Legal & General

MASTERTRUST
Independent Board of Trustees

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

Implementation Statement

October 2023

Introduction

We have prepared this document which should be read in conjunction with our Statement of Investment Principles (SIP). Our SIP sets out our investment policies and what we hope to achieve from the investment choices that we make. 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.

Background

This document 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 2022 to 5 April 2023). 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.

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

Given we updated our SIP during the scheme year, on 1 October 2022, this document assesses our performance against the SIP both before and after that date. A copy of the SIP signed in October 2022 is available here.

Please note

Legal & General Investment Management (LGIM) invests the Mastertrust assets through an investment platform of pooled funds on our behalf. This means we are reliant on LGIM's voting and engagement policies to influence investee companies. We regularly review LGIM's voting practices, comparing practice to member preferences collated through Tumelo and meet with the stewardship team to share our views on engagement priorities. Where possible, we expect LGIM to take into consideration our policies within their investment decisions. We review external managers' funds to see if they align with our policy.

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.

- Investment beliefs, including ESG, were revised.
- Clarification of the aims and objectives of the defaults within the sole governance section of the SIP.
- Risks and policies were reviewed.

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. Overrall the SIP is used as a consistent resource for the Trustees, challenging our current governance activity and thinking ahead as how our investment solutions can evolve. For example:

- The SIP was useful when preparing the scope and commencing the triennial review of the Sole Governance defaults. The clarity of the SIP enabled us to test our risks and opportunities and review the default strategies against our investment beliefs. It also helped us to identify areas of evolution, such as new risks and beliefs which will be captured in our next SIP update in April 2024.

- The governance outlined within the SIP allowed us to assess Legal & General's stewardship policies against our own beliefs and also identify areas where we can further focus our attention on significant votes.

- In focusing on risks as highlighted in the SIP, such as market risk, we were able to take actions that resulted in us reviewing the impact of market volatility on different cohorts of members and the communications and resources made available to those pension savers.

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.

Within the reporting period there are no changes to the SIP resulting from this review and all four defaults remain available for employers to select. Conclusions of the triennial review will be updated in the next SIP revew.

Within the scheme year, we started the triennial review of the sole governance default arrangements. The analysis included a review of investment philosophy and beliefs, a look at the long-term economic outlook, analysis of membership demographics and a focus on outcomes as well as a look at wider DC market trends and innovation. The review concluded outside of the reporting period for the Implementation Statement, in Q3 2023. Further information on our findings can be found 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. One year inflation to 31 March 2023 was 10.1%. 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.

Changes to the SIP: investment options outside the default arrangement

There were no changes to the structure of the sole governance model, with no sections being added, removed or altered within the scheme year. No funds were added 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 adviser; and
- participating employers electing to move to sole governance from shared.

Assisted by our independent investment adviser, 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.

Hymans Robertson provides a full report (IMR) and, where necessary, engages 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

We consider 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.

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

Within the SIP, we have identified a risk relating to climate change. Our approach to climate change and our response to climate-related regulations introduced by the Taskforce for Climate-related Financial Disclosures (TCFD) is outlined in our second TCFD report.

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. As pensions are a long-term investment for most members, it’s important to remember that the performance expectations listed are based on what we expect to see over the long term.

However, it is worth noting how asset classes have performed during this period, given the market impact from the pandemic, the subsequent recovery during 2021, but noting the continued market volatility throughout 2022 and into 2023.

- This year was 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 there remains concerns about central bank tightening, earnings increasing but not to inflation levels 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 generated positive performance but lagged their comparators. Although deviation from the comparator was within the expected range, we are keeping it under review.
- Corporate bonds delivered similar returns to government bonds during the year. Rising rates and increased rate rise expectations resulted in an increase in yields and a fall in the value of bonds.

We review the performance of the funds on a quarterly basis and raise any issues with our investment adviser, Hymans Robertson, and representatives from Legal & General.

On 12 January 2023, TPR released a statement to support trustees with the governance of their schemes and a checklist to consider when communicating to members during uncertain market conditions. TPR recognises that recent market events, including equity volatility, falling bond values and high inflation and interest rates will affect members and their savings and wish to support trustees in their endeavours to help members in challenging times. Based on the advice from our investment adviser, we have reviewed and approved our communication plans against TPR’s expectations to ensure we continue to provide information and support to members when they need it.

Throughout the period we have continued to be guided by the investment beliefs outlined in our SIP.

ESG

We have reviewed our ESG principles documented within our SIP and have concluded that they remain suitable and sensible, however we have also identified areas that we can evolve further and this will be clarified when we publish our next SIP in Q2 2024. We have delivered against the investment beliefs through the following activities:

- Reviewed our approach to identifying, assessing and managing climate-related risks and opportunities to the Legal & General Mastertrust. This has been used to inform our second Taskforce on Climate-related Financial Disclosures report for the Mastertrust.
- Continued to engage pro-actively with Legal & General's investment management business, LGIM, to ensure their investment managers apply responsible investing considerations across all asset classes where sufficiently-reliable ESG data is available.
- Continued to consider ESG issues in our risk management processes.

We also fully support LGIM's Climate Impact Pledge, the targeted engagement campaign that began in 2016 to assess thousands of companies worldwide on their climate governance, strategies, metrics and targets. Their latest report can be viewed here. LGIM now assess over 5,000 companies across 20 'climate-critical' sectors and can apply exclusions to almost £158 billion of assets. This expansion is a significant step forward from the 1,000 companies across 15 'climate-critical' sectors they covered in 2020. We receive quarterly reporting from LGIM on its investment stewardship and active ownership activities and meet with the Investment Stewardship team at least once a year at the Board.

Highlights from the most recent update include:

- Over 5000 companies across the 20 climate-critical sectors were assessed and the targeted engagements increased to 105.
- 299 companies were identified as subject to voting sanctions for not meeting LGIM's minimum climate change standards.
- 12 companies were on the disinvestment list from the previous year, two more added and one removed.

Progress on the above information was presented during the annual investment strategy day and as part of our regular engagement with LGIM.

LGIM has developed its Future World Protection List to assess whether companies are failing to meet globally accepted business practices on human rights and sustainability, or LGIM's minimum requirements on the carbon transition. Securities issued by such companies will not be held in funds that apply the Future World Protection List, and we value this approach to assets held within the Future World fund range.

As the Mastertrust is invested in pooled funds, we take a keen interest in the investment stewardship activity LGIM undertakes. We meet with them to provide feedback on their beliefs and expectations, and review how their policies meet with our expectations in developing future engagement topics and voting policies.

Progress has been made towards decarbonsiation targets. 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. At the end of March 2023 all sole governance defaults were ahead of their 2025 targets, with the 'approaching retirement' and 'retirement' Target Date Funds stages ahead of their 2030 targets. These targets align to the net zero ambitions as outlined within the SIP. However, we are not celebrating just yet. There is an understanding that although progress has been made, much of the progress seen can be explained by how the metric has been calculated. As detailed in our report on the Task Force on Climate Related Financial Disclosures.

Stewardship and voting behaviour

We are regularly updated on LGIM's continued partnership with fintech firm Tumelo, that allows members to provide expressions of wish regarding votes on issues affecting the companies that their pension funds invest in. The service continues to expand to cover a broader representation of participating employers and members.

As the Mastertrust is invested completely in pooled arrangements, we are not able to directly exercise our voting rights. 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. We have principally focused our efforts on the voting practices of the primary fund manager, LGIM, to confirm that the company is acting in accordance with the our 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, where the majority of member assets are held. We 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 a vote, including rationales for high-profile votes.

This supplements the quarterly reporting outlining details of significant votes; reports which are public on LGIM's website.

We are satisfied we have followed the approach to stewardship as outlined within the SIP, and have engaged with LGIM to enhance that approach, where applicable.

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 MAF	RIMA	TDF 2060-65
How many meetings were you eligible to vote at over the year to 31/03/2023?	9,818	8,913	10,213	9,034
How many resolutions were you eligible to vote on over the year to 31/03/2023?	100,094	93,332	104,764	94,630
What % of resolutions did you vote on for which you were eligible?	99.83%	99.83%	99.83%	99.83%
Of the resolutions on which you voted, what % did you vote with management?	77.55%	77.59%	77.95%	77.59%
Of the resolutions on which you voted, what % did you vote against management?	21.73%	21.74%	21.36%	21.74%
What % of resolutions, for which you were eligible to vote, did you abstain from?	0.72%	0.67%	0.69%	0.67%
In what % of meetings, for which you were eligible to attend, did you vote at least once against management?	71.06%	73.39%	70.42%	73.29%
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	12.43%	12.89%	12.22%	12.91%

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 its own custom voting policy with specific voting instructions for its proxy provider to apply to all markets globally and seek to uphold its minimum best practice standards that companies globally should observe, irrespective of local regulation or practice.

LGIM has used its voting rights to vote against board appointments that were not sufficiently diverse, and we see examples of this in the significant votes. We consider that board diversity is not only an important social issue but an important risk control as well.

LGIM 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 in line with their stated policy and engagement priorities, 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.

We are seeking further insight into the responsible investment practices of our investment managers, particularly with regards to voting and engagement. The Head of Stewardship at LGIM presented details of

LGIM’s voting and engagement programme to us at our strategy day in April 2022. Over the coming scheme year, we will undertake a review of the external investment managers and their individual funds’ responsible investment practices with our investment adviser.

We are aware of the following LGIM stewardship achievements and commitments made during the year to 31 December 2022:

- It aims to align 70% of assets under management to net zero by 2030 (in respect of scope 1 and 2).
- The Investment Stewardship team engaged with 902 companies.
- £332 billion of assets managed in responsible investment strategies.
- 171,000 resolutions worldwide on which LGIM voted.

To review this statement we 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 we believe LGIM’s voting action does not align with its policies, we would challenge LGIM to gain clearer understanding. To date, we have not felt the need to request changes to the way in which LGIM carries out its voting rights, although we have sought clarification on certain votes as to why they responded in the way they did. We continue to monitor the position by reviewing the annual reports produced by LGIM and their detailed policies, with particular focus on beliefs and significant votes. Due to the close alignment of beliefs, we support LGIM’s voting policy, however, we would review this in light of any changes in either LGIM’s or our beliefs.

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

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

Full details of LGIM’s voting policies and records can be found on their website.

LGIM accountability

We 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. During the period, we have engaged with LGIM concerning their voting policy in respect of one large international company.

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 sole governance auto-enrolment default investment options. In addition, we have worked with LGIM to add Scope 3 metrics into our TCFD report, as well as commissioning further scenario analysis. Results will be outlined in the published report.

We are confident that consideration of ESG factors can help to mitigate investment risk and that responsible investing beliefs are 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 we continued to engage with the primary fund manager to ensure the requirements of the Mastertrust are considered.

External manager accountability

We 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.

Over the course of the year all external managers which were not rated by our investment adviser's investment research team were assigned a rating. This was based on either their full ongoing monitoring framework (with 'preferred' as the highest rating and 'negative' as the lowest rating) or using a product assurance rating (of 'suitable' or 'not suitable') where funds are not widely used within Hymans Robertson's ratings universe.

Responsible investment (RI) ratings exist separately to managers' ratings and where there were any gaps, our investment adviser assigned RI ratings over the course of 2022/23. Only eight funds received an unsuitable or negative rating and we are working with our investment adviser to determine next steps for these funds. From an RI rating perspective only one fund had a 'weak' rating and our adviser has reviewed the fund and given it an 'acceptable' rating. The reason it was rated 'weak' was due to a lack of information on the fund.

Hymans Robertson monitors the performance and ratings of the funds on a quarterly basis and, using a watch list, determines any actions to take with regards to flagged funds. During the period four external funds have been subject to additional scrutiny on the Trustee watch list. Two have been on the watch list due to performance concerns 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 we are in the process of removing them. When funds are on watch, we ask our investment adviser to complete additional due diligence through direct contact with the manager to understand the reasons for any underperformance or fund changes and to decide whether any further action is required. The adviser will then provide an update on the fund or provide a recommendation of action needed for our consideration and challenge.

Triennial review

We began the triennial review of the Legal & General Mastertrust default options in March 2023. More information can be found in the Chair's Statement and the outcomes will be reflected in the updated Statement of Investment Principles (expected in Q2 2024) and next year's Implementation Statement.

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, the Muli-Asset Fund, the Future World Multi-Asset Fund, and the Target Date Funds, have attended Investment Committee meetings to update us on a number of matters. These included 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 in which companies and markets to invest in and consider.

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 adviser, 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 adviser 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. All default strategies managed across the sole and shared governance ranges are reviewed in depth at least every three years, with the triennial review starting in this reporting period. If and when changes are proposed, the SIP is taken into consideration.

During the period we 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 invasion of Ukraine.
- Extreme market volatility experienced in Q3 2022.

We review progress against the objectives set for our investment adviser in line with regulations, and guidance issued by The Pensions Regulator. In our review of our independent investment adviser we confirmed they were meeting their objectives. In reaching this conclusion we considered evidence provided by the adviser on its 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.

The Investment Committee has met formally at least four times in the past year, as required.

We receive monitoring updates on all investments from our investment adviser on at least a quarterly basis. In addition, the investment adviser pays particular attention to the sole governance default range to ensure that it is performing correctly and remain suitable for the membership. Despite market volatility, the default funds continued to perform as expected over the longer term, although noting that this was below the inflation expectation given the high inflationary environment we are in.

Transaction costs

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

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

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

Details of our Trustee Board can be found in our website, with changes to the board described in our Chair's Statement.

In relation to the Investment Committee, Catherine Redmond stood down as Chair of the Committee in December 2022. BESTTrustees Limited was replaced by the Independent Governance Group, represented by Tegs Harding, who joined as Chair of the Investment Committee. Robert Thomas has remained a Committee member throughout the reporting period and Robert Waugh joined as a Committee member in July 2023.

Trustee training

We are always looking to advance our knowledge and skills. We explain in detail the our 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 alternative assets, such as illiquids, multi-asset funds, climate analysis, and investment stewardship, delivered by Legal & General and LGIM. In addition, continued training on TCFD has been provided by LGIM and Eversheds, one of our legal advisers.

We 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 the continued market volatility, due primarily to the invasion of Ukraine by Russia in early 2022. This affected national and global inflation and interest rates, contributing to the cost of living crisis. Looking at the longer term view, the defaults are performing broadly 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 the drawdown lifestyle (RIMA)

	Vote 1	**Vote 2**
Company name	**Rio Tinto Plc**	**Royal Dutch Shell Plc**
Date of vote	2022-04-08	2022-05-24
Default (% of portfolio)	TDFs 2060-65: 0.39 TDFs 2020-25: 0.12 MAF: 0.22 FW MAF: 0.35 RIMA: 0.14	TDFs 2060-65: 0.35 TDFs 2020-25: 0.16 MAF: 0.55 FW MAF: 0.32 RIMA: 0.24
Summary of the resolution	Resolution 17 - Approve Climate Action Plan	Resolution 20 - Approve the Shell Energy Transition Progress Update
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.	Voted in line with management.
Rationale for the voting decision	Climate change: LGIM recognises the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company's decarbonisation efforts. However, while acknowledging the challenges around the accountability of Scope 3 emissions and respective target-setting process for this sector, LGIM remains concerned with the absence of quantifiable targets for such a material component of the company's overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.	Climate change: A vote against is applied, though not without reservations. LGIM acknowledges 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 remains 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.

	Vote 1	Vote 2
Outcome of the vote	84%	80%
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of climate-related engagement activity and the public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote significant as it is an escalation of climate-related engagement activity and the public call for high quality and credible transition plans to be subject to a shareholder vote.
	Vote 3	**Vote 4**
Company name	**Prologis, Inc.**	**Novartis AG**
Date of vote	2022-05-04	2023-03-07
Default (% of portfolio)	TDFs 2060-65: 0.27 TDFs 2020-25: 0.17 MAF: 0.42 FW MAF: 0.40 RIMA: 0.25	TDFs 2060-65: 0.26 TDFs 2020-25: 0.62 MAF: 0.15 FW MAF: 0.24 RIMA: 0.08
Summary of the resolution	Resolution 1a - Elect Director Hamid R. Moghadam	Resolution 8.1 - Reelect Joerg Reinhardt as Director and Board Chair
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as 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 their policy not to engage with investee companies in the three weeks prior to an AGM as engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.	Diversity: A vote against is applied as LGIM expects a company to have a diverse board, with at least one-third of board members being women. They expect companies to increase female participation both on the board and in leadership positions over time.

	Vote 3	Vote 4
Outcome of the vote	93%	N/A
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM considers this vote to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). 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 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 have voted against all combined board chair/CEO roles.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for clients, with implications for the assets they manage on their behalf.
	Vote 5	**Vote 6**
Company name	**Amazon.com, Inc.**	**Pfizer Inc.**
Date of vote	2022-05-25	2022-04-28
Default **(% of portfolio)**	TDFs 2060-65: 0.25 TDFs 2020-25: 0.8 MAF: 0.21 FW MAF: 0.20 RIMA: 0.10	TDFs 2060-65: 0.19 TDFs 2020-25: 0.03 MAF: 0.05 FW MAF: 0.08 RIMA: 0.05
Summary of the resolution	Resolution 1f - Elect Director Daniel P. Huttenlocher	Resolution 1.2 - Elect Director Albert Bourla
How you voted	Against	Against

	Vote 5	Vote 6
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their 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 their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	Human rights: A vote against is applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight.
Outcome of the vote	93.3%	95%
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM pre-declared its vote intention for this resolution, demonstrating its significance.	LGIM considers this vote to be significant as it is in application of an escalation of vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). 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 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.

	Vote 7	Vote 8
Company name	**Alphabet Inc.**	**BP Plc**
Date of vote	2022-06-01	2022-05-12
Default (% of portfolio)	TDFs 2060-65: 0.17 TDFs 2020-25: 0.04 MAF: 0.13 FW MAF: 0.11 RIMA: 0.05	TDFs 2060-65: 0.17 TDFs 2020-25: 0.07 MAF: 0.26 FW MAF: 0.14 RIMA: 0.11
Summary of the resolution	Resolution 7 - Report on Physical Risks of Climate Change	Resolution 3 - Approve Net Zero - From Ambition to Action Report
How you voted	For	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	Voted in line with management.
Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.	Climate change: A vote FOR is applied, though not without reservations.While LGIM note the inherent challenges in the decarbonization efforts of the Oil & Gas sector, LGIM expects companies to set a credible transition strategy, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. It is LGIM's view that the company has taken significant steps to progress towards a net zero pathway, as demonstrated by its most recent strategic update where key outstanding elements were strengthened. LGIM remains committed to continuing constructive engagements with the company on its net zero strategy and implementation, with particular focus on its downstream ambition and approach to exploration.
Outcome of the vote	17.7%	89% of shareholders supported the resolution.

	Vote 7	Vote 8
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM considers this vote significant as it is an escalation of climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.	LGIM considers this vote significant as it is an escalation of climate-related engagement activity and a public call for high quality and credible transition plans to be subject to a shareholder vote.
	Vote 9	**Vote 10**
Company name	**LVMH Moet Hennessy Louis Vuitton SE**	**NextEra Energy, Inc.**
Date of vote	2022-04-21	2022-05-19
Default (% of portfolio)	TDFs 2060-65: 0.17 TDFs 2020-25: 0.05 MAF: 0.15 FW MAF: 0.16 RIMA: 0.07	TDFs 2060-65: 0.16 TDFs 2020-25: 0.08 MAF: 0.31 FW MAF: 0.27 RIMA: 0.09
Summary of the resolution	Resolution 5 - Reelect Bernard Arnault as Director	Resolution 1j - Elect Director Rudy E. Schupp
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with 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 their policy not to engage with investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.

	Vote 9	Vote 10
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies not to combine the roles of Board Chair and CEO. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board.	Diversity: A vote against is applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. We are targeting the largest companies as we believe that these should demonstrate leadership on this critical issue. Independence: A vote against is applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.
Outcome of the vote	92%	86%
Implications of the outcome e.g. were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.	LGIM will continue to engage with investee companies, publicly advocate the position on this issue and monitor company and market-level progress.
On which criteria (as explained in the cover email) have you assessed this vote to be "most significant"?	LGIM considers this vote to be significant as it is in application of an escalation of vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote). 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 they have supported shareholder proposals seeking the appointment of independent board chairs, and since 2020 they have voted against all combined board chair/CEO roles.	LGIM views diversity as a financially material issue for clients, with implications for the assets we manage on their behalf.