

# Trent Buses Pension Scheme

## Engagement policy implementation statement for the year ended 5 April 2024

### Introduction

On 6 June 2019, the Government published the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 (the "Regulations"). The Regulations require that the Trustees produce an annual statement called an Engagement Policy Implementation Statement which:

- Explains how and the extent to which the Trustees have followed their stewardship policies on engagement, exercising rights and approach with regards to Environmental, Social and Governance ('ESG') factors and the actions taken with managers on managing ESG risks as set out in the Statement of Investment Principles ("SIP").
- Describes the voting behaviour by or on behalf of the Trustees (including the most significant votes cast) during the scheme year and states any use of third-party provider of proxy voting services.

This statement has been prepared by the Trustees for the Scheme year 6 April 2023 to 5 April 2024.

### Executive summary

Based on the activity over the year by the Trustees and their investment managers, the Trustees are of the opinion that the stewardship policy has been implemented effectively in practice. The Trustees note that their investment managers were able to disclose adequate evidence of voting and engagement activity where this applied.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

### Compliance with the Statement of Investment Principles (SIP) over the year

During the year, the Scheme's investment policies were implemented in line with the principles set out in the Scheme's Statement of Investment Principles.

During the Scheme year, a new strategy has been agreed and has been implemented. The new investment strategy aims to hedge 90%-100% of inflation and interest rate risk through the Legal and General Matching Core LDI funds. A revised SIP was adopted in October 2023 reflecting these changes. The Trustees' objectives for setting the investment strategy of the Scheme and a summary of the broad asset allocation adopted by the Trustees can be found in the SIP.

### Governance

Investment monitoring takes place on a quarterly basis with monitoring reports provided to the Trustees by its investment consultant. The reports include ratings and highlight any areas of concern, or where action is required.

In the normal course of business, day to day investments and disinvestments will be made in line with the waterfall set out in the SIP. From time to time the LDI funds may distribute cash or require a cash injection due to a rebalancing event. Where such an event occurs, the cash will be distributed to / disinvested in accordance with the priority order set out in the SIP. The Scheme's assets are invested in the fund manager's pooled vehicles, which in turn invest in securities traded on recognised exchanges. The Trustees conclude that the majority of the Scheme's investments can be realised if necessary.

The Trustees have decided that direct involvement and monitoring of corporate governance is not a viable option given the resources available to the Trustees. As a result, the Trustees have delegated the exercise of rights to the Scheme's investments, including voting rights, to the Scheme's investment managers.

The Trustees recognise that there is a requirement to demonstrate good governance and to be transparent and accountable to Scheme members.

The Trustees believe that this is in keeping with the spirit of the Myners' Principles.

Based on the activity over the year by the Trustees and their investment managers, the Trustees are of the opinion that the stewardship policies have been implemented effectively in practice. The Trustees note that their investment managers were able to disclose adequate evidence of voting and engagement activity where this applied.

The Trustees expect improvements in disclosures over time in line with the increasing expectations on asset managers and their significant influence to generate positive outcomes for the Scheme through considered voting and engagement.

### **Socially Responsible Investing and the Exercise of Rights**

The Trustees acknowledge that direct influence from the Trustees on social, environmental and ethical policies and practices of the companies in which the pooled funds invest is not possible.

The investment managers make decisions related to:

- the exercise of any rights, including voting rights, attaching to the investments; and
- engagement activities in respect of the investments.

In principle, the Trustees support the stated policies of the fund managers and the investment managers with whom they work, which are:

- not to constrain their investment capabilities unless they are not satisfied that the potential returns outweigh any additional risk; and
- to encourage the companies in which they invest to adopt and pursue socially responsible business practices that conform with industry best practice.
- the investment managers have clear policies of voting on all important issues on behalf of the investor's best financial interests. The Trustees have delegated the Scheme's powers to the investment managers, the sole purpose of whose corporate governance policies are to protect and enhance the economic interests of clients.

### **Environmental, Social and Governance Matters**

The Scheme's overarching responsibility is to:

- deliver financially sustainable returns;
- for an acceptable level of risk;
- to meet the future pension benefits of the members as they fall due; and
- in a way that employer contributions paid into the Scheme are as stable and affordable as possible.

The Trustees have a duty to act in the best financial interests of the Scheme's beneficiaries and the Scheme is a long-term investor. This includes considering Environmental, Social and Governance ('ESG') risks and opportunities that may be financially material to the Scheme. The Trustees invest in pooled funds and so the assets are subject to the investment manager's own policies on ESG considerations, including climate change, capital structure and conflicts of interest. The Trustees undertake due diligence when appointing investment managers and review each of those managers' policies on ESG considerations. The Trustees appreciate that those investment managers which integrate ESG considerations can help mitigate risks and have the potential to lead to better, long-term financial outcomes.

The appointed investment managers have opted to sign the United Nations-supported Principles for Responsible Investment (PRI). The investment managers' reports related to PRI and their statements on compliance with the Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship, are reviewed by the Trustees at least once every three years.

### **Voting and engagement behaviour**

Whilst voting rights are not applicable to non-equity mandates, the Trustees recognise that debt investors have significant capacity for engagement with issuers of debt. The following examples demonstrate some of the engagement activity carried out by the Scheme's fixed income managers over the year:

#### **(i) Partners Group – The Partners Fund**

Partners Group is one of the global private markets firms to be included in the Dow Jones sustainability Indices (DJSI), reflecting the firm's position as a corporate sustainability leader in private markets.

Partners Group aims to realise potential in private markets and create sustainable returns with a lasting, positive impact for all of its stakeholders, in line with its fiduciary duty and return-generating goals. The Chairman of Sustainability of Partners Group is responsible for the firm's overall sustainability strategy. The Chairman prioritises and coordinates portfolio and corporate sustainability efforts, in interaction with the Partners Group's Executive Committee. Partners Group also produces annual Corporate Sustainability Reports with key ESG updates, including the publication of the ESG dashboards for each asset class - within these dashboards each asset is tracked and measured across key performance indicators.

As a private markets firm, Partners Group holds controlling stakes in its investment companies. Consequentially, engagement is of an ongoing nature, and they do not track individual exchanges. As a private markets' investor, Partners engages on an ongoing basis with their direct investments.

Partners Group uses a proxy advisor for its limited listed investments, working with one of the major proxy advising companies in the world - Glass Lewis. Glass Lewis does in-depth research on each ballot item and recommends voting in line with the list of guidelines best practice and considering local market standards. Glass Lewis also votes primarily according to Partners Group's Proxy Voting Policy. Wherever the recommendations from Glass Lewis, Partners Group's proxy voting directive, and the company's management differ, Partners Group vote manually on those proposals.

#### **(ii) M&G Total Return Credit Investment Fund**

M&G applies a RAG status rating for its outcomes on ESG engagements, which cover the following areas:

- Environment - Net Zero/Decarbonisation (including Net Zero Commitments and Climate Transition Plans)
- Governance - Board Composition & Effectiveness
- Social - Diversity & Inclusion

Examples of these include:

Environment (Green) - As part of a wider discussion on Dutch financial institution ING's climate targets and strategy (the company is currently committed to a near term SBTi) M&G had a number of requests to better allow us to measure and track its progress, as well as encouraging a net zero commitment, beyond its near term commitment: As part of its regular reporting, M&G asked for clear data disclosure in a single place and that this include financed emissions. M&G requested additional scope 3 categories reporting - currently category 15 and business travel only, and requested a continuation of CDP disclosure, which the company had stopped completing. They also asked for the publication of milestones in its climate strategy, with remuneration links. As a result, CDP disclosure was completed this year.

Governance (Amber) – M&G asked Australian sustainable logistics business Brambles to more explicitly link remuneration key performance indicators to sustainability targets, reflecting the company's role as a promoter of, and practitioner in, the circular economy. They also encouraged the company to commit to net zero through SBTi - it has a near term SBTi approved 1.5° target but has not yet committed to a net zero target through the initiative. In addition, they asked Brambles to consider reporting on specific milestones on the path to achieving the goals of its decarbonisation strategy, with specific ties to remuneration.

Brambles was very receptive to these requests and explained that the relatively long list of reported personal objectives, linked to 30% of short-term incentives, were tailored to individual roles - it would look to provide a clearer picture on a role-by-role basis. It also suggested a follow-on call with the head of sustainability to discuss more granular milestones connected to its decarbonisation strategy, which M&G will follow up on. Once they have the breakdown of objectives by role, depending on that outcome, they will write to the chair of the remuneration committee to outline their expectations. M&G are also sending the company examples of remuneration best practice to help guide the outcome.

Social (Amber) – M&G are actively encouraging North American multinational communications company AT&T Inc to aim to have at least 33% women on the Board. M&G sent a letter to the company commending their commitment to and progress on Board diversity to date. In the letter M&G stated that they would be happy to set up a meeting to discuss expectations and have a wider discussion around their diversity and inclusion practices.

(iii) Janus Henderson Investors - Multi Asset Credit Fund

Proxy voting does not apply to fixed Income strategies as lenders do not typically get to vote. Exceptions to this are normally around technicalities or for operational reasons such as Libor cessation (moving the reference rate on floating rate instrument from LIBOR to SONIA) rather than areas such as executive compensation or company strategy.

Janus Henderson Investors has a Proxy Voting Committee, which is responsible for its position on major voting issues and creating guidelines overseeing the voting process. The Committee is comprised of 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. Public links to its fund voting records are available on the company website.

Over the course of the year, in relation to the Multi Asset Credit Fund, Janus Henderson Investors has mainly applied its stewardship approach to corporate engagements. The largest proportion of ESG engagements is focused on individual issuers, however this frequently touches on systemic issues that no one company can solve by themselves. Thematic engagement (both Janus Henderson Investors and through collaborative initiatives) tends to be more focused on addressing system wide risks. Over the year, it has engaged with 35 entities across 49 different engagement topics, such as climate change, human and labour rights and financial reporting (e.g. audit, accounting, sustainability reporting).

(iv) Legal and General Investment Management (LGIM):  
All World Equity Index Fund & Dynamic Diversified Fund

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 strategic decisions are not outsourced.

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

All decisions are made by LGIM's Investment Stewardship team and in accordance with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures 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.

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 they do not outsource any part of the strategic decisions. Their use of ISS recommendations is purely to augment their own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

## Significant votes for the Scheme during the year

### Introduction

In this section there is a summary of voting information and examples of significant voting activity for each of the Scheme's relevant managers. The investment managers provided examples of 'significant' votes they participated in over the period. Each manager has its own criteria for determining whether a vote is significant. Examples of what might be considered a significant vote are:

- a vote where a significant proportion of the votes (e.g. more than 15%) went against the management's proposal
- where the investment manager voted against a management recommendation or against the recommendation of a third-party provider of proxy voting
- a vote that is connected to wider engagement with the company involved
- a vote that demonstrates clear and considered rationale
- a vote that the Trustees consider inappropriate or based on inappropriate rationale
- a vote that has significant relevance to members of the Scheme

The Trustees consider a significant vote if votes against management were more than 20%.

## Criteria of the investment managers

### (i) The Partners Fund

Partners Group considers the most significant votes to be in relation to the private markets investments in The Partners Fund. Private markets investments are the largest exposure within the fund, and these are typically held directly, where Partners Group controls the board and therefore direction and or strategy of the business. The Partners Fund's exposure in listed equity is usually less than 5%.

### (ii) Legal and General Investment Management: All World Equity Index Fund & Dynamic Diversified Fund

As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure they continue to help their clients in fulfilling their reporting obligations. They also believe public transparency of their vote activity is critical for their clients and interested parties to hold them to account.

For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what they deemed were 'material votes'. They are evolving their approach in line with the new regulation and are committed to provide their clients access to 'significant vote' information.

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

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

The information on significant votes is also reported in the format of detailed case studies in a quarterly ESG impact report and annual active ownership publications.

The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. A rationale for all votes cast against management, including votes of support to shareholder resolutions is also provided.

Please note that LGIM publicly discloses its vote instructions on their website at: <https://vds.issgovernance.com/vds/#/MjU2NQ==/>

## Voting statistics

The table below sets out the key statistics on the investment managers' voting eligibility and action over the Scheme year where disclosed. This covers the funds that invest in equities along with information provided from the Partners Fund, which invests in the private markets space.

Name of the Fund	Meetings eligible to vote at	Resolutions eligible to vote on	Percentage of eligible to resolutions voted on	Votes with management
The Partners Fund*	56	847	100%	92%
Legal and General Investment Management – All World Equity Index Fund	6,557	64,058	99.87%	79.27%
Legal and General Investment Management – Dynamic Diversified Fund	9,651	98,900	99.8%	76.7%

\*Data provided for the 2023 calendar year

Name of the Fund	Votes against management	Votes abstained from	Meetings where at least one vote was against	Votes contrary to the recommendation of the proxy adviser (if applicable)
The Partners Fund*	5%	3%	41%	2%
Legal and General Investment Management – All World Equity Index Fund	20.2%	0.53%	63.47%	11.39%
Legal and General Investment Management – Dynamic Diversified Fund	23.08%	0.22%	73.24%	14.07%

\*Data provided for the 2023 calendar year

## Most significant votes

The most significant votes for the Scheme during the year have been summarised in the tables on the following pages.

Set out in each section below are three responses selected from the fund managers when asked: "Which 10 votes (as a minimum) during the reporting period do you consider to be most significant for the Scheme?"

**Partners Group – The Partners Fund – Most significant votes**

	<b>VOTE 1</b>	<b>VOTE 2</b>	<b>VOTE 3</b>
Company name	Breitling	Gren	Wedgewood Pharmacy
Date of vote	Not applicable to private markets space.	Not applicable to private markets space.	Not applicable to private markets space.
Approximate size of fund's holding at the vote date (% of portfolio)	Not applicable to private markets space.	Not applicable to private markets space.	Not applicable to private markets space.
Summary of the resolution	Partners controls the Board -, please see below the ESG efforts of the portfolio company.	Partners controls the Board - please see below the ESG efforts of the portfolio company.	Partners controls the Board - please see below the ESG efforts of the portfolio company.
How you voted	Board representation	Board representation	Board representation
Where you voted against management, did you communicate your intent to the company ahead of the vote?	Not applicable.	Not applicable.	Not applicable.
Rationale for the voting decision	Breitling is a direct private equity investment, where Partners invests directly to obtain control and influence over their operations.	Gren is a direct private infrastructure investment, where Partners invests directly to obtain control and influence over their operations.	Wedgewood Pharmacy is a direct private equity investment, where Partners invests directly to obtain control and influence over their operations.
Outcome of the vote	Not applicable.	Not applicable.	Not applicable.
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	<p><b>Environment:</b> Completed initiatives: Since 2020, Breitling has measured its environmental impact, including greenhouse gas emissions, and developed measures to reduce the negative impact, mainly in its supply chain.</p> <p>In March 2023, the company submitted a target validation request to the Science Based Targets initiative. Breitling aims to minimize its environmental impact, reducing Scope 1 + 2 emissions by 80% by 2032 and achieving net zero by 2050. The company supported various carbon removal and avoidance activities, with Swiss providers Southpole and Myclimate.</p>	<p>In line with the Sustainability Strategy, Partners has appointed ESG Responsible members at the board, executive, and leadership levels within 100 days.</p> <p><b>Environment:</b> The focus is on reducing the carbon footprint, with a plan to decarbonize operations by developing a GHG reduction strategy. Partners are collaborating with EY to establish a Greenhouse Gas (GHG) accounting system for Scope 1 &amp; 2 emissions, aiming to include Scope 3 emissions by 2025. Targets are to reduce GHG emissions by 73% by 2030 and increase renewable energy production to over 90% by 2030.</p>	<p>Wedgewood Pharmacy is active in the veterinary speciality pharmacy industry - The largest provider of custom-compounded animal medications for acute and chronic conditions in the US.</p> <p><b>Environment:</b> Completed initiatives: Wedgewood Pharmacy has completed its Scope 3 footprint assessment for 2022, ensuring that its environmental impact is measured and aligns with its Greenhouse Gas (GHG) Reduction objectives.</p> <p>The company also identified sustainable materials and packaging alternatives, including foam pack inserts, ice bricks, coolers, vials, and auto bags or plastic</p>



	<p>Future focus: Breitling aims to improve its product supply chain beyond carbon removal. The company launched the "Origins" product line and released the Super Chronomat Automatic 38 Origins, its first raceable watch. More details can be found in the Social section, and the watch's supply chain as mapped on the website.</p> <p><b>Social:</b> Completed initiatives: This year, Breitling assessed equal pay for 1658 employees in 19 countries, considering location, roles &amp; tenure. The company achieved over 1% adjusted pay gap in favour of women and earned the "Universal Fair Pay Analyst" award from FPI Fair Pay Innovation Lab. Breitling demonstrated the feasibility of end-to-end traceability with their "Origins" series launch, using responsibly sourced and fully traceable precious metals in its watches.</p> <p>In collaboration with key suppliers and organisations like the Swiss Better Gold Association, Breitling focuses on sustainability aspects including health and safety, community engagement, and environmental impact. Instead of supporting large open-pit mines, the Swiss Better Gold Association works with small-scale mines, ensuring community development, environmental management, conflict-free sourcing, health and safety standards, and further conditions. Additionally, the diamonds used in Breitling's Origins series are lab-grown, ensuring the avoidance of conflict diamonds.</p> <p><b>Governance:</b> Breitling conducts a double materiality assessment every three years to consider how the company's actions impact people</p>	<p>In partnership with EY and KPMG, Partners have created a roadmap that includes phasing down or exiting non-sustainable activities, diversifying into wind farms, solar, and green hydrogen, and decarbonising core activities using advanced technologies. The aim is to protect ecosystems and biodiversity through sustainable sourcing and encourage customers to transition from fossil fuels to renewable energy.</p> <p><b>Social:</b> Health &amp; Safety is a priority, and they strive to maintain safe working conditions with zero cases of work-related illnesses, accidents, or fatalities. They also seek to maintain high employee engagement by developing an engaging work experience and fostering a positive organizational culture.</p> <p><b>Governance:</b> The focus is on business resilience, ESG strategy, and CSR reporting includes assigning board, executive, and operational ESG responsible individuals, strengthening information security management, updating business resilience and continuity plans, and improving the overall information security maturity level through annual cybersecurity assessments.</p>	<p>bags, demonstrating their commitment to eco-friendly practices.</p> <p>Ongoing initiatives: Waste and cost reduction measures are implemented in the Arizona and New Jersey operations and energy efficiency audits are ongoing in California. Wedgewood is cooperating with Partners Group portfolio companies Budderfly and VelocityEHS to bolster their sustainability initiatives and implement environmental management system. Budderfly's analysis suggests new solar and HVAC/LED units can achieve a total GHG emissions reduction for the New Jersey operations by -57.1% and -30.6%.</p> <p><b>Social:</b> Completed Health &amp; Safety initiatives: Wedgewood Pharmacy has met its goals for recordable incidents through July and completed over 95% of its Active Shooter training and Health &amp; Safety Leads have been identified at all Blue Rabbit Operations locations. Furthermore, they have participated in community initiatives California's second Harvest food bank volunteering.</p> <p>Ongoing initiatives: The company is currently developing its employee handbook to implement a more inclusive employment strategy. Consequentially, they are revising all job descriptions and are reviewing their process.</p> <p><b>Governance:</b> Completed initiatives: A draft Corporate Health &amp; Safety Policy awaits review. Cybersecurity has been enhanced with two-step authentication for OneDrive, and users are now required to acknowledge and sign the Acceptable Use Policy.</p>
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	<p>and planet (inside out) but also how its business is affected by sustainability issues (outside in). Going forward, Breitling relies on the frequent materiality assessment to identify priority topics from a sustainability perspective.</p> <p>Sustainability performance is evaluated quarterly by an ESG Committee using key performance indicators. The committee reports to the Board, overseeing ESG topics. A Global Director of Sustainability and supporting staff implement the sustainability roadmap across the organisation.</p>		<p>Ongoing initiatives: The company is tying together the marketing and R&amp;D teams on a sustainable packaging initiative and is currently growing its ESG Team to develop further project milestones on their ESG Journey (e.g., cybersecurity).</p>
On which criteria have you assessed this vote to be "most significant"?	Size of holding in fund	Size of holding in fund	Size of holding in fund

**Legal and General Investment Management – All World Equity Index Fund – Most significant votes**

	VOTE 1	VOTE 2	VOTE 3
Company name	Amazon.com, Inc.	JPMorgan Chase & Co.	McDonald's Corporation
Date of vote	24 <sup>th</sup> May 2023	16 <sup>th</sup> May 2023	25 <sup>th</sup> May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	1.411384	0.608827	0.330215
Summary of the resolution	Resolution 13 – Report on Median and Adjusted Gender/Racial Pay Gaps	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with Green House Gas Targets	Resolution 5 – To Adopt Policy to Phase Out Use of Medically-Important Antibiotics in Beef and Pork Supply Chain
How you voted	For (Against Management Recommendation)	For (Against Management Recommendation)	For (Against Management Recommendation)
Where you voted against management, did you communicate your intent 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.	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.	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.

Rationale for the voting decision	A vote in favour is applied as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as it believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.	LGIM generally supports resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. LGIM believes detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.	Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and it considers AMR to be a systemic risk. The resolution asks McDonald's to adopt a company-wide policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains and to set targets with timelines, metrics for measuring implementation, and third-party verification. In line with the shareholder resolution on AMR that LGIM has co-filed and its conviction that AMR is a systemic risk, LGIM voted FOR.
Outcome of the vote	29% (Fail)	34.8% (Fail)	16.3% (Fail)
Implications of the outcome	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with the company and monitor progress.
On which criteria have you assessed this vote to be "most significant"?	Pre-declaration and Thematic – Diversity: LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.	Pre-declaration and Thematic – Climate: LGIM considers this vote to be significant as it pre-declared its intention to support. LGIM continues to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.	Pre-declaration and Thematic – Health: LGIM considers this vote to be significant as Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and it considers AMR to be a systemic risk.

**Legal and General Investment Management – Dynamic Diversified Fund – Most significant votes**

	VOTE 1	VOTE 2	VOTE 3
Company name	Shell Plc	Prologis, Inc.	Toyota Motor Corp.
Date of vote	23 <sup>rd</sup> May 2023	4 <sup>th</sup> May 2023	14 <sup>th</sup> June 2023
Approximate size of fund's holding at the vote date (% of portfolio)	0.278374	0.342926	0.159706
Summary of the resolution	Resolution 25 - Approve the Shell Energy Transition Progress	Resolution 1j - Elect Director Jeffrey L. Skelton	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
How you voted	Against (Against Management Recommendation)	Against (Against Management Recommendation)	For (Against Management Recommendation)
Where you voted against management, did you communicate your intent 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 policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.	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 policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.	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.
Rationale for the voting decision	Climate change: A vote against is applied, though not without reservations. LGIM acknowledge 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 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 1.5C trajectory.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board. Average board tenure: A vote against is applied as LGIM expects a board to be regularly refreshed to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.  Independence: A vote against is applied as LGIM expects the Chair of the Committee to have served on the board for no more than 15 years to maintain independence and a balance of relevant skills, experience, tenure, and background.	LGIM views climate lobbying as a crucial part of enabling the transition to 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. LGIM acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years.  However, LGIM believes 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.

		Diversity: A vote against is applied as the company has an all-male Executive Committee.	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.
Outcome of the vote	80% (Pass)	(Pass – in favour of management)	15.1% (Fail)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM continues to undertake extensive engagement with Shell on its climate transition plans	LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.	LGIM will continue to engage with the company and monitor progress.
On which criteria have you assessed this vote to be "most significant"?	Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for clients, with implications for the assets it manages on their behalf.	Pre-declaration and Thematic - Lobbying: LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.