RNIB RBS DC Section – Implementation Statement, covering the Scheme Year from 1 April 2022 to 31 March 2023

The Trustees of the RNIB Retirement Benefits Scheme (the "Scheme") are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed its Statement of Investment Principles ("SIP") during the Scheme Year, as well as details of any review of the SIP during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP review. Information is provided on the last review of the SIP in Section 1 and on the implementation of the SIP in Sections 2 to 11.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 12.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

This Statement is based on and uses the same headings as the Scheme's SIPs that were in place during the Scheme Year. This Statement should be read in conjunction with the latest SIP which can be found here: Legal & General - RNIB Chair Statement and SIP (legalandgeneral.com)

The majority of the Scheme's assets are invested in funds provided by Legal & General Investment Management (LGIM).

The SIPs in place during the Scheme Year were:

- SIP dated 1 October 2020 for period between 1 April 2022 and 13 December 2022; and
- SIP dated 14 December 2022 for period between 14 December 2022 and 31 March 2023.

1. Updates to the SIP

The SIP was reviewed and updated during the Scheme Year on 14 December 2022 to reflect:

- the replacement of LGIMGIM Global Equity Fixed Weights 30:70 Index Fund with LGIMGIM Low Carbon Transition Global Equity Index Fund in respect of the equity fund used in the default investment strategy;
- the addition of the LGIMGIM Low Carbon Transition Global Equity Index Fund and LGIMGIM Global Real Estate Index Fund to the self-select fund range as well as the closure of the LGIM Managed Property Fund to new investors;
- the addition of an alternative lifestyle strategy, the ex-tobacco lifestyle; and
- the updated expected return assumptions for the equity, diversified growth and money market cash assets classes that were used during the 2021 strategy review.

As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustees have followed all of the policies in the Scheme's SIP during the Scheme Year. The following Sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

Members who join the Scheme and who do not choose an investment option are placed into the default investment arrangement, which is the Lump Sum Targeting Strategy (the "Default"). The performance and strategy of the Default is reviewed at least every three years. The Default was not reviewed during the Scheme Year to 31 March 2023; it was last reviewed in August 2021.

In addition to the triennial strategy review the Trustees also review the performance of the Default against its objectives on a quarterly basis. The reviews over the Scheme year concluded that the Default was performing broadly as expected and consistently with the aims and objectives as stated in the SIP.

The Trustees also provide members with access to a range of investment options which they believe are suitable for this purpose and enable appropriate diversification. The Trustees have made available a self-select fund range to members covering all major asset classes as set out in Appendix 3 of the SIP.

The Trustees review the membership demographics and any material changes from time to time, but not less than every three years and as part of the strategy review.

3. Investment strategy

The Trustees did not review the DC investment strategy over the period covered by the Statement. The Trustees, with the help of their advisers and in consultation with the sponsoring employer, last reviewed the strategy and performance of the Default arrangement in August 2021.

The Trustees concluded that cash lump sum remains an appropriate retirement target for the Default. The Trustees reviewed the growth phase of the Default and decided to replace the LGIM Global Equity (30:70) Index Fund (75% GBP hedged) with the LGIMGIM Low Carbon Transition Global Equity Index Fund. This change reduces the fund charge for members and better protects members against climate change risk. In addition, the change roughly halves the exposure to tobacco related investments within the growth phase. This change was implemented during the Scheme Year on 4 August 2022. Furthermore, as the Trustees had a desire to exclude tobacco due to the link between smoking and blindness an alternative lifestyle was agreed as highlighted in Section 2. This lifestyle was made available to members during the Scheme Year on 1 June 2022.

As part of this review the Trustees made sure the Scheme's Default was adequately and appropriately diversified between different asset classes and that the self-select options provide a suitably diversified range to choose from.

4. Considerations in setting the investment arrangements

When the Trustees undertook a performance and strategy review of the DC default arrangement in August 2021, they considered the investment risks set out in Appendix 2 of the SIP. They also considered a wide range of asset classes for investment, considering the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

The Trustees review its investment beliefs from time to time and there were no changes to the those beliefs over the Scheme Year.

The Trustees invest for the long term, to provide for the Scheme's members and beneficiaries. To achieve good outcomes for members and beneficiaries over this investment horizon, the Trustees therefore seek to appoint managers whose stewardship[1] activities are aligned to the creation of long-term value and the management of long-run systemic risks.

5. Implementation of the investment arrangements

In respect of the DC Section, the Trustees have entered into a contract with a platform provider, Legal & General Assurance Society ("LGAS"), which makes available the range of investment options to members. As all the funds are accessed via a reinsurance agreement with the Scheme's platform provider, there is no direct legal relationship between the Scheme and the underlying investment managers of the DC investment funds. Nevertheless, the Trustees are responsible for appointing and providing governance oversight of the managers which the Scheme accesses via the LGAS arrangement.

During the Scheme Year the Trustees invested in two new funds with LGIM as set out in Section 3. LGIM

The Trustees obtained formal written advice from its investment adviser, Lane Clark & Peacock LLP ("LCP"), before investing in the funds and made sure the investment portfolio of the funds chosen were adequately and appropriately diversified. The Trustees rely on our investment adviser's research to understand managers' investment approaches, and ensure they are consistent with the Trustees' policies prior to any new appointment.

The Trustees' investment adviser, LCP monitors the investment funds on an ongoing basis, through regular research meetings. LCP informs the Trustees promptly about any relevant material developments that they become aware of that may affect the managers' ability to achieve their investment objectives, for example the departure of a fund manager. There have been no significant issues with the Scheme's investments over the Scheme Year.

The Trustees monitor the performance of the Scheme's investments on a quarterly basis, using reporting provided by LGAS and LCP. The Trustees' monitoring includes reviewing the performance of each fund over the quarter, one year, three years and five years (where available) in the context of the managers' benchmarks and objectives. The Trustees'

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

review to 31 March 2023 concluded that all managers have produced relative performance broadly in line with their targets over shorter and longer-term periods and there were no material concerns with the funds.

The Trustees received a “value for members” report from their investment advisers on 30 June 2023. This report covered the Scheme Year to 31 March 2023 and assessed a range of factors, including the fees payable to managers in respect of the DC Section. The report concluded that overall the DC members of Scheme are receiving good value for money.

6. Realisation of investments

It is the Trustees’ policy to invest in funds that offer daily dealing to enable members to readily realise and change their investments. All of the DC Section funds which the Trustees offered during the Scheme Year are daily priced.

7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, LCP incorporates its assessment of the nature and effectiveness of managers’ approaches to financially material considerations, including climate change and other Environmental, Social and Governance (ESG) considerations, voting and engagement.

As explained in Section 5, the Trustees reviewed the investments in the previous Scheme Year and decided to change the equity fund used in the default strategy to a fund that has more of an explicit focus on climate change.

The Trustees do consider non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return alone) in the selection, retention and realisation of investments as they relate to tobacco investment. This is due to a belief that some members may wish to be able to exclude tobacco investment given the link between smoking and blindness. As part of the August 2021 strategy review, the Trustees decided to make an alternative ex-tobacco lifestyle arrangement available for members, and this was made available to members during the Scheme Year on 1 June 2022.

In general, it is not the Trustees’ policy to survey the membership to elicit their views on financial and non-financial concerns. The Trustees’ typical practice is to take a view on which concerns they can assume members will share, given the nature of the Employer attached to the Scheme. To this end, the Trustees recognise that some members may wish for ethical matters to be considered in their investments and have made available the LGIM World Developed (ex-tobacco)

Equity Index Fund and LGIM Ethical Global Equity Index Fund as self-select options. During the Scheme Year the Trustees also made available the LGIM Low Carbon Transition Global Equity Index Fund (the same fund included in the Default) as a self-select option.

The Trustees recognise that some members may wish to invest in a way which is consistent with the principles of Islamic investment and therefore continued to make available the HSBC Islamic Global Equity Index Fund during the Scheme Year as a self-select investment option.

8. Voting and engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG considerations.

LGIM and HSBC are the two investment managers used within the DC Section. Information on the managers' respective voting policies is available here:

LGIM: LGIM's UK corporate governance and responsible investment policy 2023

HSBC: Policies and Disclosures - Institutional Investor (hsbc.co.uk)

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity since the DC Section's assets are invested in the units of various pooled funds, and not directly in debt or equity or other investment assets. The Trustees expect the pooled fund investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries. The Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustees review how these are implemented in practice.

The Trustees consider stewardship to be a significant factor when selecting and retaining managers and give it strong consideration when doing so. The Trustees would be likely to a reject a manager who was otherwise a strong candidate for a mandate if they observed that it had poor stewardship practices.

Following the introduction of DWP's guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. The Trustees discussed and agreed the stewardship priorities for the Scheme outside of the Scheme Year at a meeting in Q2 2023 and will report on them in the next Implementation Statement. The stewardship priorities agreed on were Climate Change, Human Rights, Corporate Transparency and Business Ethics.

The Trustees are conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustees aim to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

9. Investment governance, responsibilities, decision-making and fees (Appendix 1 of SIP)

The Trustees assess the performance of the Scheme's investments on an ongoing basis as part of the quarterly performance reports they receive.

The Trustees' effectiveness was considered as part of the production of the Annual Chair's Statement, and over the Scheme year to 31 March 2023 the Trustees considered that their management of the Scheme was effective. The performance of the professional advisers is considered on an ongoing basis by the Trustees. The Trustees have put in place formal objectives for LCP and will review the adviser's performance against these objectives on a periodic basis and will review the objectives themselves at least every three years.

10. Policy towards risk (Appendix 2 of SIP)

Risks are monitored on an ongoing basis with the help of the investment adviser.

The Trustees maintain a risk register. The Trustees' policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustees by the Scheme's investment managers. These include, but are not limited to, credit risk, equity risk, currency risk and ESG (including climate) risks.

With regard to the risk of inadequate returns, the Trustees make use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.

The following risks are covered earlier in this Statement: diversification risk in Sections 3 and 5, investment manager risk and excessive charges in Section 5, illiquidity/marketability risk in Section 6 and ESG risks in Section 7.

11. Investment managers arrangements (Appendix 3 of the SIP)

Policies in relation to Investment Manager Arrangements have been addressed in Section 5 of the Statement.

12. Description of voting behaviour during the Scheme Year

Aspects of the Trustees' policies in respect of voting are covered in Section 7.

All of the Trustees' holdings in listed equities are within pooled funds and the Trustees have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Scheme Year. However, the Trustees monitor managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustees' expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Scheme's funds that hold equities as follows:

- LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged
- LGIM Low Carbon Transition Global Equity Index Fund
- LGIM Multi-Asset Fund

- LGIM FTSE World Developed (ex-tobacco) Equity Index Fund
- LGIM Ethical Global Equity Index Fund
- LGIM World Emerging Markets Equity Index Fund
- LGIM HSBC Islamic Global Equity Index Fund

For the DC Section we have included the Scheme's funds that hold equities, and which are either used in the default strategy or used in the self-select funds range. Regarding the self-select range we have included voting information where funds have been marketed as having a particular focus on engagement or where corporate governance is considered to be weaker (and therefore voting and engagement is of paramount importance), such as emerging markets.

12.1 Description of the voting processes

For assets with voting rights, the Trustees rely on the voting policies which the asset managers have in place. The Trustees consider these policies and votes cast as part of producing and approving these Implementation Statements, and are comfortable that the policies are sufficiently aligned with the Trustees' views and stewardship priorities. If the Trustees, or the Trustees' advisers as part of their manager research, identified any concerns with the manager voting processes then such an issue would be communicated to the manager and resolution to the issue sought. No issues were identified during the Scheme Year.

LGIM

LGIM's policy on consulting with clients before voting

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 its clients. LGIM's voting policies are reviewed annually, considering feedback from its clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector, and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as

LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also consider client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

LGIM's overview of the process for deciding how to vote

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

LGIM's use of proxy voting services

LGIM's Investment Stewardship team uses ISS 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM, and it does not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services ("IVIS") to supplement the research reports that it receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with its position, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice. LGIM retains the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

HSBC

The legal right to the underlying votes lies with the directors of the HSBC CCF Islamic Global Equity Fund. They have delegated this execution of this voting to HSBC Global Asset Management (UK) Limited. HSBC exercises its voting rights as an expression of stewardship for client assets. It has global voting guidelines which protect investor interests and foster good practice, highlighting independent directors, remuneration linked to performance, limits on dilution of existing shareholders and opposition to poison pills.

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

12.2 Summary of voting behaviour

A summary of voting behaviour over the Scheme Year is provided in the table below.

	LGIM Global Equity Market Weights (30:70) Index Fund	LGIMGIM Low Carbon Transition Global Equity Index Fund	LGIM Multi-Asset Fund
Total size of fund at end of the Scheme Year	£3.9bn	£3.3bn	£22.4bn
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£1.6m / 5.2%	£18.0m / 59.3%	£7.5m / 24.7%
Number of equity holdings at end of the Scheme Year	4,995	2,791	6,288
Number of meetings eligible to vote	7,319	4,828	9,818
Number of resolutions eligible to vote	76,499	50,462	100,094
% of resolutions voted	99.9%	99.9%	99.8%
Of the resolutions on which voted, % voted with management	80.7%	77.9%	77.6%
Of the resolutions on which voted, % voted against management	18.2%	19.9%	21.7%

Of the resolutions on which voted, % abstained from voting	1.1%	1.2%	0.7%
Of the meetings in which the manager voted, % with at least one vote against management	61.2%	66.1%	71.1%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	9.7%	11.1%	12.4%

	LGIMGIM FTSE World Developed (ex-Tobacco) Equity Index Fund	LGIM Ethical Global Equity Index Fund	LGIM World Emerging Markets Equity Index Fund	LGIM HSBC Islamic Global Equity Index Fund
Total size of fund at end of the Scheme Year	£0.4bn	£0.9bn	£4.4bn	£1.7bn
Value of Scheme assets at end of the Scheme Year (£ / % of total assets)	£0.3m / 0.9%	£0.8m / 2.6%	£0.0m / 0.0%*	£0.0m / 0.0%*
Number of equity holdings at end of the Scheme Year	1,830	1,041	1,679	105
Number of meetings eligible to vote	2,090	1,155	4,231	95
Number of resolutions eligible to vote	27,521	16,602	36,506	1,423
% of resolutions voted	99.8%	99.8%	99.9%	97.0%
Of the resolutions on which voted, % voted with management	78.9%	81.2%	79.5%	80.5%
Of the resolutions on which voted, % voted against management	21.0%	17.8%	18.4%	19.5%
Of the resolutions on which voted, % abstained from voting	0.2%	0.2%	2.1%	0.0%

Of the meetings in which the manager voted, % with at least one vote against management	80.2%	76.0%	53.9%	78.9%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	15.0%	13.0%	6.8%	12.1%

*These funds have little Scheme assets invested in them and round to £0.0m and 0.0% of total assets.

12.3 Most significant votes

Commentary on the most significant votes over the Scheme Year, from the Scheme's asset managers who hold listed equities, is set out below.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustees' stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- impact a material fund holding, although this would not be considered the only determinant of significance, rather it is an additional factor;
- have a high media profile or are seen as being controversial;
- the Scheme or the sponsoring company may have a particular interest in.

<u>LGIM's process for determining the "most significant" votes</u>

LGIM regularly produces case studies and/or summaries of its vote positions to clients for what they deemed were 'material votes.' In determining significant votes, LGIM's Investment Stewardship team considers 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 LGIM note a significant increase in requests from clients on a particular vote;
- Sanction vote as a result of a direct or collaborative engagement; and

- Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes.

For the purposes of this statement, we have selected four of the significant votes provided by LGIM which relate to the Trustees' selected stewardship priorities.

- Votes 1 and 2 below apply to the LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged, LGIM Low Carbon Transition Global Equity Index Fund, LGIM Multi-Asset Fund and the LGIM FTSE World Developed (ex-Tobacco) Equity Index Fund.
- Vote 3 applies to the LGIM Ethical Global Equity Index Fund, LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged, LGIM Low Carbon Transition Global Equity Index Fund, LGIM Multi-Asset Fund and the LGIM FTSE World Developed (ex-Tobacco) Equity Index Fund.
- Vote 4 applies to the LGIM World Emerging Markets Equity Index Fund, LGIM Low Carbon Transition Global Equity Index Fund and the LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged

<u>Vote #1</u>

Amazon.com Inc, May 2022

Summary of resolution: Elect Director Daniel P. Huttenlocher.

Relevant stewardship priority: Human Rights

Approximate size of the holding at the date of the vote:

- LGIM Low Carbon Transition Global Equity Index Fund: 1.9%
- LGIM Global Equity Market Weights (30:70) Index Fund: 1.4%
- LGIM FTSE World Developed (ex-Tobacco) Equity Index Fund: 2.0%
- LGIM Multi-Asset Fund: 0.2%

Why this vote is considered to be most significant: This vote relates to a stewardship priority selected by the Trustees.

Firm management recommendation: For. **Fund manager vote:** Against.

Rationale: LGIM voted against this election as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Was the vote communicated 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 LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: For. LGIM will continue to engage with the company, publicly advocate its position on this issue and monitor company and market-level progress.

<u>Vote #2</u>

JPMorgan Chase & Co., May 2022

Summary of resolution: Elect Director Todd A. Combs

Relevant stewardship priority: Business Ethics

Approximate size of the holding at the date of the vote:

- LGIM Low Carbon Transition Global Equity Index Fund: 0.6%
- LGIM Global Equity Market Weights (30:70) Index Fund: 0.4%
- LGIM FTSE World Developed (ex-Tobacco) Equity Index Fund: 0.6%
- LGIM Multi-Asset Fund: 0.1%

Why this vote is considered to be most significant: This vote relates to a stewardship priority selected by the Trustees.

Firm management recommendation: For. **Fund manager vote:** Against.

Rationale: LGIM applied a vote against this resolution in light of the one-off time-based share incentive granted to the joint CEO and Chair and its persistent concerns about pay structures at the Company. As members of the Compensation Committee, these directors are deemed accountable for the Company's pay practices.

Was the vote communicated 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 LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: For. LGIM will continue to engage with the company, publicly advocate its position on this issue and monitor company and market-level progress.

<u>**Vote #3**</u>

Royal Dutch Shell Plc, May 2022

Summary of resolution: Approve the Shell Energy Transition Progress Update

Relevant stewardship priority: Climate Change

Approximate size of the holding at the date of the vote:

- LGIM Ethical Global Equity Index Fund: 0.6%
- LGIM Low Carbon Transition Global Equity Index Fund: 0.3%
- LGIM Global Equity Market Weights (30:70) Index Fund: 2.1%
- LGIM FTSE World Developed (ex-Tobacco) Equity Index Fund: 0.4%
- LGIM Multi-Asset Fund: 0.6%

Why this vote is considered to be most significant: This vote relates to a stewardship priority selected by the Trustees.

Firm management recommendation: For. **Fund manager vote:** Against.

Rationale: LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned of the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

Was the vote communicated 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 LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: For. LGIM will continue to engage with the company, publicly advocate its position on this issue and monitor company and market-level progress.

Vote #4

China Construction Bank Corporation, June 2022

Summary of resolution: Elect Wang Xing as Director

Relevant stewardship priority: Climate Change, Corporate Transparency

Approximate size of the holding at the date of the vote:

- 1.1% LGIM World Emerging Markets Equity Index Fund;
- 0.1% LGIM Low Carbon Transition Global Equity Index Fund; and
- 0.1% of the LGIM Global Equity Market Weights (30:70) Index Fund - GBP 75% Currency Hedged

Why this vote is considered to be most significant: This vote relates to a stewardship priority selected by the Trustees.

Firm management recommendation: For. **Fund manager vote:** Against.

Rationale: A vote against is applied under LGIM's Climate Impact Pledge as the Company had not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank's climate risk management.

Was the vote communicated 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 LGIM's policy not to engage with investee companies in the three weeks prior to an AGM as its engagement is not limited to shareholder meeting topics.

Outcome of the vote and next steps: For. LGIM will continue to engage with the company and monitor progress.

HSBC's process for determining the "most significant" votes

HSBC regards the votes against management recommendation as the most significant. With regards to climate, in its engagement it encourages 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, HSBC will generally vote against the re-election of the Chairman. HSBC also generally support shareholder resolutions calling for increased disclosure on climate-related issues.

For the purposes of this statement, we have selected four of the significant votes which relate to the Trustees' selected stewardship priorities.

Vote #1

Visa Inc, January 2023

Summary of resolution: Advisory vote to ratify named executive officers' compensation.

Relevant stewardship priority: Business Ethics

Approximate size of the holding at the date of the vote: 1.9%

Why this vote is considered to be most significant: This vote relates to a stewardship priority selected by the Trustees.

Firm management recommendation: For. **Fund manager vote:** Against.

Rationale: HSBC voted against the granting of shares or options to executives within the long-term incentive plan (LTIP) that are not majority (+51%) linked to performance criteria. HSBC also voted against granting of shares or options to executives within the LTIP if the vesting period is less than 3 years.

Was the vote communicated to the company ahead of the vote: HSBC did not communicate its voting intention to the company ahead of the vote.

Outcome of the vote and next steps: For. HSBC has confirmed that it will likely vote against a similar proposal should it see insufficient improvements.

Vote #2

Roche Holding AG, March 2023

Summary of resolution: Approve Remuneration Report

Relevant stewardship priority: Business Ethics, Corporate Transparency

Approximate size of the holding at the date of the vote: 1.1%

Why this vote is considered to be most significant: This vote relates to a stewardship priority selected by the Trustees.

Firm management recommendation: For. **Fund manager vote:** Against.

Rationale: HSBC consider the quantum of the total pay excessive. The LTIP is not linked to performance criteria. The board chair participates in performance-based incentive schemes. The short-term incentive and LTIP grants are assessed on a discretionary basis. There is insufficient ex-post disclosure to explain the evolution of variable pay-outs versus company performance.

Was the vote communicated to the company ahead of the vote: HSBC did not communicate its voting intention to the company ahead of the vote.

Outcome of the vote and next steps: For. HSBC has confirmed that it will likely vote against a similar proposal should it see insufficient improvements.