accelerated growth – new</th><th>Moderate growth – old</th><th>Moderate growth – new</th><th>Pre-retirement – old</th><th>Pre-retirement – new</th></tr>
<tr><td>LGIM MSCI ACWI Adaptive Cap ESG Index</td><td>50%</td><td>40%</td><td>-</td><td rowspan="3">20%</td><td>-</td><td>-</td></tr>
<tr><td>LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index</td><td>50%</td><td>20%</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>LGIM Low Carbon Transition Global Equity Index</td><td>-</td><td>40%</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>LGIM Diversified</td><td>-</td><td>-</td><td>100%</td><td>80%</td><td>-</td><td>-</td></tr>
<tr><td>LGIM Pre-retirement (now called LGIM Future World Annuity Aware)</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100%</td><td>-</td></tr>
<tr><td>BlackRock Sustainable Short Duration Credit</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>100%</td></tr>
</table>

In addition, a new fund was created, the Annuity focused fund, which is used in place of the Pre-retirement fund in the Lifestyle: annuity protection option. The Trustee believes these changes are in the best interests of the majority of the DC Section and AVC members.

The Trustee reviewed the retirement data provided by the administrator after the Plan year end to see how members access their benefits. The available data is limited given the young age profile of the membership.

4 Investment arrangements

When the Trustee reviewed the DB investment strategy in June 2023, it considered the investment risks set out in sections 7.4 and 7.5 of the SIP. The Trustee also considered a range of relevant asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated. The Plan's investment strategy review was ongoing as at 31 December 2023.

The Trustee last formally reviewed its investment beliefs in October 2023. Following a review of recent evidence of the financial materiality of climate-related risks and further training on climate-related risks and opportunities, the Trustee considered that its investment beliefs remained appropriate, given this context.

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

The Trustee appointed BlackRock in July 2023 to manage an unleveraged fixed-interest gilt and index-linked gilt allocation and invested a further c.£19m in October 2023. Before appointing BlackRock to manage this allocation, the Trustee received information on the investment process, the investment teams, past performance, and formal written advice from its investment adviser, LCP. The Trustee believes that the investment into these new mandates will increase the Plan's interest rate and inflation hedging levels.

The Plan's investment adviser, LCP, monitors the investment managers on an ongoing basis and informs the ISC promptly of any developments. The ISC considers whether to inform the Trustee about any significant updates or events it is made aware of, in particular any developments that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Plan invests in, or any material change in the level of diversification within the funds.

The Trustee monitors the performance of the Plan's investment managers on a quarterly basis, using the quarterly performance monitoring report which shows the performance of each fund. Performance is considered in the context of the manager's benchmark and objectives. For the DB Section, the Trustee also monitors its managers' responsible investment capabilities, using scores provided by its investment adviser as part of the standard monitoring reports. For the DC Section, the investment adviser discusses any reviews of their managers' approach to responsible investment at ISC meetings and raises any changes to this approach.

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

Fees

In April 2024, the Trustee, through LCP, carried out a value for members' assessment looking at the Plan year to 31 December 2023. This covers a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against other pension schemes with similar sized mandates.

The Trustee reviewed the investment manager fees for the DB Section during 2023 and found the costs to be reasonable when compared to similar mandates.

5 Social, environmental and ethical issues

The Trustee published the Plan's first Climate Change Report in July 2023 and will publish its second report alongside the Trustee Report & Accounts for the year to 31 December 2023. The Trustee agreed to the following stewardship priorities for the Plan in March 2023:

- climate change
- human rights
- corporate transparency.

These priorities were selected based on the results of a Trustee poll and were communicated to the relevant investment managers. The Trustee will review the investment managers' policies and engagement activity related to these priorities periodically.

As part of its advice on the selection and ongoing review of the Plan's investment managers, the Trustee's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement, where possible.

Within the DC Section and AVC arrangement, the Trustee recognises that some members may wish for ethical or religious matters to be taken into account in their investments and therefore, as mentioned in the SIP, it has made available the following two funds as investment options to members:

- Ethical global equity index (underlying fund is the LGIM Ethical Global Equity Index)
- Amanah fund (underlying fund is the HSBC Islamic Global Equity Index).

The Amanah fund allows members to invest in a fund where the principles are aligned with Sharia law and ensures the DC Section and AVC arrangement are suitable for a wider variety of members.

As referred to in **section 1**, the Trustee has set an aspiration for the Plan's assets to have net-zero carbon emissions by no later than 2050 to help mitigate climate risk. It aspires to align the Plan's assets with net-zero greenhouse gas emissions by 2050 through selecting managers and investing in funds with credible net-zero targets as well as engaging with the appointed managers on their progress against their net-zero targets. Many of the Plan's investment managers are now signatories to the Net Zero Asset Managers Initiative (NZAMI). To assess the credibility of managers' plans to meet their net-zero targets, the Trustee is monitoring their climate-related metrics.

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights and engagement. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers.

As part of its advice on the selection and ongoing review of the investment managers, the Plan's investment adviser, LCP, incorporates in its assessment the nature and effectiveness of managers' approaches to voting and engagement. During the Plan year, the Trustee engaged with BlackRock and LGIM to encourage greater transparency of engagement (through better-quality reporting) and more action to be taken to help meet the Plan's net-zero aspiration.

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 improvement.

6 Other matters

Risk management

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

DB Section

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based on the advice of the Plan's investment adviser or information provided to the Trustee by the Plan's investment managers. These include solvency and mismatching risk, sponsor risk, credit risk, equity risk, liquidity risk, political risk, manager risk, currency risk, custodial risk and ESG (including climate) risks.

Following elevated gilt market volatility in 2022, liquidity risk has been considered in more detail by the Trustee as part of continuing investment strategy considerations.

Looking at the risk of inadequate returns, as part of the quarterly investment monitoring, the Trustee considers the Plan's funding against the return required to achieve the long-term target to be 103% funded on a self-sufficient basis by the end of 2028. As part of the ongoing investment strategy review, the Trustee is also reviewing the long-term target date.

The DB Section's interest rate and inflation hedging levels are typically considered as part of quarterly investment monitoring reports. The Plan's hedging levels were broadly in line with the target levels and have been increased towards the levels prior to the gilt market volatility in October 2022. At the year end, the Trustee was reviewing the investment strategy, including the Plan's interest rate and inflation hedging strategy.

DC Section

The Trustee considers the following risks:

- opportunity or shortfall risk – the risk that members don't take sufficient risk at a stage in their lives when they're most able to, resulting in a smaller-than-expected pension account at retirement
- capital risk – members' savings fall in absolute terms
- inflation risk – investment return over members' working lives doesn't keep pace with inflation.

To mitigate these risks, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used throughout the default lifestyle arrangements and are also made available within the self-select options. These funds are expected to produce positive real returns (specifically, above inflation) over the longer term. As part of the default lifestyle arrangements, the equity allocation is gradually reduced for the typical member in the years approaching retirement. Lower-volatility assets are used to minimise the risk that members lose material amounts of their retirement pots within a small number of years of their retirement.

The Trustee has made available a lifestyle strategy to address the annuity conversion risk present in the DC Section and AVC arrangement if members plan to purchase an annuity with their retirement savings. This refers to the risk that relative market movements in the years just prior to retirement may lead to a substantial reduction in the pension and cash lump sum secured. The annuity protection strategy aims to hedge against annuity price movements as members approach their target retirement age. An annuity-focused fund, which aims to broadly match annuity prices, is also available to members as a self-select option.

There is also consideration of the 'lack of diversification' risk which is the risk that the failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the value of the Plan's assets. To mitigate this risk, the Trustee has adequately diversified the Plan's assets between different asset classes and within each asset class.

Members of the Plan also face the risk that pension pots are eroded due to unduly high investment charges. The Trustee works to mitigate this risk by regularly reviewing the costs associated with managing the Plan's assets, as noted in **section 4**.

For AVC members, the Trustee makes available the same investment arrangements as for DC members.

In considering the risk of inadequate returns for the DC Section, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used throughout the default option and are also made available within the self-select fund range. These funds are expected to produce adequate real returns over the longer term. The Trustee monitors the standard deviation and returns of these funds on a quarterly basis.

Together, the investment and non-investment risks set out in section 7.4 of the SIP give rise generally to funding risk. The Trustee formally reviews the Plan's funding position as part of its annual actuarial report to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position allowing for membership and other experience. The Trustee also informally monitors the funding position more regularly, on a quarterly basis at Trustee meetings and has the ability to monitor it daily on LCP Visualise.

Please refer to earlier in this statement for details on diversification risk and liquidity risk (**section 3**), and investment manager risk (**section 4**).

7 Voting behaviour

All the Plan'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 can't direct how votes are exercised and hasn't used proxy voting services over the Plan year. However, the Trustee takes ownership of the Plan's stewardship by monitoring and engaging with managers as detailed below.

DB Section

As at December 2023, we can confirm that none of the funds held in the DB Section invested in listed equities over the Plan year. However, we've included commentary (provided by the investment managers) on the following funds that don't hold listed equities but have in place a proxy voting policy:

- CDH VGC Fund II LP
- CDH VGC Fund I USD Parallel LP
- WTW Secure Income Fund

We haven't included voting data or commentary on the following funds that the Plan invested in during the period, which don't hold listed equities and where there are either no voting opportunities or where voting information is not available:

- Axiom Asia Private Capital Fund II
- Real Estate Capital Asia Partners IV LP
- CS Capital Partners V LP
- Nuveen Tiaa Cref Global Agriculture II LLC
- CS Iris Low Volatility Plus T Feeder Fund
- Hayfin Direct Lending Fund LP
- BlackRock Buy and Maintain Portfolio
- BlackRock Aquila Life Over 25 Years Index Linked Gilts Fund
- BlackRock Aquila Life Over 25 Years Fixed Interest Gilts Fund

Commentary provided from managers that have a proxy voting policy in place is set out in **Section 7.1**.

DC Section

We've included voting data only on the funds with equity holdings used in the default strategies, given the high proportion of DC Section assets that are invested in these funds. In addition, we've also included self-select funds which incorporate ESG or ethical factors, recognising that members choosing to invest in these funds may be interested in this information. We haven't included any other self-select funds on materiality grounds.

7.1 Voting processes

LGIM

LGIM's voting and engagement activities are driven by ESG professionals, and their assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM reviews its voting policies annually and takes into account feedback from clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of LGIM's investment stewardship team. The views expressed by attendees during this event form a key consideration in developing LGIM's voting and engagement policies and define future strategic priorities. LGIM also considers client feedback received at regular meetings and/or ad-hoc comments or enquiries.

All voting decisions are made by LGIM's investment stewardship team and in accordance with their policies on corporate governance, responsible investment and conflicts of interest, which are reviewed annually. Each member of the team is allocated a specific sector globally, so that the voting is undertaken by the same individuals who engage with the relevant company. This helps ensure LGIM's stewardship approach is consistent throughout the engagement and voting process, and that engagement is fully integrated into the voting decision process, which aims to provide consistent messaging to companies.

LGIM's investment stewardship team uses Institutional Shareholder Services' (ISS) ProxyExchange electronic voting platform to vote. All voting decisions are made by LGIM, and it does not outsource any part of the strategic decisions. ISS' recommendations are used to augment LGIM's own research and proprietary ESG assessment tools. The investment stewardship team also uses the research reports of Institutional Voting Information Services to supplement the research reports received from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes are in accordance with its position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best-practice standards that all companies globally should observe, irrespective of local regulation or practice.

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 the service provider. This includes a regular manual check of the votes input to the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

HSBC

The legal right to the underlying votes lies with the directors of the HSBC Islamic global equity index fund (Amanah fund). They have delegated the execution of this voting to HSBC Global Asset Management (UK) Limited.

HSBC exercises its voting rights as an expression of stewardship for client assets. HSBC has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

HSBC uses the voting research and platform provider ISS to assist with the global application of its voting guidelines. ISS reviews company meeting resolutions and provides recommendations, highlighting resolutions which contravene its guidelines. HSBC reviews voting policy recommendations according to the scale of its overall holdings. The bulk of holdings are voted in line with the recommendation based on HSBC's guidelines.

Regarding climate, in its engagement HSBC encourages companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the TCFD. Where companies in energy-intensive sectors have persistently failed to disclose their carbon emissions and climate-risk governance, HSBC will generally vote against the re-election of the Chair. HSBC also generally supports shareholder resolutions calling for increased disclosure on climate-related issues.

Commentary from DB asset managers

The following commentary is provided by the Plan's asset managers who don't hold listed equities but have provided information regarding their proxy voting policy:

- BlackRock – BlackRock Buy and Maintain Portfolio
  BlackRock's approach to corporate governance and stewardship is explained in its Global Principles. These high-level principles are the framework for its more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The principles describe its philosophy on stewardship (including how it monitors and engages with companies), its policy on voting, its integrated approach to stewardship matters and how it deals with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews its Global Principles annually and updates them as necessary to reflect market standards, evolving governance practice and insights gained from engagement over the prior year.

  BlackRock's voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engages as necessary. If a client wants to implement their own voting policy, they'll need to be in a segregated account. BlackRock's investment stewardship team (BIS) would not implement the policy itself, but the client would engage a third-party voting execution platform to cast the votes.

BlackRock's proxy voting process is led by the BIS team, which consists of three regional teams – Americas (AMRS), Asia-Pacific (APAC), and Europe, Middle East and Africa (EMEA) – located in seven offices around the world. The analysts with each team will generally determine how to vote at the meetings of the companies they cover. Voting decisions are made by members of the BIS team with input from investment colleagues as required, in each case, in accordance with BlackRock's Global Principles and custom market-specific voting guidelines.

- CDH – CDH VGC Fund II LP and CDH VGC Fund I USD Parallel LP
  The funds are private equity funds where listed securities are not our primary targets for investments. In each of our investments, we target to negotiate for significant minority protection rights and, in most cases, we would obtain a board seat to be actively involved in the management of our portfolio company and to ensure proper governance. It is our policy that our funds should exercise their rights to vote in all matters submitted for shareholders' votes. The deal team responsible for the investment shall assess the merits of each proposal, based on the team's understanding and expectation of the company's business and strategy, and recommend voting accordingly. The legal and compliance team shall review the recommendation to assess if the funds' rights might be adversely affected. If any material deviations from our investment thesis or shareholder's rights are identified, the matter will be elevated to the investment committee for a decision. If not, the fund shall vote in accordance with the deal team's recommendation.

- WTW – WTW Secure Income Fund (SIF)
  As the SIF invests in private markets, via underlying fund managers who often own a majority share in the assets they hold, there are few formal votes taken. Where there are formal votes, typically these are via Investor Advisory Committees (IACs) which tend to be made up of larger investors and represent the interests of all investors in the fund. It is common for WTW to have an observer seat on these committees in order to represent our wider client base. However, in most situations, the SIF also takes a voting seat and is an active participant. Over the 12 months to 31 December 2023, we attended 25 IAC meetings for the SIF's underlying managers.

7.2 Summary of voting

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

DB Section

During the Plan year, none of the Plan's funds held listed equities. Hence, there were no voting rights to be exercised.

DC Section

White-labelled fund(s)	Accelerated growth and Moderate growth	Accelerated growth and Moderate growth	Accelerated growth and Moderate growth	Moderate growth	Ethical global equity index	Amanah
Manager name	LGIM	LGIM	LGIM	LGIM	LGIM	HSBC
Underlying fund name	MSCI ACWI Adaptive Capped ESG Index Fund (Accelerated Growth - 40% allocation, Moderate Growth – 8% allocation)	RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund (Accelerated Growth - 20% allocation, Moderate Growth – 4% allocation)	Low Carbon Transition Global Equity Index (Accelerated Growth - 40% allocation, Moderate Growth – 8% allocation)	Diversified Fund (80% allocation)	Ethical Global Equity Index Fund	Islamic Global Equity Index Fund
Total size of fund at end of the Plan year	c.£2,577m	c.£1,650m	£4,038m	c.£11,284m	c.£1,049m	c.£2,477m
Value of Plan assets at end of the Plan year (% of total assets)	c.£111m (28.5%)	c.£55m (14.3%)	c.£111m (28.5%)	c.£85m (21.8%)	c.£1.9m (0.5%)	c.£0.7m (0.2%)
Number of equity holdings at end of the Plan year	2,282	2,277	2,837	6,908	1,081	107
Number of meetings eligible to vote	3,205	3,286	4,687	9,077	1,175	107
Number of resolutions eligible to vote	36,736	37,471	47,232	94,290	16,787	1,726
% of resolutions voted	99.9%	99.9%	99.9%	99.8%	99.9%	95%
% voted with management	78.1%	79.0%	79.2%	76.4%	81.3%	76%
% voted against management	21.4%	20.5%	20.5%	23.4%	18.5%	23%
% abstained from voting	0.5%	0.5%	0.4%	0.3%	0.2%	0%
% with at least one vote against management	70.9%	68.6%	65.6%	75.4%	74.9%	81%
% voted contrary to recommendation of proxy adviser	14.3%	13.7%	11.9%	14.6%	14.0%	1%

7.3 Significant votes

Given the large number of votes which are cast by managers during every annual general meeting (AGM), the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, we've retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of 10 most significant votes, and suggested the managers could use the Pensions and Lifetime Savings Association's criteria for creating this shortlist.

Commentary on the most significant votes over the Plan year, from the Plan's asset managers who hold listed equities, is set out below. We've selected a subset of the votes reported by the managers. The Trustee has interpreted 'significant votes' to mean those that:

- align with the Trustee's stewardship priorities
- might have a material impact on future company performance
- the investment manager believes to represent a significant escalation in engagement
- impact a material fund holding, although this would not be considered the only determinant of significance, rather an additional factor
- aligned with the investment manager's engagement priorities or key themes.

The Trustee has reported on one of these significant votes per fund only. If you'd like more investment manager voting information, this is available on request from the Trustee.

LGIM MSCI ACWI Adaptive Capped ESG Index
(40% of Accelerated growth fund and 8% of Moderate growth fund)

Crown Castle Inc., May 2023	Vote cast: Against	Outcome: Passed
Relevant stewardship priority	Climate change	
Management recommendation	For	
Summary of resolution	Re-elect Director P. Robert Bartolo	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.1%	
Rationale	LGIM voted against this proposal it was dissatisfied with the company's progress on climate risk management, which is deemed to not meet minimum standards.	
Criteria against which this vote has been assessed as 'most significant'	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	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.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index (20% of Accelerated growth fund and 4% of Moderate growth fund)

Toyota Motor Corp., June 2023	Vote: For	Outcome: Not passed
Relevant stewardship priority	Climate change	
Management recommendation	For	
Summary of resolution	Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.3%	
Rationale	LGIM views climate lobbying as a crucial part of enabling the transition to a net-zero economy. LGIM voted for this proposal as it believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledge the progress that Toyota Motor Corp. has made in relation to its climate lobbying disclosure in recent years. However, they believe that additional transparency is necessary with regards 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 expect 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.	
Criteria against which this vote has been assessed as 'most significant'	The vote relates to one of the Trustee's stewardship priorities.	
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 sent to the company ahead of the meeting.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

LGIM Low Carbon Transition Global Equity Index (40% of Accelerated growth fund and 8% of Moderate growth fund)

Amazon.com, Inc., May 2023	Vote: For	Outcome: Not passed
Relevant Stewardship Priority	Human rights, corporate transparency	
Management recommendation	Against	
Summary of resolution	Report on Median and Adjusted Gender/Racial Pay Gaps	
Approximate size of the holding at the date of the vote (% of the portfolio)	1.8%	
Rationale	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.	
Criteria against which this vote has been assessed as 'most significant'	The vote relates to one of the Trustee's stewardship priorities.	
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 sent to the company ahead of the meeting.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

LGIM Diversified Fund
(80% of Moderate growth fund)

Shell Plc, May 2023	Vote: Against	Outcome: Passed
Relevant stewardship priority	Climate change	
Management recommendation	For	
Summary of resolution	Approve the Shell Energy Transition Progress	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.3%	
Rationale	LGIM voted against the proposal, though not without reservations. LGIM acknowledge the substantial progress made by Shell in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low-carbon products. However, LGIM remain 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 1.5°C trajectory.	
Criteria against which this vote has been assessed as 'most significant'	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	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.	
Outcome and next steps	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.	

LGIM Ethical Global Equity Index Fund

The Coca-Cola Company, April 2023	Vote: For	Outcome: Not passed
Relevant Stewardship Priority	Corporate transparency	
Management recommendation	Against	
Summary of resolution	Report on Congruency of Political Spending with Company Values and Priorities	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.7%	
Rationale	LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While LGIM appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. LGIM believes that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities.	
Criteria against which this vote has been assessed as 'most significant'	The vote relates to one of the Trustee's stewardship priorities.	
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 sent to the company ahead of the meeting.	
Outcome and next steps	LGIM will continue to engage with the company and monitor progress.	

HSBC Islamic Global Equity Index (Amanah fund)

Cisco Systems, Inc., December 2023	Vote: Against	Outcome: Passed
Relevant Stewardship Priority	Human rights	
Management recommendation	Against	
Summary of resolution	Elect Director Michael D. Capellas	
Approximate size of the holding at the date of the vote (% of the portfolio)	0.9%	
Rationale	HSBC voted against this Nomination Committee Chair as they have concerns about insufficient gender diversity of the board.	
Criteria against which this vote has been assessed as 'most significant'	The vote relates to one of the Trustee's stewardship priorities.	
Was the vote communicated to the company ahead of the vote?	No.	
Outcome and next steps	HSBC will continue to engage on the issue along with other issues of concern and will vote against a similar proposal should they see insufficient improvements.	