Yorkshire Building Society Pension Scheme

Implementation Statement

For year ending 31 December 2023

May 2024

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Section 1: Introduction

This document is the Annual Implementation Statement (the “Statement”) prepared by the Trustee of the Yorkshire Building Society Pension Scheme (the “Scheme”) covering the “Scheme Year” from 1 January 2023 to 31 December 2023 in relation to the Statement of Investment Principles (“SIP”).

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the Scheme’s Statement of Investment Principles (“SIP”) required under section 35 of the Pensions Act 1995 has been followed during the year
- detail any reviews of the SIP the Trustee has undertaken, and any changes made to the SIP over the Scheme year as a result of the review
- describe the voting behaviour by, or on behalf of, the Trustee over the year.

A copy of this implementation statement is made available on the following website: https://www.ybspensionscheme.co.uk/

Section 2: SIP reviews/changes over the year

The SIP was reviewed and updated once during the Scheme Year which was drafted and issued in December 2023. Material changes to the SIP included:

- Updates to the investment strategy of DB section to reflect the incorporation of synthetic equities as a return seeking asset and an updated return target for the section.;
- New wording to the DC Investment strategy capturing the lifestyle strategies available for the members
- Addition of the option of incorporating illiquid investments in DC lifestyle strategies which the trustees will monitor further based on risk and return profile of the new proposed investment
- Other minor wording and formatting changes

The December 2023 SIP is the version referenced in the following Sections of this document, where we set out how the principles have been implemented. Where new Trustee policies have been added to the SIP that was in place at the start of the Scheme year, we have referenced how these have been implemented from the period of adoption to the end of the Scheme year.

Section 3: Adherence to the SIP

In this section, we comment on each of these sections and how the Trustee has implemented the principles within each one.

DB Investment Policy Objectives

The Statement of Investment Principles sets out the principal responsibilities and investment policy objectives of the Trustee for the DB section of the Scheme. The Trustee is satisfied that the objectives, as set out in this section of the SIP, have been followed during the Scheme year. During the year the Trustee reviewed the DB investment strategy in light of the increased liquidity requirements following the gilts crisis in 2022. A reduction in the allocation to illiquid assets was implemented, whilst the use of synthetic equities has enabled the Scheme to maintain return targets in a more liquid manner. The strategy agreed is viewed as an interim strategy ahead of a full investment strategy review in 2024 post triennial valuation.

DC Investment Policy Objectives

With regard to the DC section, the Trustee is satisfied as of the date of this statement:

a) a range of lifestyle options (including a default lifestyle option) and self-select funds across different asset classes are available for members to invest in, enabling them to mitigate a range of risks, and to meet different pension objectives

b) the Trustee last reviewed a Value For Money (VfM) assessment in May 2023 as provided by WTW. As part of the assessment, WTW reviewed whether the charges, Scheme governance and management, Investment services, Admin services and Communications services were being provided at fair value to DC members. Following the review, the Trustee deemed that there was no action required and the next VFM assessment is due to be reviewed in Q2 2024.

The Trustee reviewed its DC investment strategy during 2023 and have agreed to make some changes to the investment strategy, as outlined below. These changes are expected to be implemented during the summer of 2024.

- To switch 50% of the allocation to the YBS Pre-Retirement Fund, within the Flexible and Lump Sum Lifecycle strategies, to a new fund – the YBS Short Dated Corporate Bond Fund – in order to better manage risk for members as they progress towards their retirement date
- To switch the assets in the Over 5 Year Index Linked Gilt Fund to the LGIM Inflation-Linked Annuity Aware Fund, so as to provide a better match for members intending to purchase an inflation-linked annuity at retirement

Other investment policies

The Trustees take the considerations below into account when selecting and monitoring the performance of investment managers.

Policy area	Approach and actions taken over the Scheme Year
Section 13 – DB section **The expected return of an investment will be**	The Trustee reviews the expected return on the Scheme's assets in conjunction with reviewing its long-term objectives for the Scheme as part of regular IRM reporting at each Investment Sub-committee

monitored regularly and will be directly related to the Scheme's investment objective	and Trustee meeting. The Trustees have agreed to update the IRM reporting metrics for both DB and DC through 2024 post DB triennial valuation. For the DB section these changes will reflect the lower-risk nature of the Scheme's portfolio following significant de-risking undertaken in recent years and significant progress towards the investment objective..
Section 15 - DB section **There will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances**	The Trustee undertakes several measures to ensure there is sufficient liquidity within the Scheme's assets. Firstly, the Trustee holds liquidity within the Trustee bank account to manage day-to-day ongoing cashflow requirements. Secondly, the Trustee holds liquidity accounts managed by Insight which invest in short-term money market securities. The majority of the Scheme's investment managers also distribute income to the Scheme periodically and the Trustee review the cashflow position of the Scheme on an ongoing basis. Following the gilts crisis, the Trustee undertook a review of the investment strategy to ensure sufficient liquidity and this led to a disinvesment from illiquid assets and the use of synthetic equities in the portfolio.
Section 26 – DC Section **Monitor the range of options regularly and at least every 3 years to ensure that the investment options are sufficiently diverse and consistent with the risk profile of DC members**	The Trustee reviews the DC investment strategy on a three-yearly basis or when considered necessary. The most recent review concluded in 2023, with changes (outlined earlier in this Statement) expected to be made in the summer of 2024. The review included consideration of the self-select fund options, and the Trustee is satisfied that these offer sufficiently diverse choice for members.
Section 30 – DB and DC **Take advice from the investment consultant to ensure the investment strategy and selected investment managers are suitable for the Scheme and review the suitability of the funds offered from time to time. Undertake due diligence on investment managers prior to appointment and subject to any concerns about the investment manager or change to the fund structure**	The Trustee reviews the DB and DC investment strategies on a three-yearly basis or when considered necessary. The most recent review of the DC Section concluded in 2023 and included consideration of the suitability of funds and fund managers. The Trustee reviewed the strategy for the DB Section following the extreme market movements in interest rates that occurred during Q4 2022 and this resulted in the disinvestment of a portion of the holdings in the BlackRock SAIF (illiquid fund) and the use of synthetic equities in the portfolio.
Section 31 – DB and DC **Set general investment policy, and delegate the**	The Trustee, upon advice from its investment consultant, sets the strategic asset allocation in line with the Scheme's overall objectives. As of the date of this statement, the Scheme's strategic asset allocation is 42.9% return-seeking assets and 57.1% liability-

responsibility for selection of specific investments to appointed investment managers	matching assets. This allocation will be reviewed as part of the 2024 strategy review post valuation.. Selection of specific investments remains delegated to the Scheme's investment managers and the Trustee reviews the performance of the managers against appropriate benchmarks on a quarterly basis.
Section 32 – DB and DC **Maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, at an acceptable level of risk**	The Trustee, upon advice from its investment advisor, has set measurable objectives for each of the Scheme's funds to monitor performance against and reviews this performance on a quarterly basis. To undertake additional monitoring of the Scheme's investments, the Trustee invites its managers to attend annual operational due diligence meetings. As part of these meetings the Trustee reviews any portfolio changes over the year or changes at the manager, as well as reviews performance and the manager's sustainability practices. The Trustee last met with managers in Q1 2024 and noted no particular concerns. The Trustee used these meetings to understand each manager's approach to climate risk and ESG and encourage further progress in this area. The Trustee also receives regular updates from the investment managers either directly or via its investment advisor and have noted no concerns or action at this time.
Section 33 – DB and DC **Review the policies of each of the investment managers from time to time**	The Trustee has not reviewed the investment policies of the Scheme's investment managers over the scheme year. However, the Trustee met with the Scheme's investment managers in Q1 2024 as part of the annual operational due diligence meetings, where no significant changes in the managers' policies were noted since the last review at the previous year's meetings.
Section 35 – DB and DC **Monitor both sections' investment performance and adherence to respective mandates and review the nature of the investments held periodically**	The Trustee reviews and discusses quarterly monitoring reports provided by the Scheme's investment advisor at each ISC and Trustee meetings. These reports cover both DB and DC sections of the Scheme and use information provided by the investment managers to provide detailed information on a range of qualitative and quantitative factors. As part of reviewing these reports, the Trustee considers whether the level of diversification within the Scheme's assets is sufficient to mitigate the risks faced by the Scheme and that the DC lifestyle and self-select options remain in line with the Scheme's objectives. The Trustee has also appointed an independent performance measurer who collates and calculates performance for the DB section of the Scheme. This was previously provided by the Scheme's pensions team. The Trustee considers this performance data as part of its review process.
Section 36 – DC **Review the extent to which the return on investments relating to the default arrangement**	Please see Section 35. In 2022 the Trustee reviewed the performance of the default and alternative lifestyle options through a "strategy monitoring report"

is consistent with the aims and objectives of the Trustee in respect of the default arrangement	provided by the investment adviser. This report considered the expected outcomes for members and how these are impacted by actual performance and future expected returns. The Trustee will review this again in 2024 following the implementation of the investment strategy changes.
Section 37 – DB and DC **Appoint investment managers with an expectation of a long-term partnership, in order to encourage active ownership of the Scheme's assets**	When reviewing the performance of the Scheme's investment managers on a quarterly basis, the Trustee reviews performance over 3 and 5 years as well as on a shorter-term basis to ensure it focuses on long-term outcomes. The Trustee also considers the active ownership of the Scheme's assets by reviewing its investment managers as part of annual due diligence meetings and the Scheme's annual Sustainable Investment review. During the Scheme year the Trustee has noted no factors or concerns that would warrant the termination of any of the Scheme's investment managers but has reduced the holdings in the BlackRock SAIF in order to increase portfolio liquidity.
Section 38 – DB and DC **Ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with the Trustee's policies** **Set explicit guidelines within the Investment Management Agreement to ensure consistency with the Trustee's policies, where relevant to the mandate**	The Trustee as part of its quarterly monitoring considers and reviews each of the investment objectives of the Scheme's DB and DC fund ranges to ensure that the funds are performing in line with their stated objectives. The Trustee has set guidelines for its segregated mandates, after taking advice from its investment consultant, that these guidelines are appropriate for the policies and objectives of the Scheme.
Section 39 – DB and DC **Maintain alignment by providing managers with the most recent version of the Scheme's Statement of Investment Principles on a regular basis and confirm with the managers that the management of the assets are consistent with those policies relevant to the mandate in question** **Confirm with managers whether they believe**	During 2024 the Trustee shared the Scheme's SIP with the investment managers who confirmed that they manage the Scheme's assets in line with the investment guidelines. The majority confirmed that they believe these guidelines to be consistent with the Scheme's SIP. In some instances the managers were not able to confirm compliance with the SIP but overall, following advice from the investment advisor, the Trustee noted no concerns.

there is any misalignment between the objectives and guidelines of the fund(s) they manage on behalf of the Scheme, or the manager's approach to sustainable investment, and the Trustee's policies	
Section 40 – DB and DC **Engage with the investment manager to ascertain the reasons if, for pooled funds, a fund's objectives and guidelines, or an investment manager's approach to sustainable investment, do not appear to be sufficiently aligned with the Trustee's policies, and determine whether closer alignment can be achieved** **Include specific consideration of the sustainable investment/ESG characteristics of the portfolio and managers' engagement activities as part of this monitoring process** **Terminate and replace a manager if, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory.**	Alongside reviewing performance reporting on the Scheme's investments the Trustee also receives a Sustainable Investment report from its investment advisor on an annual basis (with the last review being undertaken in October 2023). This report assists the Trustee in reviewing its investment managers' sustainable investment practices, reporting and engagement levels to understand whether the manager and strategy's approach to sustainability is aligned with the Trustee's policy. Over the scheme year, the Trustee did not find any circumstances of misalignment to warrant further engagement with any of the Scheme's investment managers.

Section 42 – DB and DC **Review the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover**	The Trustee undertakes regular reviews of the costs of managing the Scheme's assets including the costs incurred with Fidelity (the DC scheme provider) and WTW (investment advisors). During the scheme year, the Trustee has reviewed investment manager fees incurred including transaction costs and noted no concerns. The Trustee also reviewed the DB Section's investment manager fees relative to comparable mandates. The Trustee has also reviewed portfolio turnover levels and noted no concerns. The Trustee also reviewed the overall costs of the DC Section's default strategies and, with the support of WTW, produces an annual value for money assessment as part of the Scheme's Chairs statement. The Trustee noted no concerns, and no action was deemed necessary from the review.
Section 48 – DB and DC **Take into account ESG factors, including climate change, when reviewing current and new investment opportunities**	The Trustee reviewed how ESG factors are incorporated into the Scheme's current investments through the annual Sustainable Investment review in October 2023. No action was deemed necessary as a result of the review. In the DB Section the Trustee did not consider any new investment opportunities during the scheme year. In the DC Section the Trustee reviewed the international equity fund and considered ESG factors and climate change as part of this process including how to integrate this further. Following the review the Trustee agreed not to make any changes to the current fund structure.
Section 50 – DB and DC **Delegate the responsibility to take ESG principles into account to its investment managers, and periodically review these policies through reporting or direct engagement with investment managers as appropriate**	The Trustee recognises that there is a variety of Environmental, Social and Governance (ESG) risks and to understand these risks further, undertook a Sustainable Investment review in October 2023. As part of this, the Trustee reviewed information on its managers' approaches to sustainability integration, as well as voting and engagement activities where appropriate. The Trustee also ensures that it remains up to date with any regulatory requirements regarding sustainability as part of these reviews and more frequently if required. The Trustee do not undertake feedback of member views on sustainability over the scheme Year as they do not believe it is appropriate or practical for the Scheme at this time. No specific action was deemed necessary as a result of the Trustee's review.

Section 52 – DB and DC **Delegate the exercise of voting rights to the investment managers** **Encourage managers to vote in line with their guidelines in respect of all resolutions** **Expect managers to report regularly on votes cast and other relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings**	The Trustee receives and reviews information on its investment managers' voting activity and the ESG impact of its investments, and this is carried out annually as part of writing the Trustee's implementation statement, and the annual Sustainable Investment review provided by its investment consultant. More detail on this can be found in section 4 of this statement. Overall, where applicable, the Trustee is comfortable with the managers' voting behaviour over the scheme Year and took no action as result of the information provided.
Section 53 – DB and DC **Expect the investment managers to invest with a medium to long time horizon and use voting activity to drive improvements in performance**	As part of the Scheme's annual Sustainable Investment Review, the Trustee reviews the engagement activity of the Scheme's investment managers, where appropriate. Over the scheme year the Trustee was comfortable with the high level of engagement and voting undertaken by the investment managers, where appropriate. No action was taken as a result.
Section 54 – DB and DC **Recognise the UK Stewardship Code as best practice and encourage their Investment Managers to comply with the UK Stewardship Code or explain where they do not adhere to this policy**	As part of the Scheme's 2024 Sustainable Investment review the Trustee received confirmation that their investment managers comply with the UK stewardship code, with the exception of Nephila, who manages the Scheme's investment in reinsurance. As the strategy invests in over-the-counter non-tradeable contracts without voting rights attached, certain aspects of stewardship are less applicable for this strategy relative to other assets the Scheme invests in. The Scheme is also in the process of disinvesting from this fund.
Section 55 and 56 – DC **Policy on investing in illiquid investments in relation to the DC default arrangements**	The DC default arrangements do not invest directly in illiquids, but may access indirectly (at the discretion of the investment manager) through the holding in the Diversified Investments Fund. The Trustee discussed this with LGIM as part of the 2024 due diligence day meetings, and will continue to monitor this in the future.

Section 4: Voting and engagement

The Trustee has delegated the day-to-day ESG integration and stewardship activities (including voting and engagement) to its investment managers. However, to monitor how the Scheme's investment managers integrate ESG and undertake stewardship activities on the Trustee's behalf, the Trustee undertakes an Annual Sustainable Investment review via analysis provided from its Investment Advisor. These reports contain information on ESG integration and a traffic light rating for the investment managers' capabilities in this area, as well as data on voting and engagement where applicable. As part of this report the Trustee also reviewed, where applicable, analysis on the ESG scoring of the underlying holdings of the Scheme's listed investments.

Overall, following the review carried out this year, the Trustee remained comfortable with the investment managers' approach to ESG integration and noted no cause for concern.

As part of monitoring the stewardship of the Scheme's investments the table below sets out the voting activities of the Scheme's investment managers. This includes any votes cast on the Trustee's behalf, detail on the Scheme's investment manager use of proxy voting and examples of votes cast that they deem to be significant. Some of the Scheme's underlying investment strategies, such as fixed income (where these holdings do not have voting rights attached) or property (where voting is not applicable as the strategy will bring with it a high level of ownership and control), have been excluded from the table below.

The table below reflects the voting data as provided by the Scheme's investment managers. The Trustee has also set out further detail in a Supplementary Voting Activity Report on voting activities that the Scheme's investment managers have carried out on behalf of the Scheme throughout the scheme Year. At the beginning of 2024 the Trustee undertook a training session on ESG in which the stewardship priorities of climate change and DEI (diversity, equity and inclusion) were chosen. The choice of most significant votes reflects these stewardship priorities.

Scheme section	Manager and strategy	Portfolio structure	Voting activity	Most significant votes cast	Use of proxy voting
DC	BlackRock Aquila Connect Emerging Markets Fund	Pooled Equity Fund	23,247 (voted on 98% of eligible resolutions) 12% of votes against management / 2% abstained	Banco de Chile SA (Governance) Shin Kong Financial Holding Co. Ltd. (Governance) Zhejiang Expressway Co. Ltd. (Governance)	BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis. BlackRock have outlined that they do not follow any single proxy research firm's voting recommendations but use Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions.
DC	HSBC Islamic Global Equity Index Fund	Pooled Equity Fund	1,726 (voted on 95.0% of eligible resolutions) 23.0% of votes against management / 0.0% abstained	Alibaba Group Holding Limited (DEI) Nike, Inc. (DEII) Cisco Systems , Inc. (DEI)	HSBC uses the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own bespoke voting guidelines.

DC	LGIM Diversified Fund	Pooled Multi-Asset Fund	94,290 (voted on 99.8% of eligible votes) 23.4% of votes against management / 0.3% abstained	Prologsis, Inc. (DEI) America Tower Corporation (DEI) Shell Plc (Climate Change)	Uses proxy voting recommendations to augment its own research but ultimately all voting decisions are made by LGIM
DC	LGIM World ex UK GBP Hedged Equity Index Fund	Pooled Equity Fund	35,367 (voted on 99.9% of eligible votes) 22.1% of votes against management / 0.1% abstained	NVIDIA Corporation . (DEI) Costco Wholesale Corporation (DEII) Walmart (DEI)	
DC	LGIM MSCI Adaptive Capped ESG Index Fund	Pooled Equity Fund	36,736 (voted on 99.9% of eligible votes) 21.4% of votes against management / 0.5% abstained	Motorolla Solutions, Inc.(DEI) NVIDIA Corporation (DEI) Schneider Electric SE (Climate Change)	
DC	LGIM UK Equity Index Fund	Pooled Equity Fund	10,517 (voted on 99.8% of eligible votes) 5.8% of votes against management / 0% abstained	Glencore Plc (Climate Change) SSE Plc (Climate Change) Experian Plc (DEI) (I)	

Section 5: Summary and conclusions

The Trustee consider that all SIP policies and principles were adhered to over the Scheme Year.

Yorkshire Building Society Pension Scheme

Annual Implementation Statement – Scheme year ending 31 December 2023

Voting activity

1. Introduction

This document is supplementary to the Annual Implementation Statement ("the statement") prepared by the Trustee of the Yorkshire Building Society Pension Scheme ("the Scheme") covering the Scheme year ("the year") to 31 December 2023. It provides additional detail on the key voting and engagement activities for the managers during the year.

Legal & General Investment Management (LGIM) – Diversified Fund, MSCI World Adaptive Capped Fund, World ex UK GBP Hedged Equity Index Fund and UK Equity Index Fund

Voting Activities:

Diversified Fund (DB and DC)

- There were 94,290 eligible votes for the fund over the 12 months to 31 December 2023
- The manager exercised 99.8% of its votes over the year
- 23.4% of votes were against management and <1% were abstained
- 14.6% of votes were contrary to the proxy advisor's recommendation

MSCI Adaptive Capped ESG Index Fund (DC)

- There were 36,736 eligible votes for the fund over the 12 months to 31 December 2023
- The manager exercised 99.9% of its votes over the year
- 21.4% of votes were against management and <1% were abstained
- 14.3% of votes were contrary to the proxy advisor's recommendation

UK Equity Index Fund (DC)

- There were 10,517 eligible votes for the fund over the 12 months to 31 December 2023
- The manager exercised 99.8% of its votes over the year
- 5.8% of votes were against management and 0% were abstained
- 4.6% of votes were contrary to the proxy advisor's recommendation

World ex UK GBP Hedged Equity Index Fund (DC)

- There were 35,367 eligible votes for the fund over the 12 months to 31 December 2023
- The manager exercised 99.9% of its votes over the year
- 21.1% of votes were against management and <1% were abstained
- 16.2% of votes were contrary to the proxy advisor's recommendation

What is LGIM's policy on consulting with clients before voting?

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

Please describe whether LGIM has made use of any proxy voter services

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its 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 received from ISS for UK companies when making specific voting decisions

To ensure its 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 LGIM considers to be minimum best practice standards which it believes 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 them 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.

Please provide an overview of LGIM's process undertaken for deciding how to vote

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

Please include here any additional comments which are relevant to LGIM's voting activities or processes

LGIM sees it as vital that the proxy voting service is regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out its expectations, an analysis of any issues experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of its formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that it has the capacity and competency to analyse proxy issues and make impartial recommendations.

LGIM Diversified Fund

Most significant vote – Vote: Prologis, Inc.

Resolution: Elect Director Jeffrey L. Skelton (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.42%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied as LGIM expects a company to have at least one-third women on the board.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not Provided

Most significant vote – Vote: American Tower Corporation

Resolution: Elect Director Robert D. Hormats (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.22%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied due to the lack of gender diversity at the executive officer level.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: 98% of shareholders supported the resolution.

Most significant vote – Vote: Shell Plc

Resolution: Approve the Shell Energy Transition Progress (Climate Change)

Approximate size of the fund's holding as at the date of the vote: 0.30%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution.
A vote against is applied, though not without reservations. We 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, we 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.

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Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: 80.0% of shareholders supported the resolution.

LGIM MSCI Adaptive Capped ESG Index Fund

Most significant vote – Vote: Motorola Solutions, Inc.

Resolution: Elect Director Kenneth D. Denman (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.16%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied as LGIM expects a company to have at least one-third women on the board.
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Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

Most significant vote – Vote: NVIDIA Corporation

Resolution: Elect Director Stephan C. Neal (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.17%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied as LGIM expects a company to have at least one-third women on the board.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

Most significant vote – Vote: Schneider Electric SE

Resolution: Approve the Company's Climate Transition Plan (Climate Change)

Approximate size of the fund's holding as at the date of the vote: 0.16%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied as LGIM 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 voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

LGIM UK Equity Index Fund

Most significant vote – Vote: Glencore Plc

Resolution:

Resolution in Respect of the Next Climate Action Transition Plan (Climate Change)

Approximate size of the fund's holding as at the date of the vote: 2.41%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

In 2021, Glencore made a public commitment to align its targets and ambition with the goals of the Paris Agreement. However, it remains unclear how the company's planned thermal coal production aligns with global demand for thermal coal under a 1.5°C scenario. Therefore, LGIM has co-filed this shareholder proposal (alongside Ethos Foundation) at Glencore's 2023 AGM, calling for disclosure on how the company's thermal coal production plans and capital allocation decisions are aligned with the Paris objectives. This proposal was filed as an organic escalation following our multi-year discussions with the company since 2016 on its approach to the energy transition.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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:

29.2% of the shareholder voted against the resolution.

Most significant vote – Vote: SSE Plc

Resolution: Approve Net Zero Transition Report (Climate Change)

Approximate size of the fund's holding as at the date of the vote: 0.85%

Guidance – Proxy: Not provided**, Management recommendation:** Not provided

Action: For the resolution

A vote FOR is applied as LGIM 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 voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

Most significant vote – Vote: Experian Plc

Resolution: Re-elect Mike Rogers as Director (DEI)

Approximate size of the fund's holding as at the date of the vote: 1.18%

Guidance – Proxy: Not provided**, Management recommendation:** Not provided

Action: Against the resolution

A vote against is applied due to the lack of gender diversity at the executive officer level. LGIM expects executive officers to include at least 1 female.

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Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: 8% of the shareholders supported the resolution

LGIM World ex UK GBP Hedged Equity Index Fund

Most significant vote – Vote: NVIDIA Corporation.

Resolution: Elect Director Stephan C. Neal (DEI)

Approximate size of the fund's holding as at the date of the vote: 1.63%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied as LGIM expects a company to have at least one-third women on the board.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

Most significant vote – Vote: Costco Wholesale Corporation

Resolution:
Elect Director Jeffrey S. Raikes (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.40%

Guidance – Proxy: Not provided**, Management recommendation:** Not provided

Action: Against the resolution

A vote against is applied as LGIM expects a company to have at least one-third women on the board.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

Most significant vote – Vote: Walmart Inc.

Resolution: Elect Director Thomas W. Horton (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.38%

Guidance – Proxy: Not provided**, Management recommendation:** For

Action: Against the resolution

A vote against is applied as LGIM expects a company to have at least one-third women on the board.

Was the voting intent communicated with management ahead of the vote?: LGIM publicly communicates its vote instructions on its website with the 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: Not provided

HSBC Global Asset Management – Islamic Global Equity Index Fund

Voting Activities (DC)

- There were 1,726 eligible votes for the fund over the 12 months to 31 December 2023
- The manager exercised 95.0% of its votes over the year
- 23.0% of votes were against management and 0.6% were abstained
- 0.0% of votes were contrary to the proxy advisor's recommendation

What is HSBC's policy on consulting with clients before voting?

The legal right to the underlying votes lies with the directors of the HSBC Islamic Global Equity Index Fund. It has delegated this execution of this voting to HSBC Global Asset Management (UK) Limited.

Please describe whether HSBC has made use of any proxy voter services

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

Please provide an overview of HSBC's process undertaken for deciding how to vote

HSBC exercises its voting rights as an expression of stewardship for client assets. It 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.

Is HSBC currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?

HSBC Funds and client mandates may hold shares in its parent, HSBC Holdings PLC. HSBC has a special procedure for voting on these shares to manage this conflict. HSBC also has procedures for managing other conflicts that may arise. However, HSBC does not believe that it has exposure to the conflicts listed.

Please include here any additional comments which are relevant to HSBC's voting activities or processes

Please refer to the link below for details on our Global Voting Guidelines:
https://www.global.assetmanagement.hsbc.com/-/media/files/attachments/common/resource-documents/global-voting-guidelines-en.pdf

Most significant vote – Vote: Alibaba Group Holding Limited

Resolution: Elect Director Kabir Misra (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.19%

Guidance – Proxy: Not provided**, Management recommendation:** Not provided

Action: Against the resolution.

HSBC voted against the resolution because it has concerns about insufficient gender diversity of the board.
Was the voting intent communicated with management ahead of the vote?: HSBC communicates its thinking on the shareholder proposals ahead of the AGM.

Outcome: The resolution was passed

Most significant vote – Vote: NIKE, Inc.

Resolution: Report on Median Gender/Racial Pay Gap (DEI)

Approximate size of the fund's holding as at the date of the vote: 1.00%

Guidance – Proxy: Not provided**, Management recommendation:** Against

Action: For the resolution.

HSBC believes that the proposal would contribute to improving gender inequality.

Was the voting intent communicated with management ahead of the vote?: HSBC communicates its thinking on the shareholder proposals ahead of the AGM.

Outcome: The resolution did not pass

Most significant vote – Vote: Cisco Systems, Inc.

Resolution:
Elect Director Michael D. Capellas (DEI)

Approximate size of the fund's holding as at the date of the vote: 0.86%

Guidance – Proxy: Not provided**, Management recommendation:** Not provided

Action: Against the resolution.

HSBC voted against this Nomination Committee Chair as it has concerns about insufficient gender diversity of the board.
Was the voting intent communicated with management ahead of the vote?: HSBC communicates its thinking on the shareholder proposals ahead of the AGM.

Outcome: The resolution passed.

BlackRock - Aquila Connect Emerging Markets Fund

Voting Activities (DC)

- There were 23,247 eligible votes for the fund over the 12 months to 31 December 2023
- The manager exercised 98% of its votes over the year
- 12% of votes were against management and 2% were abstained
- 0% of votes were contrary to the proxy advisor's recommendation

What is BlackRock's policy on consulting with clients before voting?

BlackRock inform companies and clients about their engagement and voting policies through direct communication and through disclosures on their website. BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. These high-level Principles are the framework for their more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. Their Global Principles and market-specific voting guidelines are intended to help companies understand their thinking on key governance matters. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda for the shareholder meeting. When applying their guidelines, BlackRock account for a company's unique circumstances where relevant

Please describe whether BlackRock has made use of any proxy voter services

BlackRock's proxy voting process is led by the BlackRock Investment Stewardship team (BIS) with input from investment colleagues as required. BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis. BlackRock have outlined that they do not follow any single proxy research firm's voting recommendations but use Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions.

Please provide an overview of BlackRock's process undertaken for deciding how to vote

The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. Their voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. BlackRock inform their vote decisions through research and engage as necessary. The engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. They may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcome discussions with their clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in the Global Principles, BlackRock determines which companies to engage directly based on our assessment of the materiality of the issue for sustainable long-term

financial returns and the likelihood of their engagement being productive. The voting guidelines are intended to help clients and companies understand BlackRock's thinking on key governance matters. They are the benchmark against which they assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. They apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy ourselves, but the client would engage a third-party voting execution platform to cast the votes.
Is BlackRock currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings? As an investment manager, BlackRock has a duty of care to its clients. BlackRock's duty extends to all of its employees and is critical to our reputation and business relationships, and to meeting the requirements of our various regulators worldwide. Employees are held responsible by BlackRock to seek to avoid any activity that might create potential or actual conflicts with the interests of clients. BlackRock maintains a compliance program for identifying, escalating, avoiding and/or managing potential or actual conflicts of interest. The program is carried out through our employees' adherence to relevant policies and procedures, a governance and oversight structure and employee training. Among the various policies and procedures that address conflicts of interest is BlackRock's Global Conflicts of Interest Policy. This policy governs the responsibility of BlackRock and its employees to place our clients' interests first and to identify and manage any conflicts of interest that may arise in the course of our business. In order to mitigate potential and actual conflicts of interest, each BlackRock employee must, among other things: • Identify potential or actual conflicts of interest both in relation to existing arrangements and when considering changes to, or making new, business arrangements; • Report any conflicts of interest promptly to his/her supervisor and Legal & Compliance; • Avoid (where possible) or otherwise take appropriate steps to mitigate a conflict to protect our clients' interests; and • Where appropriate, disclose conflicts of interest to clients prior to proceeding with a proposed arrangement BlackRock Legal & Compliance conducts mandatory annual compliance training, which includes a discussion of the Global Conflicts of Interest Policy.
Please include here any additional comments which are relevant to BlackRock's voting activities or processes On behalf of BlackRock's clients it intends to vote at all shareholder meetings of companies in which its clients are invested. In certain markets, there might be regulatory constraints or operational issues which can affect BlackRock's ability to vote certain proxies, as well as the desirability of doing so. BlackRock does not support impediments to the exercise of voting rights and will engage regulators and companies

about the need to remedy the constraint. Where BlackRock experiences impediments in relation to a specific shareholder meeting, it will review the resolutions to assess whether the business under consideration warrants voting despite the complications caused by the impediment. For example, BlackRock currently does not vote at shareholder meetings that require share blocking: the restriction that is imposed when a vote is cast represents a liquidity constraint on the portfolio managers and increases the risk of failed trades, which can be costly to clients. BlackRock may in its discretion determine that the value of voting outweighs the costs of blocking shares from trading, and thus cast the vote and block the shares in that instance.

With regards to US assets, BlackRock has approximately a 100% success rate in voting its funds' assets, with the exception of certain portfolios that utilise a long/short strategy whereby the funds leverage may prevent it from voting.

With regards to non-U.S. assets generally, BlackRock has approximately a 90% success rate in voting its funds' assets. Of the remaining: 8% were uninstructed due to share blocking, and 2% of the votes go unexecuted result from either the fund's leverage or market-based impediments such as ballots received post cut-off date or post meeting date, meeting specific power of attorney requirements, special documentation, etc.

Most significant vote – Vote: Banco de Chile SA

Resolution: Elect Andronico Luksic Craig as Director

Approximate size of the fund's holding as at the date of the vote: Not provided.

Guidance – Proxy: Not provided**, Management recommendation:** Not provided.

Action: Against the resolution.

Nominee serves on an excessive number of public company boards, which BlackRock believes raises substantial concerns about the director's ability to exercise sufficient oversight on this board

Was the voting intent communicated with management ahead of the vote?: BlackRock endeavours to communicate to companies when it intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes voting guidelines to help clients and companies understand its thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. It applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. Its voting decisions reflect its analysis of company disclosures, third-party research and, where relevant, insights from recent and past company engagement and its active investment colleagues.

Outcome: The resolution passed

Most significant vote – Vote: Zhejiang Expressway Co. Ltd.

Resolution: Amend Articles of Association

Approximate size of the fund's holding as at the date of the vote: Not provided.

Guidance – Proxy: Not provided**, Management recommendation:** Not provided.

Action: Against the resolution.

On balance, BlackRock finds that shareholders' rights are likely to be diminished in material ways under the new Charter/Articles/Bylaws.

Was the voting intent communicated with management ahead of the vote?: BlackRock endeavours to communicate to companies when it intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes voting guidelines to help clients and companies understand its thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. It applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. Its voting decisions reflect its analysis of company disclosures, third-party research and, where relevant, insights from recent and past company engagement and its active investment colleagues.

Outcome: The resolution was withdrawn

Most significant vote – Vote 3: Shin Kong Financial Holding Co. Ltd.

Resolution: Elect Chang Jung-Feng as Independent Director

Approximate size of the fund's holding as at the date of the vote: Not provided.

Guidance – Proxy: Not provided, **Management recommendation:** Not provided.

Action: For

BlackRock considered the proposal to be in the best interests of shareholders

Was the voting intent communicated with management ahead of the vote?: BlackRock endeavours to communicate to companies when it intend to vote against management, either before or just after casting votes in advance of the shareholder meeting. It publishes voting guidelines to help clients and companies understand its thinking on key governance matters that are commonly put to a shareholder vote. They are the benchmark against which it assesses a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. It applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. Its voting decisions reflect its analysis of company disclosures, third-party research and, where relevant, insights from recent and past company engagement and its active investment colleagues.

Outcome: The resolution did not pass

Notes:
The following five conflicts were provided to investment managers and have been sourced from the Vote reporting template for pension scheme implementation statement issued by the Pensions and Lifetime Savings Association ("PLSA"):

1. The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which it also has an equity or bond holding;
2. Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings
3. The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding
4. There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
5. There are differences between the stewardship policies of managers and their clients.