



# MASTERTRUST

Independent Board of Trustees



Legal & General WorkSave Mastertrust  
Legal & General WorkSave (RAS) Mastertrust

## Implementation Statement

October 2022

## Introduction

We, the Trustees of the above two master trusts, have prepared this document which should be read in conjunction with our Statement of Investment Principles (SIP). In alignment with the SIP we cover both the master trusts in a single document. We have, therefore, used the term “Mastertrust” throughout the document to refer to both arrangements.

We hope that this document proves interesting and helpful to you as participating employers and members of the Mastertrust.

## Purpose of this statement

Our SIP sets out our investment policies and what we hope to achieve from the investment choices that we make. This document, which is our Implementation Statement, is designed to set out how, and the extent to which, we believe the SIP has been followed during the scheme year (which runs from 6 April 2021 to 5 April 2022). Given we updated our SIP during the scheme year, on 1 October 2021, this document assesses our performance against the SIP both before and after that date. A copy of the SIP signed in October 2021 is available [here](#).

We also describe any review of the SIP carried out during the scheme year, and subsequent changes made to it, including a review of the voting behaviour carried out by investment managers on the Trustees' behalf.

## Conclusion

Following our review and analysis, we conclude that the SIP has been followed during the scheme year. We explain within this document the evidence we have taken into consideration in forming this view.

## Background

The purpose of this Implementation Statement is to outline how key activities and decisions across the scheme year have helped the Trustees to achieve their investment objectives and, where not, what steps will be taken to remedy this.

The Implementation Statement is primarily backwards-looking\* and focuses solely on investment-related activities during the scheme year. If you wish to hear more generally about what we've done this year, please see our [Chair's statement](#).

On the Trustees' behalf, Legal & General Investment Management (LGIM) invests the Mastertrust assets through an investment platform of pooled funds and so the Trustees are constrained in their ability to directly influence the underlying investee companies. However, where possible we expect LGIM to take into consideration our policies within their investment decisions. The Trustees look at external manager funds to see if they align with policy.

### Please note (\*)

The SIP has also been updated as at 24 October 2022 and the latest version can be viewed [here](#).

Given this is outside the scheme year, which is the relevant reporting period, we have not summarised the changes made as part of this update within this Implementation Statement.

## Summary of changes made to the SIP during the scheme year

Before we comment on our performance against the principles set out in our SIP, we will summarise the key changes that have been made over the scheme year.

- ESG Investment beliefs were revised.
- The addition of Counterparty risk within the list of other investment risks.
- Review of the expected returns on investments and the associated RAG status.

## Changes to the SIP: the default arrangements

As explained in our SIP, we believe that understanding the Mastertrust's membership is essential in designing and maintaining a default arrangement that meets the needs of the majority of members.

The Trustees carried out an annual review of the sole governance default options during the scheme year with advice from our independent investment advisers. There are no changes to the SIP resulting from this review and all four defaults remain available for employers to select. Full details of why the Trustees were comfortable that the sole governance default arrangements remain suitable for the members to which they relate and are in keeping with the investment objectives set out in the SIP are provided in our [Chair's Statement](#).

The SIP includes objectives for the default arrangements for the sole and shared governance models that the funds will keep pace with inflation over the long term. According to the Investment Monitoring Report (IMR) reviewed by the Trustees, 1 year inflation to 31 March 2022 was 7.0%. None of the defaults have kept pace with inflation over the period to which this statement relates due to the extremely high level at which inflation is currently running. This is not unexpected. However, the Trustees would emphasise that over the 3 year period the funds have kept pace with inflation and the long-term objectives are being achieved.

Legal & General has also provided experience of members' investment choices at retirement which was taken into account in the design of the funds. Lastly, in our Chair's Statement we explain why we think that the Mastertrust continues to offer value for members.

## Changes to the SIP: investment options outside the default arrangement

*Below we detail significant changes to the investment range made available to members over the last year.*

There were no changes to the structure of the sole governance model, with no sections being added, removed or altered within the scheme year.

During the year the following funds were added to the sole governance range:

- L&G PMC AAA-AA-A Corporate Bond All Stocks Index Fund 3
- Legal & General MT Fossil Fuel Free Climate Equity Index Fund
- L&G PMC Global Diversified Credit 3 (went live April 2022)
- Legal & General MT Active Global Equity Fund
- Legal & General Mastertrust Impact Fund
- Legal & General Mastertrust UK Smaller Companies Fund
- L&G PMC Sustainable Property Fund 3 (the Property Fund evolved to the Sustainable Property Fund in the year)

In addition, all of the Target Date Funds became available as self-select options for members.

No funds were removed during the period.

Members in shared governance sections of the scheme may have seen other changes to their investment range which will have been communicated to them as and when the changes were due to occur, for example:

- Changes made as a result of a participating employer conducting a review of their bespoke fund range, having received advice from an independent investment advisor.
- Participating employers electing to move to sole governance from shared.

Assisted by our investment advisers, Hymans Robertson, we regularly monitor the full range of investments and make changes as we see fit. This includes a quarterly review where the performance of each fund is assessed against appropriate risk and return benchmarks. Any significant deviation, or other reason for concern, is flagged and investigated by our independent investment advisers. They provide a full report (IMR) and, where necessary, engage with the investment manager or platform provider to either identify a cause or recommend a change.

## Performance against the SIP over the scheme year

*In the following sections we take each heading from the SIP in turn and describe the most significant actions and decisions that have been taken throughout the scheme year. We include any changes we have made to our SIP.*

## Risks and policies

The Trustees believe there are three principal investment risks that most of our members face; inflation risk, converting pension pots into an income in retirement and market risk. These risks are outlined in greater detail in the SIP, along with the other investment risks members may face. These risks are periodically reviewed and there were no new risks added during the period other than the counterparty risk which has been mentioned.

The SIP outlines the steps taken to mitigate these risks, and these steps continued to be taken during the period.

Within the SIP, the Trustees have included a risk relating to climate change. The Trustees published their [Climate Policy](#) in October 2021 which has subsequently been followed. The policy outlines the Trustees' approach to climate change and describes how they will comply with the new climate-related regulations introduced by the Taskforce for Climate Related Financial Disclosures (TCFD). The Trustees are due to publish their first TCFD report in November 2022.

There were no other changes to the SIP during the reporting period.

## Investment beliefs

We set out within our SIP our core investment beliefs and the asset classes (investment types) we consider appropriate for the investment of members' pension savings.

Additionally, we describe how well each of the major asset classes is expected to deliver returns in excess of the rate of inflation over the long term. It's important to remember that the performance expectations listed are based on what the Trustees expect to see over the long term. As pensions are a long-term investment for most members, the Trustees are not generally as concerned about short-term volatility.

However, it is worth noting how asset classes have performed during this period, both as a result of the pandemic and the subsequent recovery during 2021, but note that there has been further market volatility in 2022.

- We are in a period of tightening financial conditions in response to high inflation which is resulting in challenges when seeking returns from bonds and risk assets. This is a reflection of the wider economic environment and continued after the reporting period.
- Global Equity has exhibited positive returns over the year, but concerns about central bank tightening, slowing earnings momentum and the geopolitical situation contributed to dampen returns.
- Property offered strong returns during the reporting period largely driven by record-high capital growth within the industrial sector and, to a lesser degree, rising capital values and rental growth in the Retail sector.

- The Multi-Asset Fund and Future World Multi-Asset Fund have performed in line with expectations over the longer term, but behind inflation for the reporting year.
- The Target Date Funds offered positive performance but lagged their comparators. Although deviation from the comparator is within the expected range, the Trustees are keeping it under review.
- Corporate bonds delivered similar returns to government bonds during the past year. Rising rates and increased rate rise expectations resulted in an increase in yields and a fall in the value of bonds.

The Trustees review quarterly the performance of the funds and raise any issues with their investment adviser (Hyman Robertson) and also with representatives from Legal & General. The Trustees recognise that there is unprecedented volatility in markets at present with high inflation and are ensuring that all reasonable steps to protect and inform members are being taken.

The Trustees have continued to be guided by the investment beliefs outlined within the SIP during the period.

## ESG

The Trustees have reviewed their ESG principles, as documented within their SIP, and have concluded that they remain suitable and sensible. We have delivered against the investment beliefs through the following activity:

- Developed and implemented a Climate Policy which outlines the active steps being taken by the Trustees to identify, assess and manage climate-related risks and opportunities to the Legal & General Mastertrust. Furthermore, the Trustees have been working on their approach to the Taskforce on Climate-related Financial Disclosures, and further details will be available within our first [TCFD Report](#).
- Continued to engage pro-actively with Legal & General's Investment Management business (LGIM) to ensure the Scheme's investment managers apply ESG considerations across all asset classes where sufficiently reliable ESG data is available.
- Trustees have continued to consider ESG issues in the management of risk.

In addition, the Trustees have continued to be supportive of LGIM's Climate Impact Pledge which is the targeted engagement campaign that began in 2016 to address the systemic issue of climate change.

The Trustees during the period were made aware that LGIM had published an update on their Climate Impact Pledge engagement and activities in June each year. Over the year to June 2022, they have seen significant progress across all sectors, as more companies set decarbonisation and net zero ambitions, and the number of those LGIM sanctioned for not meeting their minimum expectations decreased by over 35% since 2021. The Trustees receive quarterly updates from LGIM on their engagement and active ownership activities and meet with the Investment Stewardship team at least once per year at the Board.

Highlights from the most recent update include:

- Out of the 59 companies LGIM engaged directly with, LGIM will divest across selected funds from two companies for failing to respond satisfactorily to their engagement efforts.
- A further 12 companies remain on their existing exclusion list, and LGIM will vote against a further seven companies as a sanction.
- Successful engagement has led LGIM to reinstate one previously divested company into a range of funds.
- During the 2022 proxy season, 80 companies out of the larger universe of 1,000 are currently subject to voting sanctions for not meeting LGIM's minimum climate change standards.

The full update is available in LGIM's 2022 [Climate Impact Pledge](#).

As part of the regular engagement between the Trustees and LGIM, the above information was presented during the annual Investment Strategy Day.

The Trustees value LGIM's Future World Protection List (FWPL) which is updated twice a year.

The amendments made to the FWPL methodology include:

- Reducing the threshold for revenue from coal mining and extraction from 30% to 20%.
- The new inclusion of a revenue threshold of 20% from thermal coal power generation.
- The new inclusion of an oil sands 20% revenue limit.

As the Mastertrust is invested in pooled funds, the Trustees take a very keen interest in the activity LGIM undertakes to ensure that the investment stewardship work aligns with the views of the Trustees. The Trustees meet with LGIM to provide feedback on their beliefs and expectations. LGIM review the Trustees' responses and beliefs to determine the level of overlap between their policies and the expectations of the Trustees in developing future engagement topics and voting policies.

Examples of progress towards Mastertrust ESG beliefs and targets include:

- In March 2021, the 2025 and 2030 decarbonisation targets for each of the phases of the Target Date Funds were announced, with the commitment to be net zero by 2050. Within the reporting period the 2025 targets for the Growth and Approaching Retirement phases have already been met, and the TDFs are making strong progress against the Retirement target. These targets align to the net zero ambitions as outlined within the SIP and the Trustees have worked and will continue to work with LGIM to agree the steps forward.
- Further progress in building out sustainability-focused investments, such as sustainable Listed Infrastructure in the Multi-Asset Fund and Future World Multi-Asset Fund and sustainable bonds (e.g. green government bonds and issuers where a positive societal impact can be expected) within the Future World Multi-Asset Fund.
- LGIM introduced two new metrics to the LGIM ESG score; a measure of Temperate Alignment (a forward-looking indicator of what temperature scenario a company's carbon emissions are consistent with), and an assessment of Biodiversity policy for companies in key sectors. These scores drive the 'tilting' of company weightings within the Future World Index funds that are used in the Future World Multi-Asset Fund and TDFs. The inclusion of biodiversity builds upon LGIM's over-arching biodiversity policy that was published in 2021. This commits LGIM to addressing biodiversity loss by working with policymakers and developing our capacity to assess biodiversity risks and opportunities, for example on deforestation linked to agricultural commodity production. The Trustees are supportive of this development as it backs up the ESG investment beliefs that the Scheme holds.

## Stewardship and voting behaviour

The Trustees received an update on the continued partnership with fintech firm Tumelo to run client feedback loops, which have been expanded to cover a broader representation of participating employers and members.

As the Mastertrust is invested completely in pooled arrangements the Trustees are not able to directly exercise their voting rights which are delegated to the fund manager. There is increased focus from policy and lawmakers on client-directed voting in pooled funds, included the Law Commission's Intermediated Securities programme of work. We receive regular updates in this area from our independent investment and legal advisers.

While we are not in a position to exercise our voting rights directly this does not mean that the way these voting rights are used is not important. The Trustees have primarily focused their efforts on the voting practices of the primary fund manager, LGIM, to confirm that the company is acting in accordance with the Trustees' beliefs, as this is where the vast majority of Mastertrust assets lie.

We have collected information on the most significant votes undertaken on our behalf for the sole governance default strategies as this is where most members' assets are. The Trustees have considered LGIM's policy on what is considered a significant vote, which we include below. In determining significant votes, LGIM's Investment Stewardship team considers the criteria provided by the Pensions & Lifetime Savings Association guidance (PLSA). This includes, but is not limited to:

- a high-profile vote which has a degree of controversy, such that there is high client and/or public scrutiny;
- significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote;
- a sanction vote as a result of a direct or collaborative engagement; and
- a vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes.

We are satisfied that LGIM's characterisation of a significant vote reflects our own understanding of a significant vote. LGIM operates a [public database](#) providing voting records the day after the vote, including rationales for high-profile votes.

This supplements the quarterly reporting outlining details of significant votes; [reports which are made public here](#).

The Trustees are satisfied that they have followed the approach to Stewardship as outlined within the SIP, and where applicable have engaged with LGIM to enhance that approach.



**A summary of significant votes during the scheme year for the sole governance default funds can be found in the Appendix.**

In addition to the significant votes, we have also been provided with a breakdown of the voting behaviour taken on our behalf within the sole governance defaults:

|   | MAF    | Future World<br>MAF | RIMA    | TDF<br>2060-65 |
|---|--------|---------------------|---------|----------------|
| <b>How many meetings were you eligible to vote at over the year to 31/03/2022?</b>  | 8,843  | 8,296               | 10,487  | 8,709          |
| <b>How many resolutions were you eligible to vote on over the year to 31/03/2022?</b>   | 88,741 | 85,030              | 105,734 | 88,641         |
| <b>What % of resolutions did you vote on for which you were eligible?</b>   | 99.77% | 99.72%              | 99.76%  | 99.73%         |
| <b>Of the resolutions on which you voted, what % did you vote with management?</b>  | 78.74% | 79.11%              | 79.96%  | 79.02%         |
| <b>Of the resolutions on which you voted, what % did you vote against management?</b>   | 20.47% | 20.35%              | 19.27%  | 20.33%         |
| <b>What % of resolutions, for which you were eligible to vote, did you abstain from?</b>  | 0.79%  | 0.53%               | 0.77%   | 0.65%          |
| <b>In what % of meetings, for which you were eligible to attend, did you vote at least once against management?</b>                     | 69.99% | 71.71%              | 67.02%  | 71.10%         |
| <b>What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)</b> | 12.51% | 12.85%              | 11.40%  | 12.72%         |

Due to the number of holdings they own, LGIM is unable to attend every company shareholder meeting to cast their votes; they therefore vote by proxy through the Institutional Shareholder Services (ISS) voting platform 'ProxyExchange'. While ISS does provide recommendations, all voting decisions are made by LGIM, with the information provided by ISS used as a supplementation to LGIM's own research. LGIM has put in place their own custom voting policy with specific voting instructions for their proxy provider to apply to all markets globally and seek to uphold their minimum best practice standards that companies globally should observe, irrespective of local regulation or practice.

The Trustees are comfortable that LGIM has a strong history of engagement and a firm belief in ESG issues. These are just some of the reasons why we continue to believe that LGIM is a suitable primary fund manager for the Mastertrust.

We were particularly pleased to see multiple examples of LGIM using its voting rights to vote against board appointments that were not sufficiently diverse. We consider that board diversity is not only an important social issue but an important risk control as well. LGIM's Climate Impact Pledge shows a commitment to taking environmental issues seriously.

LGIM engaged with 571 companies and continues to engage with regulators and policymakers around the world to improve market standards on issues ranging from virtual AGMs to climate disclosure and diversity. We are satisfied that LGIM is an active user of voting rights and is using these rights in alignment with our voting policies and expectations, not only to enhance members' investment outcomes, but also to enhance the ESG credentials of the companies in which it invests to enact real change.

The Trustees are seeking further insight into the responsible investment practices of their investment managers, particularly with regards to voting and engagement. The Head of Stewardship at LGIM presented to the Trustees at their Strategy Day in May 2022 details of LGIM's voting and engagement programme. Over the coming scheme year, the Trustees in conjunction with their investment advisor will undertake a review of the external investment managers and individual funds' responsible investment practices.

During the year to 31 December 2021, the Trustees are aware of the following LGIM stewardship achievements and commitments across its full book:

- 70% was the amount of AUM that they aim to be aligned to net zero by 2030.
- The Stewardship team managed to engage with 571 companies.
- £290 billion of assets managed in responsible investment strategies.
- They launched 28 new responsible investment strategies.
- 180,200 resolutions worldwide on which LGIM voted.

As part of reviewing this statement the Trustees seek details of LGIM's voting activity and behaviour to ensure that it reflects our approach and attitude to voting and the way in which we expect LGIM to act as responsible investors on our behalf. To the extent that the Trustees believe LGIM's voting policies and records do not align with and reflect our approach to voting, we would challenge LGIM to gain clearer understanding of how it could be better aligned with ours. To date, we have not felt the need to request changes to the way in which LGIM carries out its voting rights, but we continue to monitor the position by reviewing the annual reports produced by LGIM, with particular focus on beliefs and significant votes. Due to the close alignment of beliefs, the Trustees support LGIM's voting policy, however, we would review this in light of any changes in either LGIM's or our beliefs.

The Trustees believe that a policy of engagement with companies to manage expectation and encourage change is preferable to a policy of divestment. However, the Trustees recognise that there may be circumstances where divestment is appropriate where engagement has not produced the desired impact. Trustees expect that managers will exercise their voting power and engage with companies to preserve and enhance long-term value for members and the Trustees see evidence of this in the activity and reporting that is made available from LGIM.

[Full details of LGIM's voting policies and records can be found here.](#)

In line with Shareholders Directive II the Trustees have further expanded our policy on stewardship and manager incentivisation to make clear to members, among other things, how we engage with investments, how we avoid conflicts of interests and how we ensure our viewpoints are reflected by our investment managers.

## LGIM accountability

The Trustees believe it is important to engage with our primary fund manager to ensure that our beliefs are being accurately implemented. Where we have concerns that this is not the case, we would engage with LGIM to encourage change. No concerns have been raised over the period.

Within this period, we have continued working with Legal & General's Workplace DC business on a roadmap to achieve net zero by 2050 across all our auto-enrolment default investment options. In addition, the Trustees have worked with LGIM in determining metrics for use on the Scheme's TCFD report including scenario analysis, and analysing the outputs which will be outlined in detail once the report is published.

We are confident that consideration of ESG factors can help to mitigate investment risk and that ESG is important in managing risks and ensuring an investment's long-term sustainability. The roadmap to net zero is an important step in documenting how these investment beliefs will be realised and implemented.

Accountability crosses many areas outlined within the SIP, and the Trustees continued to engage with the primary fund manager to ensure the requirements of the Mastertrust are considered.

## External manager accountability

The Trustees recognise the importance for all external (non-LGIM) managers who hold Mastertrust assets to apply their stewardship appropriately and ensure that our beliefs are being accurately implemented. We intend to increase accountability on these managers to encourage consistency with our beliefs and are developing a plan with our advisers to review, manage and monitor these managers more closely. External managers who are currently not rated by the end of Q1 2023 by Hymans Robertson's Investment Research team will require further review. Responsible Investment (RI) ratings exist separately to manager ratings and again where there are any gaps, Hymans Robertson will assign RI ratings over the course of 2022/23.

During the period four external funds have been subject to additional scrutiny on the Trustees' watch list. Two have been on the watch list because of poor performance and are in the process of being removed. The other two are on the list because of a change in the manager's leadership team and continue to be monitored. When funds are on watch, we require the investment advisers to complete additional due diligence through direct contact with the manager to understand the reasons for any underperformance or fund changes and capture plans in place to mitigate any risks. The adviser will then provide an update on the fund, or recommendation of action needed for our consideration and challenge.

## Governance and operational framework

### Implementation

In our SIP we explain how we oversee the management of the day-to-day investment decisions, including the management of financially material considerations, that we delegate to the fund managers of the chosen funds.

In the last 12 months, the fund managers of the sole governance default arrangements, Multi-Asset Fund, Future World Multi-Asset Fund, and Target Date Funds, have attended Investment Committee meetings to update the Trustees on a number of matters, including a recap of fund returns, portfolio changes, ESG application and progress against net zero targets, and how they take financially material considerations into account when selecting which companies and markets in which to invest and outlook. We are comfortable that we are fully informed about the matters that the fund managers are taking into consideration and that these are aligned with our views as expressed in the SIP.

### Review and monitoring

We review the appropriateness and performance of the funds within the default options, receiving at least quarterly performance updates from our independent investment advisers and LGIM's investment and fund management teams. We remain satisfied that the default options are appropriate for the membership and explain the process undertaken and the outcome of this review further in the Chair's Statement.

We receive performance updates on the full fund range available across the Mastertrust, with our investment advisers providing at least quarterly updates on any issues we need to be aware of. This ensures that we can be comfortable that the range of funds are well-monitored and remain suitable. The investment advisers in conjunction with Legal & General also carried out a high-level annual review of the sole governance defaults in January 2022, concluding that all remained fit for purpose but with some areas flagged to be carried forward for further review at the triennial review stage. All default strategies managed across the sole and shared governance ranges are reviewed in depth at least every three years. If and when changes are proposed the SIP is taken into consideration.

During the period the Trustees received updates on the following matters which could have an impact on performance:

- Impact of inflation on the Mastertrust investment strategies, including the macroeconomic risks.
- Market performance on ESG.
- Impact and review of events in respect of the Ukraine/Russia situation.

We review progress against the objectives set for our investment adviser in line with regulations and in line with guidance issued by The Pensions Regulator. In our review of December 2021, we found that our independent investment advisers were meeting their objectives. In reaching this conclusion we took into consideration evidence provided by the advisers on their progress against objectives and a recommendation from the Pension Scheme Management Team. We are satisfied that fees paid to our service providers are consistent with industry norms for the service levels they provide. Further details of the service levels we received can be found in the Chair's Statement [here](#).

The Investment Committee has met formally more than four times in the past year, exceeding the minimum.

We receive monitoring updates on all investments from our investment advisers on at least a quarterly basis. In addition, the investment advisers pay particular attention to the sole governance default range to ensure that they are performing correctly and remain suitable for the membership. Despite market volatility as a result of rising inflation, fuel crisis and the conflict between Russia and Ukraine, the default funds behaved in a predictable manner. However, some of them fell short of inflation plus targets, given the high inflation rate.

During the year, the investment adviser assessed the suitability of the investment range considering, amongst other factors, the risks associated with investments with inadequate liquidity, poor diversification, underperformance, country/political and organisational risk in line with the requirements in the SIP.

### **Transaction costs**

The SIP states that the Trustees will seek to obtain transaction costs from their investment managers on an annual basis. This has been completed in respect of the period covered by this statement and included in the annual Chair's Statement.

The transaction costs for the period covered, and the portfolio turnover, did not give the Trustees cause for concern.

### **Who's who and what do they do for the Mastertrust?**

In our [Chair's Statement](#) we have a list of corporate Trustees who make up the Trustee Board.

During the period Meera Venu was appointed as a trustee.

### **Trustee training**

We are always looking to advance our knowledge and skills. We explain in detail the trustee training undertaken this year in pursuit of this objective in our Chair's Statement. This statement focuses on investment-related matters and in this regard the key areas of focus for us this year have been ESG, Stewardship and Investment Innovation, which the Trustees received training on from Legal & General, and the newly introduced TCFD requirements which was provided by Eversheds Sutherland. The Investment Committee has also undertaken a deep dive on investment governance and sought advice from their independent advisers on the investment regulations and their specific role and responsibilities. They've also continued to receive regular updates on key areas, such as ESG and Investment Innovation.

The Trustees continue to monitor areas for further training, and this is managed by the Pension Scheme Management Team.

### **Known departures from SIP**

During the period there were no known departures from the SIP.

It is noted that the defaults have not kept pace with inflation during the period due to unexpected market volatility due primarily to the invasion of Ukraine by Russia in early 2022. In addition, this has had knock on effects within the UK, as well as globally, to interest rates and has led to the cost-of-living crisis. Looking at the longer term view, the defaults are performing in line with expectations.

Appendix

The following table outlines the top ten holdings in the Multi-Asset Fund, Future World Multi-Asset Fund and funds in the Target Date Funds and in drawdown lifestyle (RIMA)

|   | Vote 1   | Vote 2   |
|---|--|--|
| <b>Company name</b>   | <b>Apple Inc.</b>  | <b>Microsoft Corporation</b>   |
| <b>Date of vote</b>   | 2022-03-04   | 2021-11-30   |
| <b>Default (% of portfolio)</b>   | TDFs 2060-65: 0.61<br>TDFs 2020-25: 0.21<br>MAF: 0.47<br>FW MAF: 0.65<br>RIMA: 0.25  | TDFs 2060-65: 0.48<br>TDFs 2020-25: 0.22<br>MAF: 0.40<br>FW MAF: 0.63<br>RIMA: 0.26  |
| <b>Summary of the resolution</b>  | Resolution 9 - Report on Civil Rights Audit  | Elect Director Satya Nadella   |
| <b>How you voted</b>  | For  | Against  |
| <b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>                                  | 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. | 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. |
| <b>Rationale for the voting decision</b>  | Diversity: A vote in favour is applied as LGIM supports proposals related to diversity and inclusion policies as we consider these issues to be a material risk to companies.  | LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.  |
| <b>Outcome of the vote</b>  | 53.6%  | 94.7%  |
| <b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.  | LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.  |

|   |  |  |
|---|--|--|
| <p><b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b></p> | <p>LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.</p>  | <p>A vote linked to an LGIM engagement campaign, in line with the Investment Stewardship team's five-year ESG priority engagement themes.</p>  |
|   | <p><b>Vote 3</b></p>   | <p><b>Vote 4</b></p>   |
| <p><b>Company name</b></p>  | <p><b>Amazon.com, Inc.</b></p>   | <p><b>Prologis, Inc.</b></p>   |
| <p><b>Date of vote</b></p>  | <p>2021-05-26</p>  | <p>2021-04-29</p>  |
| <p><b>Default (% of portfolio)</b></p>  | <p>TDFs 2060-65: 0.24<br/>TDFs 2020-25: 0.12<br/>MAF: 0.26<br/>FW MAF: 0.29<br/>RIMA: 0.13</p>   | <p>TDFs 2060-65: 0.24<br/>TDFs 2020-25: 0.15<br/>MAF: 0.33<br/>FW MAF: 0.32<br/>RIMA: 0.19</p>   |
| <p><b>Summary of the resolution</b></p>   | <p>Resolution 1a Elect Director Jeffrey P. Bezos</p>   | <p>Resolution 1.a Elect Director Hamid R. Moghadam</p>   |
| <p><b>How you voted</b></p>   | <p>Against</p>   | <p>Against</p>   |
| <p><b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b></p>     | <p>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.</p>  | <p>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.</p>  |
| <p><b>Rationale for the voting decision</b></p>   | <p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p> | <p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p> |

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| <b>Outcome of the vote</b>  | 95.1% of shareholders supported the resolution.  | 93.5% of shareholders supported the resolution.   |
| <b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.  | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.   |
| <b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b>                              | LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).  | LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).   |
|   | <b>Vote 5</b>  | <b>Vote 6</b>   |
| <b>Company name</b>   | <b>NextEra Energy, Inc.</b>  | <b>Union Pacific Corporation</b>  |
| <b>Date of vote</b>   | 2021-05-20   | 2021-05-13  |
| <b>Default (% of portfolio)</b>   | TDFs 2060-65: 0.24<br>TDFs 2020-25: 0.11<br>MAF: 0.38<br>FW MAF: 0.32<br>RIMA: 0.09  | TDFs 2060-65: 0.17<br>TDFs 2020-25: 0.06<br>MAF: 0.37<br>FW MAF: 0.26<br>RIMA: 0.01   |
| <b>Summary of the resolution</b>  | Resolution 1h Elect Director James L. Robo   | Resolution 1d Elect Director Lance M. Fritz   |
| <b>How you voted</b>  | Against  | Against   |
| <b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>                                  | 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.   | 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.  |
| <b>Rationale for the voting decision</b>  | LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all | LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO |



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|   | combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences. | roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences. |
| <b>Outcome of the vote</b>  | 88.1% of shareholders supported the resolution.  | 90.5% of shareholders supported the resolution.   |
| <b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.  | LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.   |
| <b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b>                              | LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).  | LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).   |
|   | <b>Vote 7</b>  | <b>Vote 8</b>   |
| <b>Company name</b>   | <b>Duke Energy Corporation</b>   | <b>The Southern Company</b>   |
| <b>Date of vote</b>   | 2021-05-06   | 2021-05-26  |
| <b>Default (% of portfolio)</b>   | TDFs 2060-65: 0.16<br>TDFs 2020-25: 0.08<br>MAF: 0.19<br>FW MAF: 0.14<br>RIMA: 0.13  | TDFs 2060-65: 0.15<br>TDFs 2020-25: 0.08<br>MAF: 0.18<br>FW MAF: 0.13<br>RIMA: 0.13   |
| <b>Summary of the resolution</b>  | Resolution 1.1 Elect Director Michael G. Browning  | Resolution 1e Elect Director Thomas A. Fanning  |
| <b>How you voted</b>  | Withhold   | Against   |

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| <p><b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b></p>                                  | <p>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.</p>  | <p>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.</p>  |
| <p><b>Rationale for the voting decision</b></p>  | <p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p> | <p>LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. These two roles are substantially different, requiring distinct skills and experiences. Since 2015 we have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 we are voting against all combined board chair/CEO roles. Furthermore, we have published a guide for boards on the separation of the roles of chair and CEO (available on our website), and we have reinforced our position on leadership structures across our stewardship activities – e.g. via individual corporate engagements and director conferences.</p> |
| <p><b>Outcome of the vote</b></p>  | <p>88.1% of shareholders supported the resolution.</p>   | <p>91.8% of shareholders supported the resolution.</p>   |
| <p><b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b></p> | <p>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>   | <p>LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.</p>   |
| <p><b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b></p>                              | <p>LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p>   | <p>LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).</p>   |

|   | <b>Vote 9</b>  | <b>Vote 10</b>   |
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| <b>Company name</b>   | <b>American Tower Corporation</b>  | <b>Crown Castle International Corp.</b>  |
| <b>Date of vote</b>   | 2021-05-26   | 2021-05-21   |
| <b>Default (% of portfolio)</b>   | TDFs 2060-65: 0.13<br>TDFs 2020-25: 0.09<br>MAF: 0.28<br>FW MAF: 0.20<br>RIMA: 0.12  | TDFs 2060-65: 0.10<br>TDFs 2020-25: 0.08<br>MAF: 0.20<br>FW MAF: 0.14<br>RIMA: 0.12  |
| <b>Summary of the resolution</b>  | Resolution 1i Elect Director Pamela D.A. Reeve   | Resolution 1h Elect Director J. Landis Martin  |
| <b>How you voted</b>  | Against  | Against  |
| <b>Where you voted against management, did you communicate your intent to the company ahead of the vote?</b>                                  | 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. | 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. |
| <b>Rationale for the voting decision</b>  | The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.  | The company is deemed to not meet minimum standards with regards to climate risk management and disclosure.  |
| <b>Outcome of the vote</b>  | 94.7% of shareholder supported the resolution.   | 93.8% of shareholder supported the resolution.   |
| <b>Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?</b> | LGIM will continue to engage with the company and monitor progress.  | LGIM will continue to engage with the company and monitor progress.  |
| <b>On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?</b>                              | LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.  | LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, our flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.  |