Implementation Statement ("IS")

Europe Arab Bank plc Pension Scheme (the "Scheme")
Scheme Year End – 31 December 2022

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 2022 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 (including additional detail on significant votes cast, fund-level engagement examples and themes) or did not provide this in the requested format, the Trustees' investment adviser is engaging with these managers on their behalf to set expectations regarding the provision of this data in the future and encourage improvement in future reporting.

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. No changes were made over the year to 31 December 2022.

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 2022 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 a 30% allocation to the LGIM Future World Global Equity Index to help 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 have 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 17 November 2020, 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.

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' annual review in November 2022 (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 17 November 2020. Further information about this review and its outcome can be found in the Annual Governance Statement, which is located on the Scheme website.

The next detailed review is scheduled to be carried out later in 2023.

Annual investment review

The Trustees also carry out a review of the Scheme's investments annually. The Trustees carried out the annual review of the Scheme's investment options in November 2022. As part of the review, the Trustees discussed:

- Negative performance of the Government (Index-Linked) Bond and Corporate Bond Funds following difficult market conditions in 2022:
  Following advice from their investment advisers, it was agreed that while no urgent changes were needed, the strategic positioning of these funds would be reviewed again as part of the 2023 detailed review.
  Given the extent of the underperformance and the possible risk for any member wholly invested in these funds and/or close to retirement with holdings in these funds, the Trustees also agreed to communicate with members regarding the negative performance they might have experienced and what it means for them. A member communication was subsequently issued in January 2023.
- Underperformance of the Multi Asset Growth Fund versus its long-term target:
  Again, the Trustees agreed that no urgent changes were needed, and that the underperformance was a reflection of short-term market conditions rather than any fundamental issues with the investment strategy or managers.

Additional reviews carried out in 2022

Following the invasion of Ukraine by Russia in February 2022, the Trustees investigated the Scheme's exposure to Russian, Belarusian and Ukrainian assets in order to estimate any risk exposure. Sanctions applied to Russian assets were expected to reduce liquidity of these assets and reduce their value. Based on information provided by their investment advisers, the Trustees found that the Scheme's direct exposure to these countries was negligible. The Trustees are comfortable that any risk to members' investments in relation to the invasion of Ukraine was minimal.

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 the set objectives as part of the quarterly investment monitoring process.

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 and had no concerns that required further action.

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 annual review carried out in November 2022. 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 Annual Governance Statement (available on the Scheme website), 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 not out of 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 annual investment review. In line with this advice, the Trustees agreed that no changes were required over the year regarding the investment strategy although some elements will be reviewed again as part of the upcoming detailed review.

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.

The Trustees discussed the results of the 2021 review with their adviser in January 2022 and agreed that the adviser was delivering their services in line with expectations.

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 funds received either an '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 an allocation to an explicit 'responsible investment' style fund (the LGIM Future World Global Equity Index). The Passive Global Equity Fund is used by both lifestyle strategies (including the default) as well as being available as a stand-alone fund within the self-select range. The LGIM Future World Global Equity Index is a passively managed fund that aims to provide exposure to global equities while reflecting significant ESG 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 2022.

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 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 of this Statement.

3. 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.

As part of the 2022 reporting process, the Trustees have chosen to adopt the following stewardship priorities:

- Climate change; and
- Corporate governance.

These have been chosen specifically from the wider spectrum of environmental, social and governance ("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 2022, 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. 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

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 2022.

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 and *Responsible Investment Global Equity Fund	LGIM Future World Global Equity Index Fund*	53,097	99.9%	18.6%	1.0%
	LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Funds	39,246	99.7%	19.6%	1.2%
	LGIM Minimum Volatility Index	5,602	99.3%	23.2%	0.3%
	LGIM World Emerging Markets Equity Index	35,615	100.0%	18.8%	2.3%
UK Equity Index Fund	LGIM UK Equity Index Fund	10,854	99.9%	5.5%	0.0%
Ethical Equity Index Fund	LGIM Ethical Global Equity Index Fund	16,528	99.7%	17.8%	0.2%
Shariah Compliant Global Equity Fund	HSBC Islamic Global Equity Index Fund	1,623	95.8%	17.6%	0.6%
Multi Asset Growth Fund	LGIM Diversified Fund	98,795	99.8%	21.9%	0.7%
	Schroders Sustainable Future Multi-Asset Fund	8,467	93.8%	10.4%	0.6%

Source: Managers

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 below describes how the Scheme's managers use proxy voting advisers.

	Description of use of proxy voting advisers *Wording provided directly by each manager*
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.

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. Some of the information provided is at a firm-level i.e., is not necessarily specific to the fund invested in by the Scheme. 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 **and** ***Responsible Investment Global Equity Fund**	*LGIM Future World Global Equity Index Fund	791	*Not Provided*	Environment – **Climate change**; Natural resource use/impact (e.g., water, biodiversity) Social – Human capital management (e.g., inclusion & diversity, employee terms, safety) **Governance – Remuneration** Strategy, Financial and Reporting – Reporting (e.g. audit, accounting, sustainability reporting)
	LGIM RAFI Fundamental Global Reduced Carbon Pathway Equity Index Fund	672	*Not Provided*	Environment – **Climate change**; Natural resource use/impact (e.g., water, biodiversity) Social – Human capital management (e.g., inclusion & diversity, employee terms, safety) **Governance – Board effectiveness – Diversity; Remuneration**
	LGIM Minimum Volatility Index	200	*Not Provided*	Environment – **Climate change**; Natural resource use/impact (e.g., water, biodiversity) Social – Public health **Governance – Board effectiveness – Diversity; Remuneration**
	LGIM World Emerging Markets Equity Index	131	*Not Provided*	Environment – **Climate change** Social – Human capital management (e.g., inclusion & diversity, employee terms, safety) **Governance – Board effectiveness- Diversity; Remuneration**

				Strategy, Financial and Reporting – Strategy/purpose
UK Equity Index Fund	LGIM UK Equity Index Fund	247	*Not Provided*	Environment – **Climate change** Social – Human capital management (e.g., inclusion & diversity, employee terms, safety) **Governance – Board effectiveness- Diversity; Remuneration** Strategy, Financial and Reporting – Strategy/purpose
Ethical Global Equity Index Fund	LGIM Ethical Global Equity Index Fund	338	*Not Provided*	Environment – **Climate change** Social – Human capital management (e.g., inclusion & diversity, employee terms, safety) **Governance – Board effectiveness- Diversity; Remuneration** Strategy, Financial and Reporting – Strategy/purpose
Corporate Bond Fund	LGIM Investment Grade Over 15 Year Target Duration Fund	34	*Not Provided*	Environment – **Climate change** **Governance – Board effectiveness- Diversity; Board effectiveness- Other; Remuneration; Shareholder rights** Strategy, Financial and Reporting – Capital allocation
Shariah Compliant Global Equity Fund	HSBC Islamic Global Equity Index Fund[1]	160	3,456	Environment - **Climate change** Social - Human and labour rights (e.g., supply chain rights, community relations), **Governance - Board effectiveness – Diversity** Strategy, Financial and Reporting – Financial performance; Strategy/purpose
Multi Asset Growth Fund	LGIM Diversified Fund	667	*Not Provided*	Environment – **Climate change** Social – Human capital management (e.g., inclusion & diversity, employee terms, safety) **Governance – Board effectiveness – Diversity; Remuneration** Strategy, Financial and Reporting – Strategy/purpose
	Schroder Sustainable Future Multi-Asset Fund	>900	>2,800	Environment - **Climate change** **Governance - Board effectiveness – Diversity; Independence or Oversight** Strategy, Financial and Reporting – Capital allocation; Reporting (e.g., audit, accounting, sustainability reporting)

Source: Managers

1. HSBC has provided themes at a firm-level i.e., they are not specific to the fund the Scheme is invested in.

Data limitations and follow-up actions

At the time of writing, the following managers did not provide all the information requested:

- While LGIM provided a comprehensive list of fund level engagement examples, which we find encouraging, it did not provide detailed engagement examples specific to the fund in which the Scheme invests, as per the industry standard engagement reporting template. Also, LGIM did not provide firm-level engagement information.
- Schroders did not provide the requested voting information in the industry standard format (i.e., the Pension and Lifetime Savings Association voting template).
- HSBC did not provide fund-level engagement themes.

The Trustees' investment adviser is engaging with the managers regarding the provision of this information in the future.

This report does not include commentary on the Scheme's investment in gilts and cash (the Government Bond Fund (Index Linked) and the Cash Fund) because of the limited materiality of stewardship to these asset classes.

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.

Our Investment Stewardship team exercises voting rights globally across LGIM's active and index funds, holding companies to account on the issues that matter most to our clients. These range from climate change to board independence and diversity. In 2021, we focussed our active ownership activities on: policy advocacy and collaboration; taking action on diversity; fair pay; advocating for good governance; environment and climate; healthcare and human rights; and championing investor rights.

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

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 vote on all resolutions at all shareholder meetings globally, unless we are restricted from doing so. Our house voting policy is refreshed annually to capture market changes and evolving best practice.

Voting decisions are made using a framework developed by our Active Ownership team. Our team includes experts with local market knowledge who collaborate with the wider Sustainable Investment team, as well as our investment professionals on key resolutions.

We're committed to voting in the best interests of our clients and see taking a considered approach to voting as part of our fiduciary duty, as well as a key part of the investment process. That is why we do not rely solely on third party recommendations and use both external and our own proprietary research and consider resolutions on a case-by-case basis.

As detailed in our Engagement Blueprint, we focus on sustainability issues that we determine to have the potential to be material to the long-term value of our investee holdings. When companies fail to address these adequately, we believe that over time they might negatively impact their financial performance for our clients. These issues reflect expectations and trends across a range of stakeholders including employees, customers, and communities, to the environment, suppliers and regulators. By strengthening relationships with that range of stakeholders, business models become more durable. The governance structure and management quality that oversee stakeholder relationships is also a focus for our engagement discussions. In addition, we seek to reflect the priorities of our clients. Based on this process, we identify six broad themes for our engagement: climate change, natural capital and biodiversity, human rights, human capital management, diversity and inclusion and corporate governance.

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.

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	**Company name**	Amazon.com Inc
	Date of vote	05-May-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company 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.
	Summary of the resolution	Report on Civil Rights Audit
	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 (human rights) that has the potential to be financially material
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	~5.3%
	Outcome of the vote	Pass
	Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria on which the vote is considered significant?	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.
LGIM UK Equity Index Fund	**Company name**	Rio Tinto Plc
	Date of vote	08-Apr-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company 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.
	Summary of the resolution	Approve Climate Action Plan
	Relevance to Trustees' stewardship priorities	Climate change-related
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	~2.7%
	Outcome of the vote	Pass
	Rationale for the voting decision	Climate change: We recognise the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.
	Implications of the outcome	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.
	Criteria on which the vote is considered significant?	LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high

		quality and credible transition plans to be subject to a shareholder vote.
HSBC Islamic Global Equity Index Fund	**Company name**	Microsoft Corporation
	Date of vote	13-December-2022
	How the manager voted	Against
	Did the manager communicate its intent to the company ahead of the vote?	We communicate our thinking on the shareholder proposals ahead of the AGM.
	Summary of the resolution	Advisory Vote to Ratify Named Executive Officers' Compensation.
	Relevance to Trustees' stewardship priorities	Corporate Governance
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	~7.6%
	Outcome of the vote	The resolution passed.
	Rationale for the voting decision	The company is on HSBC's UK Excessive Pay watchlist, which means the quantum of the CEO pay is beyond what we believe fair and appropriate for the size and complexity of the business.
	Implications of the outcome	We will continue to engage on the issue along with other issues of concern and will likely vote against a similar proposal should we see insufficient improvements.
	Criteria on which the vote is considered significant?	The company has a significant weight in the portfolio, and we voted against management.
Schroders Sustainable Future Multi-Asset Fund	**Company name**	Alphabet Inc
	Date of vote	01-Jun-2022
	How the manager voted	For
	Did the manager communicate its intent to the company ahead of the vote?	*Not Provided*
	Summary of the resolution	Report on Risks of Doing Business in Countries with Significant Human Rights Concerns
	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 (human rights) that has the potential to be financially material
	Approximate size of fund's holding as at the date of the vote (as % of portfolio)	*Not Provided*
	Outcome of the vote	*Not Provided*
	Rationale for the voting decision	Shareholders would benefit from increased disclosure regarding how the company is managing human rights-related risks in high-risk countries.
	Implications of the outcome	A significant vote is defined as a vote against management which signals we are not comfortable with the company's management actions/intentions. This is usually used as an escalation method to an engagement that is not progressing, or otherwise may kickstart start an engagement period with the company concerned. After every vote against management, we email the company's IR to tell them how we voted and our rationale for this.
	Criteria on which the vote is considered significant?	We believe that all votes against management should be classified as a significant vote. However, we believe resolutions related to certain topics carry particular significance. We therefore rank the significance of our votes against management, firstly by management say on climate votes, secondly environmental and social shareholder resolutions, thirdly any shareholder resolutions and finally by the size of our holding.

Source: Managers

Appendix – Engagement Examples

LGIM *Note: no engagement examples for 2022 were available at the time of writing. This information is due to be published later in 2023.*	**Engagement Theme**	Climate
	Relevance to the Trustees' stewardship priorities	Climate change-related
	Rationale	We have been engaging with MUFG for many years and the bank was part of our first Climate Impact Pledge engagements starting in 2016.
	What the manager did	During 2021 we met MUFG on numerous occasions, both individually and as part of formal investor collaborations. As Japan's largest bank, it will lay a key role in the climate transition and setting the standard within the sector. During this year's discussions we gained additional assurances of MUFG's continued progress, including strengthened exclusion policies.
	Outcomes and next steps	We continue to press on the bank's exclusion policies to go beyond project finance and take account of the wider financing activities. To keep up the pressure on the board, LGIM supported the shareholder proposal calling for greater disclosure of the plans to align the business strategy with the goals of the Paris Agreement. The resolution attracted the support of 22.7% of shareholders.
HSBC	**Engagement Theme**	Biodiversity - Collaborative Engagement: Building Sustainable Protein Supply Chains Risk management: Article 8 – Mitigating climate and biodiversity risks through protein diversification
	Relevance to the Trustees' stewardship priorities	Does not directly link to climate change or corporate governance but the Trustees note that biodiversity is closely linked to climate change.
	Rationale	Expanding alternatives to animal-based protein is essential to managing a company's exposure to the most material ESG risks facing the food sector.
	What the manager did	We have written to 23 companies in the food sector, encouraging them to diversify their animal-based protein sources to drive growth and reduce risk exposure. The letters will be followed by dialogue-based engagement. Our key asks include that companies: - Evaluate their exposure to animal proteins - Assess the implications of growth plans that are reliant on animal proteins - Commit to transition their business model to one that is less resource-intensive, i.e. through alternative proteins - Develop a strategy that includes R&D to facilitate this transition - Set clear goals and timelines - - Report their progress on these objectives.
	Outcomes and next steps	The letters have been set and acknowledged by many companies and are being followed up with engagements. We will use these engagements and subsequent information by the companies to measure progress and impacts.
Schroders	**Engagement Theme**	Cost of living
	Relevance to the Trustees' stewardship priorities	Does not directly link to climate change or corporate governance but still considered important as the engagement is in relation to an ESG issue that has the potential to be financially material
	Rationale	In light of rising inflation and increased pressure on household budgets, Schroders contacted several UK and European supermarkets to understand their strategy in the cost-of-living crisis, given the high proportion of consumer spending on groceries. We asked how companies are balancing stakeholder needs to adequately consider workers, supply chains, and customers. The questions covered topics like living wages, impacts of rising prices, and polices for contract workers.
	What the manager did	After the sending these questionnaires, we held multiple meetings with these companies to discuss their policies in detail. The main objective was to ensure the companies are using a fair, socially responsible approach to balancing the needs of their employees, customers, and suppliers. To amplify this engagement we launched a podcast series focusing on the topic of living wages and highlighting the need for multi-stakeholder engagement. In this 4-part series, we spoke with various experts on living wages, including the Living Wage Foundation, Business Fights Poverty and Shift. These podcasts enabled us to raise awareness of the key issues related to living wages and how they fit more broadly into good human capital management practices. This was further explained in our thought leadership blog post on how supporting workers brings business and investment benefits.
	Outcomes and next steps	The investment desk will continue to engage supermarkets on the cost of living. We acknowledge the recent pay increases that some of the supermarkets have implemented following the start of this mass engagement.

Source: Managers