Implementation Statement – DC Section

Europe Arab Bank plc Pension Scheme (the "Scheme")

Scheme Year End – 31 December 2023

The purpose of the Implementation Statement is for the Trustees of the Europe Arab Bank plc Pension Scheme (the "Trustees") to explain what they have done over the year ending 31 December 2023 to implement the policies and achieve the objectives as set out in the Statement of Investment Principles ("SIP").

This statement includes:

1. A summary of any review and changes made to the SIP over the year;
2. How the policies in the SIP have been followed during the year; and
3. How the Trustees have exercised their voting rights, or how these rights have been exercised on their behalf, including the use of any proxy voting advisory services.

The Scheme has both a defined benefit ("DB") and defined contribution ("DC") section. This document covers the defined contribution section ("DC Section") only of the Scheme.

Trustees' conclusion

Based on the activity undertaken during the year the Trustees believe that the policies set out in the SIP have been implemented effectively.

In the Trustees' view, the Scheme's investment managers were able to disclose good evidence of voting and engagement activity. The activities completed by the Scheme's managers align with their expectations on how managers should steward assets and they believe their voting policy (as set out in the SIP) has been implemented effectively in practice. The Trustees are also satisfied that the Scheme's managers have carried out activities that focus on the Trustees' stewardship priorities of climate change and corporate governance.

Where managers have been unable to provide the requested information (such as specific details on significant votes cast) or did not provide this in the requested format, the Trustees' investment adviser is engaging with these managers on the Trustees' behalf to set expectations regarding the provision of this data in the future and encourage improvement in future reporting.

Implementation Statements – DC Section

1. Changes to the SIP during the year

The Trustees have a policy to review the SIP at least every three years, or without delay after any significant change in investment policy or member demographics.

The DC Section SIP was last reviewed and updated in November 2021 to reflect changes made to the Scheme's investment strategy.

The latest version of the SIP is available for members to view via the Europe Arab Bank website here.

2. How the policies in the SIP have been followed

The below section sets out what the Trustees have done during the year to 31 December 2023 to implement the policies and achieve the objectives set out in the SIP for the DC Section of the Scheme. The objectives and policies are summarised by theme; full details can be found in the SIP.

I. Policies and objectives related to the Scheme's DC investment strategy

Including ensuring the ongoing suitability of the Scheme's investment options (including the default strategy) and appropriate risk management: Policies 2; 3.1; 4.1; 4.2; 4.3; 4.4; and 5.

The Trustees have made available two lifestyle strategies and a range of nine self-select funds to allow members to build a portfolio suitable for meeting their individual investment objectives and needs.

The default arrangement

For members who do not wish to make an active investment decision, the Flexible Income Lifestyle strategy is used as the default arrangement for the Scheme. Members invested in the default arrangement are initially invested in the Passive Global Equity Fund which:

- Aims to deliver long-term growth through investment in equities, and therefore minimise opportunity cost risk and inflation risk by making sure members target a sufficient level of investment growth during the years when they are further from retirement and can typically tolerate a higher risk exposure; and
- Has allocations (90%) to funds that explicitly consider environmental, social and governance ("ESG") and climate considerations (including carbon intensity) in the investment selection process. This helps to manage members' exposure to ESG risks and opportunities by excluding certain investments that could be deemed as harmful (such as companies that violate the United Nations Global Compact) as well as by tilting towards companies that have an improved ESG profile, and away from companies that have a poor ESG profile.

When a member is 15 years from retirement, their assets are gradually moved into a mix of bonds and multi asset growth funds with a portion remaining in equities, aiming to retain some growth potential whilst also providing some protection of the capital value of members' savings, and therefore reducing capital risk. The gradual move between funds also helps minimise market switching risk for members.

The self-select range and individual funds

The self-select funds cover a number of different asset classes, enabling members to construct a portfolio to meet their individual investment objectives and constraints.

The Trustees set specific objectives for each individual investment fund and blended fund within the DC Section and monitored the funds against these objectives as part of the quarterly investment monitoring process (see below). The objectives and components of the blended funds were last reviewed in detail on 20 December 2023, as part of the detailed investment strategy review which is carried out on a triennial basis.

When setting and reviewing the objectives and component funds, the Trustees considered liquidity, ongoing costs to members, ESG risks and risk/return expectations to ensure that the investment managers and strategies selected aligned with the SIP policies.

Implementation Statements – DC Section

Quarterly investment monitoring and review

The Trustees reviewed investment performance on a quarterly basis over the year, to make sure that funds available to members were performing in line with expectations. The investment monitoring reports the Trustees received from their investment advisers focused on long-term investment performance as well as providing shorter-term performance information, as the Trustees recognise the need to review performance over a suitably long-term time horizon. The reports the Trustees reviewed over the year also included a red, amber or green ('RAG') status to indicate whether funds were delivering in line with their objectives. Some red ratings were flagged over the year, which were discussed in further detail as part of the Trustees' triennial review in December 2023 (see below).

The reports also included ESG ratings for each of the individual investment funds used within the investment strategy, which supported the Trustees in assessing the overall ESG risks of the Scheme's investments.

Detailed investment review

To make sure that the DC investment options remain appropriate for the needs of the Scheme's members, the Trustees carry out a detailed review of the Scheme's default strategy design in the context of the underlying membership profile at least every three years.

The detailed review was last carried out by the Trustees on 20 December 2023. Further information about this review and its outcome can be found in the Chair's Statement, which is located on this website.

The next detailed review is scheduled to be carried out in late 2026.

As part of the review, the Trustees discussed:

- **Whether the current default strategy targeting flexible income drawdown remained appropriate for the majority of the membership:**
  The Trustees analysed the membership profile of the Scheme (including, age, fund value, salary and projected fund value) and agreed that a default strategy targeting flexible income drawdown remained appropriate for the majority of members.

- **Performance of the investment options, including the default option:**
  The Trustees found that overall, members had experienced positive investment performance over the long-term and that the investment options were delivering in line with their objectives. However, some individual funds had underperformed expectations as a result of changes to the financial market environment. This included the Corporate Bond, Government Bond (Index Linked) and Multi Asset Growth funds. Following advice from their investment advisers, the Trustees agreed to make some changes as follows:
    - The existing underlying fund for the Corporate Bond Fund would be replaced with a Global Investment Grade Credit Mandate in order to reduce exposure to interest rate risk and improve global diversification for members;
    - The duration of the Government Bond (Index Linked) Fund would be lowered in order to reduce member exposure to interest rate risk and volatility.

  Both changes are due to be considered in further detail in 2024 prior to implementation.

  For the Multi Asset Growth Fund, the Trustees agreed that no urgent changes were needed, however the fund would be reviewed in more detail in the 2024 annual investment review with particular consideration being given to the role that private markets could play within the fund.

- **Self-select range:**
  Following advice from their investment advisers, the Trustees agreed that the current self-select range was suitable.

II. Policies and objectives related to investment managers

Policies: 3.3; 4.8; 4.9; 4.11

Over the year, the Trustees monitored the investment managers and funds against set objectives as part of the quarterly investment monitoring process.

Implementation Statements – DC Section

An overall rating ('Buy', 'Qualified' or 'Sell') is assigned to each of the funds in the DC Section of the Scheme which reflect the Trustees' investment adviser's conviction in each manager and strategy. The Trustees considered these ratings in their quarterly review of the Scheme's investment performance over the year. There were no changes to any of the fund ratings over the year.

The investment monitoring report is reviewed on a quarterly basis and includes information on explicit charges (including the Total Expense Ratio, 'TER') applying to the funds available to members. The TERs were reviewed and compared to typical market ranges (based on the Trustees' investment adviser's understanding of other similar schemes) as part of the triennial review carried out in December 2023. All fund charges were within an acceptable range given the Scheme size and platform setup.

The Trustees also monitored the level of charges applying to the Scheme's funds via the Chair's Statement (available on the website under 'Pension Scheme'), which includes disclosure of transaction costs. Transaction costs are incurred on an ongoing basis in addition to the TER and are implicit within the reported performance of each fund. Whilst there are not yet any set benchmarks to monitor transaction costs against, the Trustees' investment adviser was comfortable that the total costs were in line with the wider market.

III. Policies and objectives related to investment advisers

Policies: 3.2; and 4.10.

The Trustees obtained advice from their adviser over the year as part of the quarterly investment monitoring reports and detailed triennial investment review. Following receipt of this advice, the Trustees decided to make changes to the investment strategy, as noted above.

In December 2019, the Trustees set objectives for their DC investment adviser. The Trustees carry out an assessment of the adviser versus these objectives annually, with the latest review being carried out in December 2023.

IV. Policies and objectives related to ESG risks and stewardship

Policies: 4.6; 4.7

The Trustees reviewed ESG ratings for the funds used by the Scheme as part of the quarterly investment monitoring reports received from their adviser over the year. The ESG ratings assess to what extent each fund manager is accounting for financially material ESG factors, in both ongoing investment decisions and stewardship activities. All rated funds received either 'Integrated' or 'Advanced' ESG ratings, meaning the fund managers are at least taking appropriate steps to evaluate and mitigate financially material ESG risks within the portfolio, which is in line with the Trustees' expectations of their managers.

The Passive Global Equity Fund has been designed by the Trustees to have allocations to explicit 'responsible investment' style funds. The Passive Global Equity Fund is used by both the lifestyle strategies (including the default) as well as being available as a stand-alone fund within the self-select range. The underlying funds are passively managed funds that aim to provide exposure to global equities whilst accounting for significant ESG and climate-related issues (more detail in section 2.I above). The Trustees believe this reflects the increasing importance of ESG issues and their associated risk, helping to improve long-term risk adjusted returns for members.

The Trustees have also made available a self-select option, the Responsible Investment Global Equity Fund (which invests solely in the LGIM Future World Global Equity Index). This was added to the range of self-select funds in October 2021 and sits alongside the existing Ethical and Shariah Compliant options, which together allow members to invest in funds with specific considerations.

Regarding member views on ESG matters (including both financially and non-financially material considerations), the Trustees' policy is to give due consideration to any member feedback received. No such feedback was received over the year to 31 December 2023.

The Trustees review investment managers' stewardship activities annually (including voting and engagement) as part of the production of this Implementation Statement. With the help of their investment adviser, the Trustees have collated and reviewed the voting and engagement activity of

Implementation Statements – DC Section

each individual manager used within the Scheme. The Trustees are comfortable based on the evidence provided that the Scheme's managers are acting in line with the expectations set out in the SIP.

Details of this review can be found in Section 3 below.

3. Stewardship policy: the exercise of Trustees' voting rights

The Scheme invests in pooled funds, and the Trustees have delegated responsibility for the selection, retention and realisation of investments to the Scheme's appointed investment managers. This means that the Trustees have also delegated their stewardship activities, including the exercise of voting rights, to the Scheme's managers. As above, the Trustees review these policies on a regular basis to ensure they align with expectations and are in members' best interests.

In 2022, the Trustees adopted the following stewardship priorities:

- Climate change; and
- Corporate governance.

These have been chosen specifically from the wider spectrum of ESG factors, which the Trustees believe have the potential to negatively impact the value of investments held if not understood and evaluated properly. Therefore, it is in members' best interests for these issues and their associated risks to be properly understood, and where possible mitigated, by the Scheme's appointed investment managers through their stewardship activity.

What is stewardship?

Stewardship is investors using their influence over current or potential investees/issuers, policy makers, service providers and other stakeholders to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

This includes prioritising which ESG issues to focus on, **engaging** with investees/issuers, and **exercising voting rights**.

Differing ownership structures means stewardship practices often differ between asset classes.

Source: UN PRI

The rest of this section sets out the stewardship activities, including the exercise of voting rights, carried out on the Trustees' behalf over the year to 31 December 2023, including how this related to the set stewardship priorities. Based on the information provided, the Trustees are comfortable that most managers are carrying out stewardship activities that are in line with the expectations and policies set out in the SIP.

Where managers have been unable to provide the requested information, the Trustees' investment adviser is engaging with these managers to set expectations regarding the provision of this data in the future.

Manager voting activity

Good asset stewardship means being aware and active on voting issues, corporate actions and other responsibilities tied to owning a company's stock. The Trustees believe that good stewardship is in the members' best interests to promote best practice and encourage investee companies to access opportunities, manage risk appropriately, and protect shareholders' interests. Understanding and monitoring the stewardship that investment managers practice in relation to the Scheme's investments is an important factor in deciding whether a manager remains the right choice for the Scheme.

Voting rights are attached to listed equity shares, including equities held in multi-asset funds. The Trustees expect the Scheme's equity-owning investment managers to responsibly exercise their voting rights.

Why is voting important?

Voting is an essential tool for listed equity investors to communicate their views to a company and input into key business decisions. Resolutions proposed by shareholders increasingly relate to social and environmental issues.

Source: UN PRI

Implementation Statements – DC Section

Voting statistics

The table below shows the voting statistics for each of the Scheme's material funds with voting rights for the year to 31 December 2023.

Fund name	Underlying fund name	Number of resolutions eligible to vote on	% of resolutions voted	% of votes against management	% of votes abstained from
Passive Global Equity Fund ***Responsible Investment Global Equity Fund**	LGIM Future World Equity Index Fund (hedged and unhedged)*	52,639	99.9%	19.3%	0.4%
	LGIM RAFI Global Reduced Carbon Pathway Equity Index Fund (hedged and unhedged)	37,471	99.9%	20.5%	0.5%
	LGIM Minimum Volatility Index Fund	5,522	100.0%	23.6%	0.1%
	LGIM World Emerging Markets Equity Index Fund	34,029	99.9%	18.6%	0.9%
UK Equity Index Fund	LGIM UK Equity Index Fund	10,517	99.8%	5.8%	0.0%
Ethical Equity Index Fund	LGIM Ethical Global Equity Index Fund	16,787	99.9%	18.5%	0.2%
Shariah Compliant Global Equity Fund	HSBC Islamic Global Equity Index Fund**	1,726	95.9%	23.2%	0.1%
Multi-Asset Growth Fund	Schroders Sustainable Future Multi-Asset Fund**	9,286	93.9%	10.9%	0.8%
	LGIM Diversified Fund	94,290	99.8%	23.4%	0.3%

Source: Managers.
***The voting statistics provided by HSBC and Schroders suggests that abstained votes are being counted as votes against management resulting in double counting within the voting statistics. The sum of 'Votes supporting Management', 'Votes against Management' and 'Votes abstained' adds up to more than 100%.*

Use of proxy voting advisers

Many investment managers use proxy voting advisers to help them fulfil their stewardship duties. Proxy voting advisers provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition. They can also provide voting execution, research, record keeping and other services.

Responsible investors will dedicate time and resources towards making their own informed decisions, rather than solely relying on their adviser's recommendations.

Why use a proxy voting adviser?

Outsourcing voting activities to proxy advisers enables managers that invest in thousands of companies to participate in many more votes than they would without their support.

The table overleaf describes how the Scheme's managers use proxy voting advisers.

Implementation Statements – DC Section

	Description of use of proxy voting adviser(s) *(in the managers' own words)*
Legal & General Investment Management ("LGIM")	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 we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions.
HSBC Global Asset Management ("HSBC")	We use the leading voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. We review voting policy recommendations according to the scale of our overall holdings. The bulk of holdings are voted in line with the recommendation based on our guidelines.
Schroders Investment Management ("Schroders")	Institutional Shareholder Services (ISS) act as our one service provider for the processing of all proxy votes in all markets. ISS delivers vote processing through its Internet-based platform Proxy Exchange. Schroders receives recommendations from ISS in line with our own bespoke guidelines, in addition, we receive ISS's Benchmark research. This is complemented with analysis by our in house ESG specialists and where appropriate with reference to financial analysts and portfolio managers.

Source: Managers.

Voting policies

The Trustees have delegated the exercise of their voting rights to the Scheme's investment managers, and therefore take responsibility for how they cast votes on the Trustees' behalf. A summary of each manager's voting policy is included in the Appendix.

Examples of significant votes and engagement

To illustrate the stewardship activity being carried out on their behalf, the Trustees asked the Scheme's investment managers to provide a selection of what they consider to be the most significant votes in relation to the Scheme's funds, and engagements carried out. Given the large number of examples provided for each fund, we have disclosed sample of these significant votes and engagements in the Appendix.

Manager engagement activity

Engagement is when an investor communicates with current (or potential) investee companies (or issuers) to improve their ESG practices, sustainability outcomes or public disclosure. Good engagement identifies relevant ESG issues, sets objectives, tracks results, maps escalation strategies and incorporates findings into investment decision-making.

The table below shows some of the engagement activity carried out by the Scheme's material managers. The managers have provided information for the most recent calendar year available. Where engagement activity related to one of the Trustees' stewardship priorities, we have highlighted this in **bold text**.

Funds	**Underlying funds**	**Number of engagements**		**Themes engaged on at a fund-level**
		Fund specific	**Firm level**	
Passive Global Equity Fund ***Responsible Investment**	LGIM Future World Equity index (Hedged and Unhedged)*	886	2,486	Environment - **Climate Change**, Climate Impact Pledge, Deforestation Social - Ethnic Diversity, Gender Diversity

Implementation Statements – DC Section

Funds	Underlying funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
Global Equity Fund				**Governance - Remuneration, Board Composition, Nominations and Succession** Other - Corporate Strategy
	LGIM RAFI Global Reduced Carbon Pathway Equity Index Fund (hedged and unhedged)	664	2,486	Environment - **Climate Change**, Climate Impact Pledge, Deforestation Social - Gender Diversity **Governance - Remuneration, Board Composition, Nominations and Succession** Other - Corporate Strategy
	LGIM Minimum Volatility Index Fund	301	2,486	Environment - **Climate Change**, Climate Impact Pledge Social - Gender Diversity, Public Health **Governance - Remuneration, Board Composition, Nominations and Succession** Other - Corporate Strategy
	LGIM World Emerging Markets Index Fund	235	2,486	Environment - Climate Impact Pledge, Deforestation, **Climate change** Social - Gender Diversity Governance - LGIM ESG Score, **Remuneration** Other - Corporate Strategy
UK Equity Index Fund	LGIM UK Equity Index Fund	374	2,486	Environment - **Climate Change**, Climate Impact Pledge, Energy Social - Ethnic Diversity, Income Inequality **Governance - Remuneration, Board Composition, Nominations and Succession** Other - Corporate Strategy
Ethical Global Equity Index Fund	LGIM Ethical Global Equity Index Fund	380	2,486	Environment - **Climate Change**, Climate Impact Pledge, Energy Social - Gender Diversity, Income Inequality **Governance - Remuneration, Board Composition, Nominations and Succession** Other - Corporate Strategy, Company Disclosure & Transparency
Corporate Bond Fund	LGIM Investment Grade Over 15 Year Target Duration Fund	25	2,486	*Not provided: this fund predominantly invests in government related securities where opportunities for engagement are more limited.*
Shariah Compliant Global Equity Fund	HSBC Islamic Global Equity Fund	77	2,310	Environment - **Climate change** Social - Conduct, culture and ethics (e.g. tax, anti-bribery, lobbying), Human capital management (e.g. inclusion & diversity, employee terms, safety) **Governance - Remuneration**

Implementation Statements – DC Section

Funds	Underlying funds	Number of engagements		Themes engaged on at a fund-level
		Fund specific	Firm level	
				Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting)
Multi-Asset Growth Fund	Schroders Sustainable Future Multi-Asset Fund	1,075	6,724	Environment - **Climate change**, Natural resource use/impact (e.g. water, biodiversity) Social - Human and labour rights (e.g. supply chain rights, community relations), Human capital management (e.g. inclusion & diversity, employee terms, safety) **Governance - Board effectiveness – Other, Remuneration** Strategy, Financial and Reporting - Reporting (e.g. audit, accounting, sustainability reporting), Strategy/purpose
	LGIM Diversified Fund	1,874	2,486	Environment - Climate Impact Pledge, **Climate Change**, Deforestation Social - Ethnic Diversity, Gender Diversity **Governance - Remuneration, Board Composition, Nominations and Succession** Other - Corporate Strategy

Source: Managers.

Data limitations

At the time of writing, whilst LGIM provided a comprehensive list of fund level engagement examples, (which we find encouraging) it did not provide detailed engagement examples specific to the funds in which the Scheme invests, as per the industry standard engagement reporting template.

This report does not include commentary on certain asset classes such as gilts or cash because of the limited materiality of stewardship to these asset classes.

Implementation Statements – DC Section

Appendix – Manager voting policy summary

A summary of each manager's voting policy (as provided by the managers themselves) is given below.

LGIM

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

All decisions are made by LGIM's Investment Stewardship team and in accordance with our 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 our 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.

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.

At the end of 2022, we reviewed the Investment Stewardship team's themes for engagement with companies and policymakers, which had been in place for five years. As part of this process, we considered the changing sustainability backdrop and evolving client areas of focus.

Following the review, at the start of 2023, we finalised the following six long-term 'super themes', each of which has its own underlying 'sub-themes':

- **Climate:** Keeping 1.5°C alive
- **Nature:** Supporting a world that lives in harmony with nature, recognising the economic value of natural capital
- **People:** Improving human capital across the corporate value chain
- **Health:** Safeguarding global health to limit negative consequences for the global economy
- **Governance:** Strengthening accountability to deliver stakeholder value
- **Digitisation:** Establishing minimum standards for how companies manage digitisation-related risks

We believe these themes are financially material to our clients' portfolios, often pose systemic risks and opportunities, and cover areas where we believe LGIM as an asset manager can influence change.

The Trustees are comfortable that LGIM's stewardship policy, in particular the focus of its engagement activities on matters including climate and governance, align with the Trustees' stewardship priorities.

Implementation Statements – DC Section

HSBC

We exercise our voting rights as an expression of stewardship for client assets. We have 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.

We regard the votes against management recommendation as the most significant. With regards to climate, in our engagement we encourage companies to disclose their carbon emissions and climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Where companies in energy intensive sectors have persistently failed to disclose their carbon emissions and climate risk governance, we will generally vote against the re-election of the Chairman. We also generally support shareholder resolutions calling for increased disclosure on climate-related issues.

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

The Trustees are comfortable that HSBC's voting policy, in particular the focus of its engagement on matters including climate and corporate governance matters (such as independent directors and remuneration linked to performance), align with the Trustees' stewardship priorities.

Schroders

As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking). We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy. The overriding principle governing our voting is to act in the best interests of our clients. Where proposals are not consistent with the interests of shareholders and our clients, we are not afraid to vote against resolutions. We may abstain where mitigating circumstances apply, for example where a company has taken steps to address shareholder issues.

We evaluate voting resolutions arising at our investee companies and, where we have the authority to do so, vote on them in line with our fiduciary responsibilities in what we deem to be the interests of our clients. Our Corporate Governance specialists assess each proposal, applying our voting policy and guidelines (as outlined in our Environmental, Social and Governance Policy) to each agenda item. In applying the policy, we consider a range of factors, including the circumstances of each company, long-term performance, governance, strategy and the local corporate governance code. Our specialists will draw on external research, such as the Investment Association's Institutional Voting Information Services and ISS, and public reporting. Our own research is also integral to our process; this will be conducted by both our financial and Sustainable Investment analysts. For contentious issues, our Corporate Governance specialists consult with the relevant analysts and portfolio managers to seek their view and better understand the corporate context. We also engage with companies throughout the year via regular face-to-face meetings, written correspondence, emails, phone calls and discussions with company advisors and stakeholders.

We believe that all resolutions when we vote against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.

The Trustees are comfortable that Schroders' voting and engagement policy, in particular the focus of its engagement activities on matters including climate and good governance, align with the Trustees' stewardship priorities.

Implementation Statements – DC Section

Appendix – Significant Voting Examples

In the table below are some significant vote examples provided by the Scheme's managers. Managers use a wide variety of criteria to determine what they consider a significant vote, some of which are outlined in the examples below. The Trustees' definition of a significant vote is broadly consistent with the managers' definitions, therefore, the examples given in the sections below are also aligned with the Trustees' definition of a significant vote.

LGIM Future World Equity Index Fund (hedged and unhedged)	**Company name**	JPMorgan Chase & Co.
	Date of vote	15-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.85%
	Summary of the resolution	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
	How you voted	For (against management)
	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.
	Rationale for the voting decision	We generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. We believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.
	Outcome of the vote	Fail
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	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 – Climate: LGIM considers this vote to be significant as we pre-declared our intention to support. We continue to consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.
	Relevance to Trustees' stewardship priorities	Climate change
LGIM RAFI Global Reduced Carbon Pathway Equity Index Fund (hedged and unhedged)	**Company name**	Shell Plc
	Date of vote	23-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.10% (LGIM RAFI Global Reduced Carbon Pathway Equity Index Fund (hedged and unhedged) 7.03% (LGIM UK Equity Index Fund) 0.61% (LGIM Ethical Global Equity Index)

Implementation Statements – DC Section

and **LGIM UK Equity Index Fund** **and** **LGIM Ethical Global Equity Index**	**Summary of the resolution**	Approve the Shell Energy Transition Progress
	How you voted	Against
	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 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.
	Rationale for the voting decision	Climate change: 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 1.5C trajectory.
	Outcome of the vote	Pass
	Implications of the outcome e.g. 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.
	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. We expect 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.
	Relevance to Trustees' stewardship priorities	Climate change
LGIM Minimum Volatility Index Fund	**Company name**	McDonald's Corporation
	Date of vote	25-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	1.04%
	Summary of the resolution	To Adopt Policy to Phase Out Use of Medically-Important Antibiotics in Beef and Pork Supply Chain
	How you voted	For
	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.
	Rationale for the voting decision	Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and we consider AMR to be a systemic risk. The resolution asks McDonald's to adopt a company-wide policy to phase out the use of medically important antibiotics for disease prevention purposes in its beef and pork supply chains and to set targets with timelines, metrics for measuring implementation, and third-party verification.

Implementation Statements – DC Section

	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	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 – Health: LGIM considers this vote to be significant as Antimicrobial resistance ('AMR') is a key area of focus within LGIM's approach to health, and we consider AMR to be a systemic risk.
	Relevance to Trustees' stewardship priorities	Does not directly link to climate change or corporate governance but still considered significant as the resolution and vote is in relation to an ESG issue (health) that has the potential to be financially material
LGIM World Emerging Markets Equity Index Fund	**Company name**	Tencent Holdings Limited
	Date of vote	17-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	4.24%
	Summary of the resolution	Elect Jacobus Petrus (Koos) Bekker as Director
	How you voted	Against
	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 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.
	Rationale for the voting decision	Climate Impact Pledge: A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management. Remuneration Committee: A vote against has been applied because LGIM expects the Committee to comprise independent directors.
	Outcome of the vote	Pass
	Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	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 considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting companies in climate-critical sectors. More information on LGIM's Climate Impact Pledge can be found here: https://www.lgim.com/uk/en/responsible-investing/climate-impact-pledge/
	Relevance to Trustees' stewardship priorities	Corporate Governance and Climate Change
HSBC Islamic Global Equity Index Fund	**Company name**	Microsoft Corporation
	Date of vote	07-December-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	7.60%

Implementation Statements – DC Section

	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation
	How you voted	Against
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	No
	Rationale for the voting decision	We consider the quantum of the total pay excessive. The vesting period is not sufficiently long. The performance measurement period is not sufficiently long.
	Outcome of the vote	Pass
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We will likely vote against a similar proposal should we see insufficient improvements.
	On which criteria have you assessed this vote to be "most significant"?	The company has a significant weight in the portfolio and we voted against management.
	Relevance to Trustees' stewardship priorities	Corporate Governance
Schroders Sustainable Future Multi-Asset Fund	**Company name**	Wells Fargo & Company
	Date of vote	25-April-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	*Not provided*
	Summary of the resolution	Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
	How you voted	For
	Where you voted against management, did you communicate your intent to the company ahead of the vote?	We may tell the company of our intention to vote against the recommendations of the board before voting, in particular if we are large shareholders or if we have an active engagement on the issue. We always inform companies after voting against any of the board's recommendations.
	Rationale for the voting decision	The company is asked to produce a report disclosing how it intends to align its financing activities with its 2030 sectoral GHG emission reduction targets. We welcome additional disclosures that help better understand how the company is implementing its climate strategy. We believe that how we have voted is in the best financial interest of our clients' investments.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	We monitor voting outcomes particularly if we are large shareholders or if we have an active engagement on the issue. If we think that the company is not sufficiently responsive to a vote or our other engagement work, we may escalate our concerns by starting, continuing or intensifying an engagement. As part of this activity we may also vote against other resolutions at future shareholder meetings, such as voting against the election of targeted directors.
	On which criteria have you assessed this vote to be "most significant"?	Environmental

Implementation Statements – DC Section

	Relevance to Trustees' stewardship priorities	Climate Change
LGIM Diversified Fund	**Company name**	Public Storage
	Date of vote	02-May-2023
	Approximate size of fund's/mandate's holding as at the date of the vote (as % of portfolio)	0.17%
	Summary of the resolution	Report on GHG Emissions Reduction Targets Aligned with the Paris Agreement Goal
	How you voted	For
	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 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.
	Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5Â°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 1.5Â°C goal.
	Outcome of the vote	Fail
	Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to monitor the board's response to the relatively high level of support received for this resolution.
	On which criteria have you assessed this vote to be "most significant"?	High Profile meeting: This shareholder resolution is considered significant due to the relatively high level of support received.
	Relevance to Trustees' stewardship priorities	Climate Change

Source: Managers.

Implementation Statements – DC Section

Appendix – Engagement Examples

Examples are given in the managers' own words.

LGIM	**Engagement Theme**	Labour relations and climate change
	Relevance to the Trustees' stewardship priorities	Climate-related
	Rationale	Rolls Royce is one of the principal engine suppliers to the global aviation industry and a strategically important company to the UK government as both a large employer and partner for decarbonising both the UK and global economy. Rolls Royce has faced major financial challenges over recent years, and particularly following the Covid-19 pandemic. Rolls Royce hired a new CEO at the start of 2023, who entered the role with the mandate of imposing major structural changes to the business. As part of our engagement we are looking to: 1. Understand how Rolls Royce will manage its relations with key labour stakeholders while undertaking any strategic decisions. 2. Communicate to the company the importance of positioning for long-term climate trends while also addressing short-term challenges
	What the manager did	Our relationship with the new Rolls Royce CEO predates his most recent role and this enabled us to engage with the company early on in his tenure. During this meeting we communicated our views on the importance of positioning the company for the climate transition, while also focusing on nearer-term challenges and objectives, such as returning the company to an investment-grade credit rating. Following this initial meeting, we also engaged in person with the chair of the board of Rolls Royce to understand institutional barriers to imposing necessary structural changes. We have also had two subsequent meetings with the CEO of the company, before and after its strategy day in November 2023.
	Outcomes and next steps	We believe the company was receptive to our communications and our input regarding the strategic review. As a result, we have been pleased that the strategic review announced in November 2023 appears well balanced in making appropriately radical structural and cultural changes without sacrificing options for the company to remain an active participant in the carbon transition. The strategic review was well received by the market. We anticipate remaining engaged with the company regarding implementation of the review's findings and its role in the carbon transition which will occur over the coming decades.
HSBC	**Engagement Theme**	Human rights, trusted technology and data, governance
	Relevance to the Trustees' stewardship priorities	Corporate Governance
	Rationale	At the start of 2022, we provided input as investors into a company's ESG materiality assessment, and provided recommendations on various ESG issues where we would like to see improvements and more disclosures. The company has only published a short ESG report several years ago, with limited details and updates since then. The company management has also been difficult to access historically. Transparency is therefore one of our key concerns and area of engagement. Having seen increasing regulatory pressure on the internet and e-commerce sector in 2021 and workplace controversies

Implementation Statements – DC Section

		reported in the media, we highlighted these social and governance concerns through 1-to-1 and collaborative engagements with the company
	What the manager did	We highlighted material ESG issues including anti-competitive practices and anti-trust, data privacy and security, artificial intelligence (AI) ethics and governance, gig economy and worker rights/welfare, human capital issues (long working hours), sexual harassment controversy and business culture. We clarified with the company their newly established board sustainability committee and recently announced net-zero strategy. We requested the company to provide detailed disclosures of their performance and management of material ESG issues highlighted. We built on our engagement with the company in 2023 on their corporate restructuring strategy and governance. We also joined the Big Tech and Human Rights collaborative engagement initiative organized by the AP Funds Council on Ethics, focusing on issues relating to child safety and data privacy.
	Outcomes and next steps	Our input has contributed to the company's first ESG report published in 2022, which is much more comprehensive and includes an ESG governance framework at the board level, and an ESG strategy. The company has taken steps to enhance board independence and gender diversity in 2023, adding new INEDs such that board is now 55% independent and has 27% female directors – both above our expectations for the Hong Kong market. Compensation Committee will become 100% independent. In 2023, as part of the company's corporate restructuring, it has separated the Chair and CEO roles, which we view as a positive step to better board governance. The company also formed a technology committee with six guiding principles to steer the research and development of artificial intelligence ethics.
Schroders	**Engagement Theme**	Environment – Climate Change
	Relevance to the Trustees' stewardship priorities	Climate Change
	Rationale	As members of the Institutional Investors Group on Climate Change (IIGCC) we took part in its collaborative Net Zero Engagement Initiative (NZEI). The purpose of the engagement is to seek confirmation that the company (Tenaris) has developed, or intends to develop, a Net Zero Transition Plan consistent with the Net Zero Investment Framework alignment. One of the key areas of focus for our climate engagements is Climate alignment. As the pathway to 1.5°C requires a dramatic reduction in emissions within the next decade we engage to encourage companies to develop a robust and inclusive path to net zero. One of our short to mid-term desired outcomes is for holdings to publish a detailed transition plan explaining how the company will transition and meet its targets in order to meet our long term desired outcome avoiding the worst impacts of climate change by limiting global warming to 1.5°C. This collaborative engagement with IIGCC is alignment with our engagement blueprint and UN Sustainable Development Goals 7 and 13. We engaged Tenaris because it is a global manufacturer and supplier of steel pipes, and we sought to understand how we could assist Tenaris in addressing the challenges and opportunities associated with the net-zero transition.
	What the manager did	In March 2023, we cosigned a letter sent by IIGCC which sought confirmation that the company has developed, or intends to develop, a Net Zero Transition Plan consistent with the Net Zero Investment Framework alignment criteria including the following key elements: comprehensive net zero commitment, aligned GHG targets, emissions performance tracked and, a credible decarbonisation strategy. Following, Tenaris' response