

## **Coats UK Pension Scheme – Implementation Statement for the Scheme year 1 April 2023 to 31 March 2024**

### **Introduction**

This Implementation Statement has been prepared by the Trustee of the Coats UK Pension Scheme (“the Trustee”) and relates to the Coats UK Pension Scheme (“the Scheme”).

The Trustee is required to produce an annual Implementation Statement setting out how the policies described in the Scheme’s Statement of Investment Principles (“the SIP”) have been followed. This statement covers the period 1 April 2023 to 31 March 2024, the Scheme year-end.

The statement aims to set out how, and the extent to which, in the opinion of the Trustee the SIP policies have been followed during this year. In addition, the document explains any changes made to the SIP during the year and describes the voting behaviour on behalf of the Trustee (including the most significant votes cast) during the year.

This Statement is split into three sections:

1. An overview of the Trustee’s actions and highlights during the period covered;
2. The policies set out in the SIP and the extent to which they have been followed in the reporting period; and
3. An appendix of voting behaviour and significant votes undertaken by the fund managers on behalf of the Scheme.

### **Changes to the SIP over the period**

The SIP was updated during the reporting period, becoming effective as of 5 October 2023, following DWP guidance on the reporting of stewardship activities through Implementation Statements which came into effect from October 2022. A section was added to the SIP regarding the Trustee’s chosen stewardship theme and agreed stewardship actions. To best channel its stewardship efforts, the Trustee has decided to first focus on a single key theme - climate change. This theme was selected by assessing its relevance to the Scheme and its members, the financially material risks it poses, and the maturity and development of thinking within the industry that allows for ease of integration into the Trustee’s approach.

For the purposes of assessing how the policies in the Scheme’s SIP have been followed, this Statement addresses both the January 2023 and October 2023 versions of the SIP, as it was updated half-way through the reporting period.

The latest SIP can be found [here](#) at the following web address:

[https://www.coatspensions.co.uk/forms\\_factsheets/CUKPS\\_SIP\\_2023.pdf](https://www.coatspensions.co.uk/forms_factsheets/CUKPS_SIP_2023.pdf)

## **Overview of Trustee's Actions**

### **Summary of how investment decisions are taken**

The Trustee has established an Investment and Funding Committee ("IFC") to whom it delegates: the review of the Scheme's investment strategy, recommendations of long-term strategic asset allocations, the monitoring of Scheme's funding position and performance and the appointment and removal of Asset Managers. This is done in conjunction with the Scheme's Investment Adviser and reported to the Trustee Board as required.

There were no changes to the Scheme's governance structure over the year to 31 March 2024.

### **Investment Objectives and Strategy**

Some minor changes were made to the Scheme's investment strategy over the period, all changes were in line with the Scheme's stated investment objectives and the investment beliefs articulated by the Trustee.

Over the period, the Trustee redeemed its holdings in the Abrdn Long Lease Property Fund. These proceeds were invested into Aegon European ABS Fund and the M&G Sustainable Total Return Credit Investment (STRCI) Fund in line with a re-investment framework agreed by the IFC. The decision to increase the allocation of M&G STRCI reflects the Trustee's objective of improving portfolio liquidity and is more closely aligned with its climate-related investment beliefs (the fund targets allocations to climate leaders and lower emitting issuers).

The Trustee relies on investment managers for the day-to-day management of the Scheme's assets but retains control over the Scheme's investment strategy. The Trustee continues to review and monitor the Scheme's Asset Managers as per the policies outlined in SIP, evidence of which can be found in the following section of this statement.

Overall, the Scheme's agreed Strategic Asset Allocation ("SAA") reflects the Trustee's view of the most appropriate investments, balancing risk/reward characteristics of the funds the Scheme is invested in to support the Scheme's full funding objective.

### **Concluding Remarks**

As demonstrated in the following sections of this statement, The Trustee confirms that the policies set out in the SIP have been appropriately followed over the year to 31 March 2024.

**How the Trustee has met the Objectives & Policies outlined in the SIP**

Policy	Has the policy been followed?	Evidence
<b>Investment Objectives</b>		
<p>The investment strategy of the Scheme is managed and monitored using a Pensions Risk Management Framework (“PRMF”).</p> <p>The Trustee has agreed a primary funding objective for the Scheme to reach full funding by 2028 using a liability discount rate of Gilts + 0.40% and set a risk budget of 7% for the Funding Ratio-at-Risk.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The required return and the Funding Ratio-at-Risk budget are both monitored within the PRMF. If these tolerances were breached, appropriate action would be taken. The Trustee monitors the Scheme’s position against the objective using the risk budget, other metrics and tolerances. The Investment Adviser formally reports on this on a quarterly basis.</p> <p>At each quarterly meeting, there is a discussion around whether corrective action is required. Consideration is given to the metrics in the Pension Risk Management framework and any other relevant factors.</p> <p>Both metrics have been consistently in line with the required return or within target over the course of the Scheme year.</p>
<b>Investment Strategy</b>		
<p>The Scheme’s investment strategy is designed to ensure two criteria are met: diversification and suitability.</p> <p>The Trustee will monitor the strategy regularly to ensure they are comfortable with the level of diversification.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee receives quarterly reporting from its Investment Adviser which includes a breakdown of the Scheme’s risk profile and the benefits of diversification.</p> <p>The Trustee and its Investment Adviser are comfortable that the Scheme’s investment strategy is diversified, and the SAA remains consistent with achieving its long-term funding objective. Given the Scheme’s outperformance versus the long-term objective, the Scheme was able to reduce risk and complete a bulk annuity transfer with Aviva PLC in December 2022.</p> <p>The target asset allocation was updated in the Investment Implementation Policy in March 2023 to account for the buy-in with Aviva.</p>

Policy	Has the policy been followed?	Evidence
<b>Monitoring – Asset Manager Policy</b>		
<p>Whilst the Trustee recognises there is less scope to directly influence how managers of pooled funds invest, the Scheme’s Investment Adviser ensures the investment objectives and guidelines of the manager are consistent with that of the Trustee.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Scheme’s Investment Adviser continues to monitor managers.</p>
<p>When assessing a manager’s performance, the Trustee’s focus is on longer-term outcomes, and the manager is assessed over a medium to longer-term period subject to a minimum of three years.</p> <p>The Scheme’s Asset Managers should provide a written performance report each quarter to the Trustee through the Investment Adviser. The Investment Adviser will produce a manager report to the Trustee based on this information.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The Trustee reviews a quarterly Manager Monitoring Report from its Investment Adviser. This report is produced using quarterly performance data provided by the Scheme’s Asset Managers. The Manager Monitoring Report focuses on medium to long-term performance, highlighting since inception and 3-year annualised return and includes written commentary provided by the Investment Adviser.</p> <p>If necessary, the Trustee receives formal written advice from its Investment Adviser about manager performance. There were no material concerns with any of the Scheme’s Asset Manager performance over the reporting period.</p>
<p>The Trustee will meet the managers on an ad hoc basis to review manager’s actions and investment performance.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>Over the Scheme year the Trustee scheduled regular manager monitoring meetings outside of the typical quarterly cycle. In April 2023, the Trustee met with the Scheme’s LDI and Buy &amp; Maintain manager – BlackRock - and then with the Scheme’s dynamic credit managers – Aegon &amp; M&amp;G – in October 2023. The meetings covered updates on fund performance and strategy, market outlook and the funds’ ESG capabilities.</p> <p>All managers were able to demonstrate how ESG considerations are incorporated into their investment process. Following these meetings, the Trustee remains comfortable with all allocations.</p>

Policy	Has the policy been followed?	Evidence
<b>Monitoring – Asset Manager Policy (cont.)</b>		
<p>The Trustee reviews the fees periodically to confirm they are in line with market practices.</p>	<p>Yes, the Trustee is satisfied that this policy has been followed.</p>	<p>The manager’s annual management charge (“AMC”) and total expense ratio (“TER”) are included in each quarterly reporting pack received by the Trustee – the Trustee remains satisfied that the Scheme continues to benefit from competitive fee deals.</p> <p>Additionally, the Scheme uses ClearGlass to annually review the manager fees. The Trustee remains comfortable that the fees paid are in line with market practices.</p>
<p>The Trustee reviews the portfolio transaction costs and portfolio turnover range of managers periodically where the data is disclosed and available. The Trustee will then determine whether the costs incurred were within reasonable expectations, with help from the Investment Adviser.</p>	<p>Yes, the Trustee is satisfied the policy has been followed.</p>	<p>The Trustee monitors the information relating to cost transparency and portfolio turnover for each of its asset managers in the ClearGlass report provided on an annual basis. Following advice from the Investment Adviser, the Trustee is comfortable that the transaction costs and turnover figures are within expectations given the nature of each of the mandates and that no further action is required. This will continue to be monitored on an annual basis.</p>
<b>Monitoring – SIP</b>		
<p>The Trustee aims to review the SIP annually, or without delay, following any changes to the investment strategy, and modify it with consultation from their advisers and the Sponsor.</p>	<p>Yes, the Trustee is satisfied the policy has been followed.</p>	<p>The Scheme’s SIP was updated during the year, effective from 5 October 2023. The key change was to include the Scheme’s latest Stewardship and Engagement Policy. One element of the policy is where the Trustee has decided to channel its stewardship efforts towards, given the relevance to the Scheme and its members, the financially material risks it poses the Trustee chose ‘climate change’ as the key area of focus.</p> <p>The Stewardship and Engagement Policy also defines what the Trustee considers to be significant votes, these are considered in the voting section of this statement.</p>

Policy	Has the policy been followed?	Evidence
<b>Monitoring – Risks</b>		
<p>The Trustee monitors and manages the risks outlined in the SIP through measures specific to each risk.</p>	<p>Yes, the Trustee is satisfied the policy has been followed.</p>	<p>The Trustee receives a quarterly report from its Investment Adviser monitoring the risks as described. It seeks guidance and written advice from its Investment Adviser as appropriate.</p> <p>The largest market risks facing the Scheme (interest rates and inflation) are managed by the Scheme’s liability matching portfolio (run by BlackRock). The Trustee receives detailed reporting on this mandate from its investment adviser and is satisfied with how BlackRock manages the portfolio as outlined in the Investment Management Agreement (IMA). The IMA with BlackRock was updated in February 2024 to allow for updated target hedge ratios within the LDI mandate, and to include the ability for the Scheme to utilise a credit purchase facility to improve the collateral available in stressed market situations.</p> <p>With respect to the Scheme’s investment managers, the Trustee’s Investment Adviser proactively monitors each manager against ten key factors and actively engages on the Trustee’s behalf on any issues highlighted with respect to these factors. A decision is then taken regarding whether action is required. The Trustee is satisfied that the Scheme’s risks have been well managed throughout the reporting period of this Statement, and no concerns or calls to action were raised regarding the Scheme’s risk over the period.</p>

Policy	Has the policy been followed?	Evidence
<b>Statutory Funding Objective</b>		
<p>The Trustee will consider, with its advisers, whether the results of any actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding objective.</p>	<p>N/A for this reporting period.</p>	<p>There was not a formal actuarial valuation completed during this period. The date of the next triennial valuation is 31 March 2024, results of which will be considered as part of an investment strategy review carried out in the next Scheme year. Following interim actuarial reports over the reporting period, the Trustee, and its advisers are comfortable that the investment strategy continues to comply with the statutory funding objective.</p>
<b>Corporate Governance</b>		
<p>The Trustee policy on the exercise of rights attaching to investment, including voting rights is that these rights should be exercised by Asset Managers on behalf of the Trustee.</p> <p>The Trustee has been made aware of each Asset Manager’s corporate governance policy where appropriate and delegated the exercise of such rights to the Asset Managers.</p>	<p>Yes, the Trustee is satisfied the policy has been followed.</p>	<p>The Scheme’s holdings in the LGIM Low Carbon Transition fund are its only exposure to equity holdings, and as a pooled investment vehicle, voting rights are exercised by LGIM using the ISS’s ‘ProxyExchange’ voting platform. Voting activity data over the period is provided in the Appendix 2.</p> <p>The Trustee is unaware of any departures by LGIM from their stated policy and has no concerns with the reporting and voting actions carried out by LGIM over the Scheme year.</p>
<b>Social, Environmental and Ethical Issues</b>		
<p>The Trustee requires its Asset Managers to factor ESG considerations into their investment decision making where it has the discretion to do so and invest in a responsible and sustainable manner.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The way in which the Scheme’s managers factor ESG considerations into their decision-making forms a key part of the regular manager monitoring meetings attended by the IFC.</p> <p>Over the Scheme year the IFC met with BlackRock – manager for the Scheme’s Buy &amp; Maintain and LDI mandate – Aegon, and M&amp;G.</p> <p>Following these meetings, the IFC are comfortable that all managers are adequately managing climate and other ESG related risks and incorporating these risks into their investment process where applicable.</p>

Policy	Has the policy been followed?	Evidence
<b>Social, Environmental and Ethical Issues (cont.)</b>		
<p>The Trustee considers how the exposure to ESG risk is managed when selecting asset classes, sub-sectors and specific Asset Managers or strategies.</p> <p>The Trustee requires its investment adviser to review and rate new Asset Managers' credentials in managing risks arising from ESG and report this to the Trustee.</p>	<p>Yes, the Trustee is satisfied this policy has been followed</p>	<p>The Scheme was able to redeem its holdings from the Abridged Long Lease Property and invest the proceeds into the M&amp;G Sustainable Total Return Credit Index Fund ("STRCI"). The STRCI fund applies broadly similar exclusions to those in the LGIM Low Carbon Transition Fund and BlackRock Buy and Maintain Credit portfolio.</p> <p>Beyond these exclusions, M&amp;G employ active tilts towards companies that they deem to be 'Climate Transition Leaders', in addition to companies that score best on their discretionary ESG scorecard. Importantly, this strategy goes above a simple negative screen, with stewardship and engagement being key pillars of the investment process.</p>
<p>The Trustee requires its investment advisor and Asset Managers to communicate new and emerging risks from ESG considerations.</p> <p>This will continually inform the Trustee's policy which the Trustee believes is important to be reviewed periodically and kept up to date with industry practice.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>In June 2023, the Trustee received training from its Investment Adviser on the latest stewardship guidance. Notably, the Trustee selected climate change as the key stewardship theme for the Scheme to adopt. Examples of voting and engagement processes carried out on behalf of the Scheme in relation to this theme are outlined in the relevant sections below.</p> <p>In March 2024, the Trustee received further training from its Investment Adviser on the Task Force on Climate related Financial Disclosures ("TCFD"). In particular, the training covered changes and improvements to be made to the report for 2024 to better align with industry guidance and best practice.</p>



Policy	Has the policy been followed?	Evidence
<b>Stewardship and Engagement Policy</b>		
<p>The Trustee chooses Asset Managers that align with its beliefs on stewardship and expects them to practice good stewardship, including engagement and voting activities.</p> <p>The Trustee requires its Investment Adviser to report periodically on how its Asset Managers have acted with respect to the Trustee</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The Trustee challenges its managers on their engagement and stewardship practices as part of the additional manager monitoring meetings. The managers met so far have been able to demonstrate how engagement and stewardship is fundamental part of their process and have provided examples of this. The regular meetings the Trustee has with the Scheme's managers throughout the year have provided comfort to the Trustee that the Scheme's investment managers are acting as stewards by engaging with the underlying companies on the Trustee's behalf. All the Scheme's Asset Managers are signatories of the UN PRI.</p>
<p>The Trustee requires its Investment Adviser to monitor and report on the voting behaviour carried out on its behalf.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>For the year under review, voting behaviour is applicable to one of the Scheme's mandates, the Legal &amp; General Investment Management Low Carbon Transition Fund. A summary of voting over the Scheme year, including significant votes cast, is included in the appendix. The Trustee has no concerns of the voting actions carried out by LGIM over the year.</p>
<p>When selecting, monitoring and de-selecting Asset Managers, engagement is factored into the decision-making process to the appropriate levels for the specific asset class in question.</p>	<p>N/A</p>	<p>No new Asset Managers were selected by the Scheme over the period.</p>

Policy	Has the policy been followed?	Evidence
<b>Buy-in Policy</b>		
<p>The Trustee entered into a bulk annuity insurance policy with Aviva PLC, which provides monthly payments to the Scheme covering member benefit payments to the insured population.</p> <p>The Trustee will continue to monitor the counterparty risk exposure in relation to Aviva.</p>	<p>Yes, the trustee is satisfied this policy has been followed</p>	<p>The Trustee, with the help from its Investment Adviser, is satisfied with the financial strength of Aviva. Moreover, the Scheme is protected by regulation in the form of supervision and intervention by the Prudential Regulatory Authority.</p>
<b>Additional Voluntary Contributions (AVCs)</b>		
<p>The Trustee has selected a range of investment funds for the AVCs to be invested in, which are reviewed regularly having regard to their performance, the objectives and the views of its advisers.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The Trustee last reviewed the suitability of the Scheme's AVC arrangement in March 2021. The Trustee is satisfied that the range of fund choices for AVC members continues to be sufficient and has no concerns relating to the funds' performance.</p>
<b>Corah Defined Contribution Section</b>		
<p>The members of the fund DC section within the Corah benefits structure are all invested in a single With-Profits Fund.</p> <p>The Trustee will continue to regularly review the fund regarding performance, fees and objectives.</p>	<p>Yes, the Trustee is satisfied this policy has been followed.</p>	<p>The Trustee last reviewed the suitability of the Prudential With-Profits Fund in June 2021. The Trustee is satisfied the fund continues to perform in line expectations and has no concerns relating to the funds' fees.</p>

## Appendix

### Engagement Examples

The Trustee expects the nature of engagement to vary between asset classes. The Trustee also believes engagement can take place across the Scheme's investments and is not restricted to equity investments. With this in mind, below are examples of engagement within the credit mandates.

Manager:	M&G
Company:	ING Group
Focus of the engagement:	As part of a wider discussion on ING's climate targets and strategy (the company is currently committed to a near-term Science Based Targets initiative ("SBTi") decarbonisation target), M&G had several requests to better allow them to measure and track ING's progress, as well as encouraging a net zero commitment beyond its near-term commitment.
Details of the engagement:	M&G asked them to include in their regular reporting clear data disclosure, reporting on additional scope 3 emissions sources, recontinuing Carbon Disclosure Project ("CDP") disclosure and the publication of milestones in its climate strategy.
Outcome of the engagement:	ING is reviewing the latest SBTi guidance for banks (which the company helped to inform) before submitting its targets to SBTi for approval. It currently expects to do this in 2024. It is focussing its attention on materiality, i.e. engaging with the largest-emitting sectors on its loan book and encouraging relevant sectors to sign up to SBTi. The company was very receptive to M&G's requests, and M&G will follow up in due course to see how the company has responded to these. ING has completed a CDP disclosure this year.

Manager:	BlackRock
Company:	EDF Energy
Focus of the engagement:	BlackRock wanted to get clarity on EDF's green financing portfolio.
Details of the engagement:	The BlackRock Fixed Income ESG Investment Team had a call with EDF to get further clarity on its green financing portfolio in updating its green bond framework following the Complementary Delegated Act for nuclear and gas activities that had been adopted on 9 March 2022 by the European Commission
Outcome of the engagement:	EDF updated its green bond framework and will finance projects mainly related to renewable and nuclear electricity production.  More specifically, EDF will aim to issue two separate tranches: <ul style="list-style-type: none"><li>• Renewable Power, Hydropower Generation, Energy Efficiency, and Distribution of Electricity</li><li>• Nuclear Power Generation specifically</li></ul>

Manager:	Aegon
Company:	International Airlines Group (IAG)
Focus of the engagement:	Aegon wanted to gain insights into IAG's approach to SBTi validation following mass rescinding of SBTi targets in the sector. Aegon also wanted to encourage the firm to make additional disclosures on how it intended to finance increased sustainable aviation fuels (SAF) adoption over the short and medium term.
Details of the engagement:	Aegon initially contacted the firm through its Investor Relations Team, before deciding to schedule a conference call with the firm's Group Head of Sustainability and their team.
Outcome of the engagement:	<p>Following the call, Aegon achieved a far better understanding of the firms ongoing approach to setting SBTi target. With respect to the SAFs and the firm procurement strategies and financial implications, IAG confirmed that its primary strategy for achieving its SAF uptake targets was through longer term offtake agreements as opposed to securing supply through the spot market, which does little to allow suppliers to commit capital long-term to increase capacity.</p> <p>IAG have a total of 5 deals currently executed with SAF supplier and a further 14 potential agreements in the pipeline. The feasibility of all deals is assessed against IAGs internal carbon price and IAGs participation in the EU Emissions Trading Scheme.</p> <p>Overall, Aegon are comfortable with the depth of IAGs commitment to contributing to the upscaling of SAF fuel burn across its carriers and on the group level but will monitor the proportion of IAGs fuel mix represented by SAFs.</p>

## Voting Disclosures

Voting rights are only directly applicable to the listed equity holdings within the Scheme, however, asset managers of other investments within the fund will engage with underlying issuers to instigate change. Where managers have separate listed equity businesses, they may leverage the combined engagement capabilities across the firm and agree combined voting policies.

Over the period the Scheme was invested into the LGIM Low Carbon Transition Index Fund. Its voting activity is outlined below.

	Legal & General Investment Management Low Carbon Transition Global Equity Index Fund
How many meetings were you eligible to vote at over the year to 31/03/2023?	4,698
How many resolutions were you eligible to vote on over the year to 31/03/2023?	46,620
What % of resolutions did you vote on for which you were eligible?	99.91%
Of the resolutions on which you voted, what % did you vote with management?	78.94%
Of the resolutions on which you voted, what % did you vote against management?	20.75%
Of the resolutions on which you voted, what % did you abstain from?	0.30%
In what % of meetings, for which you did vote, did you vote at least once against management?	65.32%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	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
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	12.00%

## Most significant votes

Significant votes have been defined by the Trustee as votes which meet one or more of the following criteria. Please note the more of these criteria a vote meets, then the more significant the vote is likely to be deemed, with the most significant votes to be disclosed in the Implementation Statement (rather than all significant votes):

- Votes relating to the Trustee's key stewardship theme (climate change).
- Votes relating to an issuer to which the Scheme has a large £ exposure.
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

Below we outline most significant votes cast on behalf of the Trustee.

### Legal & General Investment Management Low Carbon Transition Global Equity Index Fund:

<b>Company:</b>	JP Morgan Chase
<b>Date:</b>	16 May 2023
<b>Resolutions:</b>	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets
<b>LGIM Vote:</b>	LGIM voted for the resolution.
<b>Outcome of vote:</b>	The proposal failed (34.8% voted for)
<b>Rationale:</b>	LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. They believe detailed information on how a company intends to achieve the 2030 targets they have set and published to the market can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders.
<b>Why is this vote deemed significant by the Trustee?</b>	This vote is deemed significant as it relates to Climate Change.

**Legal & General Investment Management Low Carbon Transition Global Equity Index Fund  
(continued)**

<b>Company:</b>	Toyota Motor Group
Date:	14 June 2023
Resolutions:	Resolution 4 – Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement
LGIM Vote:	LGIM voted for the resolution.
Outcome of vote:	The proposal failed (15.1% voted for).
Rationale:	LGIM views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as LGIM believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. LGIM acknowledges the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, LGIM believes that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, LGIM expect Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. LGIM believes the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

<b>Company:</b>	Shell Plc
Date:	23 May 2023
Resolutions:	Resolution 25 - Approve the Shell Energy Transition Progress
LGIM Vote:	LGIM voted against the proposal
Outcome of vote:	The proposal passed with 80% of votes.
Rationale:	LGIM acknowledges the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, LGIM remains concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both are key areas to demonstrate alignment with the 1.5C trajectory.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

**Legal & General Investment Management Low Carbon Transition Global Equity Index Fund**  
(continued)

<b>Company:</b>	<b>Morgan Stanley</b>
Date:	19 May 2023
Resolutions:	Resolution 6 - Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development
LGIM Vote:	LGIM voted for the resolution.
Outcome of vote:	The proposal passed with 95.4% of votes.
Rationale:	Last year LGIM supported several shareholder resolutions at the North American banks that sought to halt the financing of new oil and gas projects. As investors advocating for a just and orderly energy transition, which satisfies all aspects of the current energy crisis (energy security, affordability and sustainability), LGIM continues to emphasise that the boards of financial institutions need to closely consider their strategy and risk appetite towards fossil fuels into the near future. As such, LGIM believes that many of the proposals that ask the board to devise their own time-bound phase-out strategy are supportable. Moreover, in the North American market, these resolutions tend to be advisory rather than binding, further alleviating concerns of micro-management.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.

<b>Company:</b>	<b>The Toronto-Dominion Bank</b>
Date:	20 April 2023
Resolutions:	Resolution 9 - Disclose Transition Plan Towards 2030 Emission Reduction Goals
LGIM Vote:	LGIM voted for the proposal.
Outcome of vote:	The proposal failed (23.5% voted for).
Rationale:	LGIM generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. They 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.
Why is this vote deemed significant by the Trustee?	This vote is deemed significant as it relates to Climate Change.