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BASF UK Group Pension Scheme

2023 Implementation Statement

Contents

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Executive Summary

This Implementation Statement sets out how the Trustee has followed its Statement of Investment Principles (**SIP**) during 2023, including voting and engagement policies, and review of the SIP during the year.

For the BPP DB Section, the Trustee increased interest rate and inflation hedging to 97.5% of the liabilities.

For the Chemetall Section, the Trustee maintained the strategic asset allocation from 2022, with some relocations to ABS and Liquidity Plus funds, after the LDI pooled funds distributed part of the capital as result of two re-leverage event.

There were no overall changes to the DC investment strategy (in terms of asset allocation) during the period covered by this Statement, though the Trustee replaced two of the diversified growth funds (DGFs) within the Scheme's risk profiled funds with alternative DGFs.

The Trustee continue to assess the performance of the Scheme's investments and appointed asset managers, and it has revised the formal objectives for its investment adviser on a quarterly basis.

The Trustee has set their stewardship priorities as follows:

1) Climate change
2) Diversity, equity, and inclusion
3) Business ethics & transparency

The Trustee has communicated to the managers and monitored their voting and engagement policies according to these priorities.

Introduction to the Scheme

The Trustee is required to produce a yearly statement ("Statement") to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles ("SIP") during the year. This includes voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made with the reasons for the changes, and the date of the last SIP review.

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

This Statement should be read in conjunction with the SIP which can be accessed on the Pension Website.

Review of the SIP

The Trustee reviews each SIP regularly, although changes are not always required. The latest review date of each SIP is detailed below:

SIP	Last Updated
DC Sections	July 2023
DB Sections	December 2022

Published: March 2024

SIP policy assessments during the year (DC Sections)

Investment and Legal Compliance

The SIP confirms the Trustee's policy to take professional advice from a suitably qualified DC Investment Adviser. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustee did not make any changes to the overall investment strategy (in terms of strategic asset allocation) during the period covered by this Statement. However, there were changes to the investment managers / funds used within some of the Scheme's risk profiled funds implemented during the year, following a review of these funds.

Investments held and investment balance

The SIP documents the types of investment used within the Scheme and the asset allocation of each investment fund (including the lifestyling arrangements for LifePlan strategies). The Appendix also lists the investment types held.

The default investment option is reviewed at least triennially. The Trustee, through the DC Committee, commenced a strategic review of the default investment strategy in 2021, which continued into 2022. Full details are provided in the Chair's Statement. In summary, the review resulted in decisions being taken to change some of the underlying investment managers used in the risk profiled funds. These changes were implemented in January 2023.

The SIP was updated in July 2023 as part of a regular programme of review. The changes related to referencing the Trustee's stewardship priorities (as detailed later in this Statement) and other minor amendments. The Trustee took advice from its suitably qualified DC Investment Adviser when reviewing the SIP.

Regulated investment advice was provided to the DC Committee on the new investment manager selections, which were implemented in January 2023.

Risk and return

The Trustee considers risk from multiple perspectives as set out in the SIP (the list of risks labelled from 'a' to 'i' summarises the key risks, along with mitigations and measurement steps put in place by the Trustee).

Where the SIP relates to expected/target returns: "The Trustee reviews the absolute performance, relative performance against a suitable benchmark, and against each fund's stated target performance (over the relevant time period)." The targeted levels of performance are documented in the Appendix to the SIP.

The Trustee reviewed the measurement of key investment risks on a quarterly basis during the year as part of regular investment reporting. These quarterly reports were provided by the DC Investment Adviser. DC risks on the risk register were a standing item at DC Committee meetings during the year with risks considered at each meeting.

Realisation of investments

The SIP notes *'The investment manager has responsibility for buying and selling the underlying assets. All pooled funds used are daily dealt'*.

No changes to the liquidity of the funds used by the Scheme were experienced during the year. The Scheme does not currently invest directly in property or other illiquid assets. The Trustee is reviewing the future policy regarding less liquid investments during 2024 and intends to prepare an illiquid investment policy for inclusion in the SIP as part of this review.

Financial and non-financial considerations
The SIP covers these matters. The risks identified in the SIP are considered by the Trustees to be financially material considerations.

As stated in the SIP, members' views will be considered in relation to financial and non-financial matters. In the context of non-financial considerations, an Ethical Fund is available for members to invest in which invests according to defined ethical guidelines, including non-financially material matters. An Islamic Global Equity Fund is also available for members, which invests according to Shariah principles (Islamic law as revealed in the Qur'an). There were no updates to this policy during the year, but the risks identified and how they are measured, and managed formed part of the investment monitoring conducted during the year, as noted above.

Exercise of rights (including voting rights)
Further details on voting rights and engagement activities are set out in the voting section of this Statement.

Investment strategy & decisions with Trustee policies
There were no changes to policy during the year.

Asset manager decision making
There were no changes to policy during the year.

Asset manager performance evaluation
In line with the policies documented in the SIP, the Trustee has reviewed both short term and longer-term investment performance through quarterly investment reports.

The DC Investment Adviser supports the Trustee with an annual assessment of the extent to which the Scheme provides value for members. This assessment includes benchmarking the investment management fees paid by members of the Scheme. During the Scheme year, this annual benchmarking was undertaken and discussed at the DC Committee meeting held on 1 March 2023.

Portfolio monitoring
This relates to how the Trustees monitor portfolio turnover costs incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range. The SIP refers to this topic, and there were no policy changes during the year. Transaction costs were included in the annual value for members assessment.

The Trustee will continue to monitor transaction costs on an annual basis but has not set portfolio turnover targets; the Trustee instead assess performance net of the impact of the costs of such activities.

Asset manager arrangement duration
There were no changes to policy during the year.

SIP policy assessments during the year (DB Sections)

Investment objectives

Progress against the long-term journey plan is reviewed as part of the quarterly performance monitoring and trigger monitoring reports. The Trustee is also able to view the progress on an ongoing basis using an online tracker provided by the Investment Consultant. As the date of this Statement, the Scheme was on track to achieve full funding on a Gilts+0.25% per annum, based the respective section target dates.

Investment strategy

The Trustee monitors the asset allocation quarterly and compares this to the strategic asset allocation. As consequence of Group and BPP being fully de-risked over the last years, the Trustee decided to remove de-risking triggers for these sections. Chemetall has a set of de-/re-risking triggers in place, which helps monitoring the progress against its long-term journey plan. The de-/re-risking triggers are monitored daily by the Asset Manager using LCP Visualise and reviewed by the Investment Committee regularly. If one of the triggers is breached, the Trustee would consider the appropriateness of the proposed de-/re-risking action before it is implemented.

The BPP Section's hedging trigger was hit in June 2023, and the Trustee decided to increase interest rate and inflation hedging to 97.5% of the liabilities.

For the Chemetall Section, following two re-leverage events from the LDI pooled funds, the Trustee decided to invest the proceeds into the ABS (£0.9m) and Liquidity Plus funds (£0.4m).

Implementation of the investment arrangements

After implementing of a new Investment Strategy for the Chemetall Section and de-risking of the BPP DB Section in 2022, no changes to the investment managers were done in 2023.

The Trustee monitors the performance of the Scheme's investment managers on a quarterly basis, using the quarterly performance monitoring report. The Trustee kept using a traffic light system to monitor the asset managers. The most recent quarterly report shows that there are no urgent concerns over the funds used. The Trustee regularly invites the Scheme's investment managers to present at Trustee meetings, seeing each manager at least once every two years.

Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a quarterly basis. Additionally, on a weekly basis, the Trustee receives the cash balances from the Scheme Administrator, to ensure there is enough fund to finance expected expenses. The Trustee policy is to have access to sufficient liquid assets to meet any outflows while maintaining a portfolio which is appropriately diversified across a range of factors, including suitable exposure to both liquid and illiquid assets.

The investment managers have discretion over the timing of realisation of investments of the Scheme and this has continued over the year. The Trustee receives income from their Buy & Maintain and Private Credit portfolios, which is retained in the Trustee bank account and used towards paying benefit payments.

Following the established investment cashflow forecast, the Trustee decide, with support from its Investment Adviser, what disinvestments shall be done to meet the Scheme's cash flow requirements. In 2023, funds were taken from the LDI portfolio due to the liquid nature of the mandate and the fact that capital can be released without affecting the level of hedging exposure provided.

For the Chemetall Section, when needed, funds were taken from the equity funds. This was decided with support of the Investment Adviser because the equity funds became overweighted in comparison with the SIP, as result of outperformance of equities in 2023.

Risk policy

Risks are monitored on an ongoing basis with the support from the Investment Adviser. The Trustee maintains a risk register, which is reviewed regularly in view of new risks and changes and presented as part of the documents for each Trustee meeting.

The strength of the employer's covenant is assessed bi-annually and additionally in response to certain events, such as the divestitures and other structural changes.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based on advice from the Investment Adviser or information provided to the Trustee by the Scheme's investment managers. These include credit risk, equity risk, currency risk and counterparty risk.

Regarding the risk of inadequate returns, the required return to achieve the Scheme's long-term funding target is assessed on an ongoing basis, as well as the hedging of interest rate and inflation risks.

Together, the investment and non-investment risks set out in Appendix 2 of the SIP give rise generally to funding risk. The Trustee formally reviews the Scheme's funding position following preparation of the Scheme Actuary's annual report, to allow for changes in market conditions. On a triennial basis, the Trustee reviews the funding position following preparation of the triennial actuarial valuation, which allows for membership and other experience. The Trustee also informally monitors the funding position more regularly, at Investment Committees and Trustee meetings and the Trustee can also monitor this daily.

Investment Governance (DC Sections)

The Trustee delegates certain matters relating to the DC Section to its DC Committee. The Trustee has agreed appropriate terms of reference for the DC Committee, which meets at least three times per year to consider matters relating to the DC Section. During the Scheme year covered by this Statement, the DC Committee met three times. The DC Committee reports after each meeting to the Trustee Board.

The DC Committee is supported by an independent DC Investment Adviser, who also covers wider DC matters and governance, and attends meetings of the DC Committee. The Trustee's legal adviser also provides support and attend meetings of the Trustee Board and / or the DC Committee when required. Day-to-day support to the DC Committee is provided by the In-House Pension Team.

The DC Committee meets with investment managers and investment platform provider when necessary. In years where there are no investment performance issues and the DC Committee has other strategic and governance priorities, investment manager meetings would not be considered essential. This is to ensure that governance activity is focused on the right areas to drive good outcomes for members, rather than having a fixed schedule approach.

Investment benchmarks and targets have been put in place for each investment manager, and performance is monitored on a quarterly basis against these measures. Service Level Agreements (SLAs) have also been established with the investment platform provider relating to operational performance. The SLAs cover investment transaction contract notes, queries, and maintenance of a microsite hosting fund information.

Investment Governance (DB Sections)

The Trustee assesses the performance of Scheme investments and appointed asset managers on an ongoing basis as part of the quarterly monitoring reports it receives. The Trustee has agreed formal objectives for its Investment Adviser and reviews performance against these objectives on a quarterly basis.

The Trustee regularly reviews the Terms of Reference of the Investment Committee, to reflect the latest personnel changes, the Underpin granted by BASF SE and the associated consultation process as well as the extension of the de-risking framework by the re-risking and hedging activities.

Non-Financial Matters (DC Sections)

As stated in the SIP, members' views will be considered in relation to financial and non-financial matters. In the context of non-financial considerations, an Ethical Fund is available which invests according to defined ethical guidelines, including non-financially material considerations. An Islamic Global Equity Fund is also available for members, which invests according to Shariah principles (Islamic law as revealed in the Qur'an).

Non-Financial Matters (DB Sections)

The Trustee's policy is to delegate the consideration of financially material considerations including Environmental, Social and Governance ("ESG") considerations, voting and engagement to its investment managers and to consider these issues when making decisions regarding the selection or retention of investment managers. It seeks to appoint managers that have appropriate skills and processes to do this, and from time-to-time, reviews how its managers are taking account of these issues in practice.

The Trustee has, in its opinion, followed the Scheme's voting and engagement policies during the year, and it has continued to take advice on the selection and ongoing review of the investment managers from the investment adviser, who incorporates its assessment of the nature and effectiveness of managers' approaches to financially material considerations (including climate change and other ESG considerations), voting and engagement.

Strategic Asset Allocation (DC Sections)

There were no changes to the overall strategic asset allocation or the structure of the Scheme's LifePlan strategies during the year.

Strategic Asset Allocation (DB Sections)

The were no changes to the strategic asset allocation of any section in 2023.

Section	Underlying Funds	New Allocation	Prior Allocation
Group Section	Insight LDI portfolio	49.72	47.69
	Insight Buy & Maintain Credit	18.65	19.60
	Royal London Buy & Maintain Credit	22.80	22.13
	Barings Private Credit funds	8.46	9.23
	Cash balance	0.36	1.34
BPP Section	Insight LDI portfolio	45.25	45.82
	Insight Buy & Maintain Credit	20.52	20.32
	Royal London Buy & Maintain Credit	20.44	19.84
	Barings Private Credit funds	5.76	6.16
	ICG Private Credit funds	7.60	6.39
	Cash balance	0.42	1.46
Chemetall Section	Insight LDI funds	42.71	42.12
	Insight ABS fund	13.10	8.26
	Insight Buy & Maintain Credit	6.87	4.86
	LGIM Future World Fund	36.35	43.63
	Cash balance	0.96	1.13

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Manager Selection, Review and Monitoring (DC Sections)

The DC Committee maintained its regular monitoring of the investment managers, primarily by reviewing quarterly investment performance reports provided by the DC Investment Adviser.

These reports include:

- Details of how each fund and underlying investment manager is delivering against their specific benchmark and targets over both short term and long-term periods.
- The experience that members in the default investment strategy have experienced, in both the growth phase and the de-risking phase of the strategy. This is assessed against inflation measures to ensure that the strategy delivers real returns above inflation.
- Investment risk metrics for the default investment strategy, including volatility and "maximum drawdown" statistics. This allows the DC Committee to measure and monitor risks.
- Peer group analysis for key actively managed funds, comparing the performance of managers to alternatives available in the market.
- The investment research ratings and ESG ratings assigned by the DC Investment Adviser's research team to each fund. These ratings denote the DC Investment Adviser's research views on the funds, including the prospects for the manager achieving the investment objectives and the extent to which ESG considerations are integrated in the manager's process, portfolio, and in their voting and engagement activities.

Manager Selection, Review and Monitoring (DB Sections)

The Trustee maintained its regular monitoring of the investment managers, by reviewing quarterly investment performance reports and by inviting the fund managers to present in the regular Investment Committee and Trustee meetings. Additionally, the Investment Adviser monitors the investment managers on an ongoing basis and informs the Trustee promptly about any significant updates or events that may affect the managers' ability to achieve their investment objectives. This includes any significant change to the investment process or key staff for any of the funds the Scheme invests in, or any material change in the level of diversification.

Voting and Engagement (DC Sections)

Voting and Engagement Policies

The Trustee maintains a training programme that includes matters relating to ESG and stewardship, and has undertaken beliefs surveys to support maintenance of the voting and engagement policy. Trustee beliefs are reviewed periodically.

The Trustees have complied with the SIP on voting and engagement. The Scheme continued to invest solely in pooled funds, where voting and engagement activities are delegated to investment managers.

A key element of the Trustee's policy is to consider ESG issues when making decisions regarding the selection or retention of investment managers. Accordingly, and as set out in the SIP policies, during the year the Trustee reviewed ESG ratings published by the DC Investment Adviser when monitoring the investments.

Voting Activity during the Scheme Year

All Trustee holdings in listed equities are within pooled funds and therefore the Trustee is not able to direct how votes are exercised. However, the DC Committee does question the managers on stewardship activities when they attend meetings. The Trustee itself has not used proxy voting services over the year, and in line with the SIP policy the Trustee has delegated investment voting rights to the investment managers. Most voting activity will arise in respect of public equities. In this Statement, we have included voting data on the Scheme's funds that hold equities.

The Scheme makes daily dealt and priced pooled funds available to members. These funds are "blended" in that the Scheme provides a single fund, but the underlying investments are spread across a range of funds.

Fund	Underlying Funds	Strategic Allocation %
Adventurous	BlackRock Global Developed Fundamental Weighted Index	25.00
	BlackRock Global Minimum Volatility Index	25.00
	Allspring Emerging Market Equity	23.00
	L&G Future World Global Equity Index	27.00
Moderate	BlackRock Global Developed Fundamental Weighted Index	14.15
	BlackRock Global Minimum Volatility Index	14.15
	Allspring Emerging Market Equity	6.50
	Baillie Gifford Sustainable Multi Asset	16.67
	Mercer Diversified Growth	16.67
	L&G Diversified	16.66
	L&G Future World Global Equity Index	15.20
Cautious	BlackRock Global Developed Fundamental Weighted Index	9.20
	BlackRock Global Minimum Volatility Index	9.20
	Allspring Emerging Market Equity	4.10
	Baillie Gifford Sustainable Multi Asset	10.84
	Mercer Diversified Growth	10.83
	L&G Diversified	10.83
	L&G AAA-AA-A Corporate Bonds (All Stocks)	23.30
	Aquila Connect Up to 5 Year Index Linked Gilts	11.70
	L&G Future World Global Equity Index	10.00
Pre-Retirement Annuity	L&G Future World Annuity Aware*	100.00
Cash	L&G Sterling Liquidity	100.00
Ethical	L&G Ethical Global Equity	100.00
HSBC Islamic	HSBC Islamic Global Equity Index	100.00

*This fund was formerly known as the L&G Pre-Retirement Fund. L&G changed the name of this fund during the period.

Description of Voting Process

As shown in the previous table, the Scheme invests in underlying funds managed by various investment managers. Funds that invest in equities are managed by:

- Allspring Global Investments (“Allspring”)
- Baillie Gifford & Co (“Baillie Gifford”)
- BlackRock Inc. (“BlackRock”)
- HSBC Global Asset Management (“HSBC”)
- Legal & General Investment Management (“L&G”)
- Mercer Global Investments Management Limited (“Mercer”)

The voting policies of the managers have been received and considered by the Trustee and the Trustee deems these policies to be consistent with its investment beliefs.

Summary of voting behaviour over the year

The Trustee has been provided with the voting disclosures relating to the funds listed in the previous table. These are summarised in the table that follows, taking the funds that invest in public equities.

Data on 31/12/2023	Allspring Emerging Mkt Equity	Baillie Gifford Sustainable Multi Asset	BlackRock Global Dev Fundamental Weighted	BlackRock Global Minimum Volatility Index	HSBC Islamic Global Equity Index	L&G Diversified	L&G Ethical Global Equity	L&G Future World	Mercer Diversified Growth
Value of Scheme assets (£ 000s)	23,261	17,245	32,862	32,764	12,334	17,446	10,335	35,262	17,410
No. of underlying equity holdings	95	41	1,003	336	107	6,908	1,081	3.147	N/A*
No. of meetings eligible to vote	134	41	612	334	107	9,077	1,175	5.080	10,865
No. of resolutions eligible to vote	1,220	440	10,084	4,954	1,726	94,290	16,787	52,639	119,752
% of resolutions voted	93%	96%	90%	97%	95%	100%	100%	100%	100%
% of resolutions voted with management	87%	98%	95%	96.0%	77%	76%	81%	80%	84%
% of resolutions voted against management	9%	1%	5%	4.0%	23%	23%	18%	19%	15%
% of resolutions abstained	4%	0%	0%	0.0%	0%	0%	0%	0%	1%
% of resolutions voted against recommendation of the proxy adviser	12%	N/A**	0%	0.0%	1%	15%	14%	11%	N/A*

Source: Investment Managers. Totals may not sum due to rounding.

As noted earlier in this Statement, the Scheme replaced two of the diversified growth funds in place in January 2024. Specifically, the Baillie Gifford Diversified Growth Fund was replaced with the Baillie Gifford Sustainable Multi Asset Fund, and the Abrdn Global Absolute Return Strategies Fund was replaced by the Mercer Diversified Growth Fund. These changes were implemented in January 2024. The statistics above relate to the full year.

**This fund does not invest in equities directly, instead it invests in a number of underlying investment funds (27 fund holdings as at 31 December 2023). There is no proxy adviser at the total fund level.*

***Baillie Gifford vote in line with their in-house policy, not with proxy voting provider policies.*

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Most significant votes over the year

The Trustee has set their stewardship priorities as follows:

1) Climate change
2) Business ethics & transparency
3) Diversity, equity, and inclusion

In the following tables Voting issues that arose within each fund (that hold equities with voting rights), that is considered significant, as it relates to Trustee priorities.

Fund	Allspring Emerging Market Equity		Company	Wuxi Biologics (Cayman) Inc.	
Item	Election of named directors				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	Allspring voted against the re-election of a named director on the basis that the nominee was himself the incumbent Chair of the Nominating Committee, and the company's board lacks gender diversity. Separately, a vote against the re-election of a non-independent director was deemed appropriate as the board is not one-third independent. Allspring believe that the majority of directors on a board should be independent.				
Date of Vote	27 June 2023	Voting Decision	Against	Outcome	Passed

Fund	Baillie Gifford Sustainable Multi Asset		Company	American Tower Corporation	
Item	Appoint and pay auditors				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	American Tower Corporation is a real estate investment trust which owns, develops and operates wireless and broadcast communications infrastructure in several countries. Baillie Gifford opposed the ratification of the company's proposed auditor because of the length of the auditor's tenure. The manager believes that it is best practice for the auditor to be rotated regularly as this works to ensure independent oversight of the company's audit process and internal financial controls. Baillie Gifford had asked about plans to tender the appointment in 2022, but did not receive a response. Therefore, in 2023 they decided to escalate the voting action to oppose the auditor.				
Date of Vote	24 May 2023	Voting Decision	Against	Outcome	Failed

Fund	BlackRock Global Dev Fundamental Weighted		Company	Siemens AG (Siemens)	
Item	Approve virtual-only shareholder meetings until 2025, and amend Articles regarding participation of Supervisory Board Members in the AGM means of audio and video transmission				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	BlackRock voted for these proposals as they met regulatory requirements and, in the manager's view, the company was taking the necessary steps to ensure that shareholder rights were respected. BlackRock were aware of some concerns that virtual-only AGMs could potentially impede meaningful exchanges between management and shareholders. However, following analysis, BlackRock believed that Siemens had proposed an approach that is unlikely to undermine shareholder rights. Specifically, Siemens noted that they would transmit the full meeting by video and audio, would make the report of the Board of Directors available no later than a week prior to the meeting, and would exercise shareholder voting rights by electronic means as well as by proxy paper ballot. The company explained that shareholders would be able to make statements, ask questions, submit proposals and enter objections during the meeting. While regulations permits the authority to last up to 5 years, Siemens' board will seek a renewal to hold virtual-only shareholder meetings in 2 years. BlackRock considered this a pragmatic approach to enable investors to become accustomed to the new format. The company also identified benefits to holding a virtual AGM, including cost efficiency; the potential to enable greater access for participants; and the avoidance of carbon emissions in connection with travel. For these reasons, BlackRock believed it was in the best interests of clients to support the proposals.				
Date of Vote	9 February 2023	Voting Decision	For	Outcome	Passed

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Fund	BlackRock Global Minimum Volatility Index		Company	YUM! Brands, Inc.	
Item	Shareholder proposal on issuance of a report on plastics use				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	YUM! Brands, Inc. owns and operates the KFC, Pizza Hut and Taco Bell franchises, among others. BlackRock did not support this proposal, which requested that Yum! should issue a report detailing its efforts to reduce plastics use. In BlackRock's analysis, the company's existing disclosures on plastics – particularly new packaging policy and reduction goals – are comprehensive and provide sufficient information to allow investors to understand the company's approach to managing these risks. BlackRock engages with companies in the restaurant industry on their approach to plastics. Given the impact on long-term shareholder value (such as increasing customer demand for recyclable packaging, and regulatory costs), BlackRock value it when companies who produce or rely heavily on plastics disclose information on how waste is managed. Where plastic use is material to a company's strategy, BlackRock look at their disclosures to assess risks, and to understand how impacts and dependencies are managed. In 2022, Yum! updated their sustainable packaging policy, outlining the actions they had taken and those that they planned to take. Among other things, the company set goals to eliminate unnecessary plastics use, and to move consumer-facing plastic packaging to be reusable, recyclable, or compostable by 2025. Therefore, BlackRock did not consider it is necessary for shareholders to ask management to undertake a review of these policies and activities less than a year after the release of the new policy and targets. As such, they voted against the shareholder proposal.				
Date of Vote	18 May 2023	Voting Decision	Against	Outcome	Failed

Fund	HSBC Islamic Global Equity Index		Company	Nike	
Item	Report on Median Gender / Racial Pay Gap (shareholder proposal)				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	HSBC voted against management on a proposal put forward by another shareholder, which requested that Nike should "report on median pay gaps across race and gender, including associated policy, reputational, competitive and operational risks, and risks related to recruiting and retaining diverse talent." The supporting statement for the proposal stated that pay inequities persist across race and gender and pose substantial risks. It added that managing pay equity is associated with improved representation and that diversity is linked to improved stock performance and return on equity. Nike reports only statistically adjusted gaps but ignores unadjusted pay gaps, which would help to address structural bias women and minorities face regarding job opportunity and pay, particularly when men hold most higher-paying jobs. HSBC voted for the proposal on the grounds that they believed it would contribute to improving diversity and equality.				
Date of Vote	12 September 2023	Voting Decision	For	Outcome	Failed

Fund	L&G Diversified		Company	Shell Plc	
Item	Approval of the Shell Energy Transition Progress				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	L&G voted against management on its proposed Energy Transition Progress, "though not without reservations". L&G acknowledge the substantial progress made by this company in meeting its 2021 climate commitments and welcome Shell's leadership in pursuing low carbon products within its business. However, L&G remain concerned by the lack of disclosure surrounding future oil and gas production plans and targets associated with the upstream and downstream operations; both of these are key areas to demonstrate alignment with a 1.5°C climate warming trajectory.				
Date of Vote	23 May 2023	Voting Decision	Against	Outcome	Passed

Fund	L&G Ethical Global Equity		Company	Coca Cola	
Item	Report on Congruency of Political Spending with Company Values and Priorities				
Significance criteria	Relates to business ethics and transparency, which is one of the Trustee's stewardship priorities.				
Rationale	Shareholders requested that Coca-Cola publish a report analysing its political and electioneering expenditures in the US. L&G voted for this proposal (against management) as it expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While L&G appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, the manager notes that it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. L&G believe that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities, in L&G's view.				
Date of Vote	25 April 2023	Voting Decision	For	Outcome	Failed

Fund	L&G Future World		Company	JPMorgan Chase & Co.	
Item	Shareholder resolution requesting a report on the company's Climate Transition Plan describing efforts to align financing activities with greenhouse gas related targets				
Significance criteria	Relates to climate change, which is one of the Trustee's stewardship priorities.				
Rationale	L&G generally support resolutions that seek additional disclosures on how companies aim to manage their financing activities in line with their published climate change related targets. The manager believes that detailed information on how a company intends to achieve the 2030 climate targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. L&G therefore voted for this shareholder resolution requesting more disclosures in this area.				
Date of Vote	16 May 2023	Voting Decision	For	Outcome	Failed

Fund	Mercer Diversified Growth		Company	Apple	
Item	Shareholder proposal regarding median gender and racial pay equity report				
Significance criteria	Relates to diversity, equity, and inclusion, which is one of the Trustee's stewardship priorities.				
Rationale	A shareholder proposal requested that Apple report on median pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The request was for the report to be "prepared at reasonable cost", omitting proprietary information, litigation strategy and legal compliance information. It was noted that minorities represent 56% of Apple's workforce, but only 43% of leadership, and that women represent 35% of Apple's workforce and 31% of leadership. The manager voted in favour, on the basis that it expects companies to disclose meaningful information on its pay gaps, and the initiatives it is applying to close any stated gaps.				
Date of Vote	10 March 2023	Voting Decision	For	Outcome	Failed

All data as at 31 December 2023. Source: Investment Managers.

Voting and Engagement (DB Sections)

Voting and Engagement Policies

In 2023, the Trustee, following guidance from the DWP, have set their stewardship priorities as being:

1) Climate change
2) Diversity, equity, and inclusion
3) Business ethics & transparency

The priorities were communicated to the investment managers, and the Trustee will regularly monitor, at least once per year, on their voting and engagement policies to ensure these priorities are considered.

Votes / Engagement in relation to listed equity

All equity holdings are invested in the **LGIM Future World Fund**. This fund is also used for the DC Sections, whose voting process and behaviour were already described in the previous section. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the year. The Trustee has delegated the engagement and monitoring of the investment managers' exercise of voting rights to the Investment Consultant in line with the Scheme policy on voting and engagement.

Votes / Engagement in relation to assets other than listed equity

The following comments were provided by the Scheme's asset managers who don't hold listed equities, but invest in assets that had voting / engagement opportunities during the period:

Barings – Private Credit

Barings' investment professionals seek to understand the potential risks to and opportunities for an investment (including those related to ESG); to do so they may meet with government officials and corporate management teams, visit operational facilities, and analyse industry competitors. Once invested, they continue to monitor each investment to ensure that their thesis, including that on ESG matters, remains intact and that an investment's risk and return profile remains at-tractive relative to other opportunities available in the market. An example of engagement in 2023 was with a leading UK residential care and education Group, that had a merger between two divisions. The review and negotiation of the targets for the merged entity took approximately 9 months, and with Baring's support, the final targets and ESG margin ratchets have been implemented through an ESG letter amending the documentation in May 2023 with a first assessment based on the full year 2023 and granting up to 12.5bps margin ratchet depending on achieved targets.

ICG – Private Credit (BPP only)

As ICG acts mostly as sole lender, regular engagement with their companies is part of their ongoing monitoring process. ICG believes that close contact with the investee companies and the monthly and quarterly reviews are essential to ensure effective monitoring of its investments. It also helps to provide an early indication of changes in the performance and credit risk of an investee company. ICG circulates an Annual ESG Survey, to better understand how the invested companies managing ESG matters. In 2023, this survey included 40 companies in the private debt portfolio. One recent example of engagement outcomes related to a situation in which the original debt provider on a facility initially agreed sustainability-linked loan criteria (ESG KPIs) with the borrower that did not meet ICG's expectations, so as majority lender ICG reopened the engagement with the Sponsor and Management. The ICG SDP investment team and Sustainability and ESG team negotiated new terms, offering future margin benefit to the company based on a more considered and ambitious determination of KPIs, including related to GHG emissions reduction.

Insight – Buy & Maintain Credit, ABS and LDI funds
Insight considers ESG issues within their research process and has developed their own rating methodology using data from multiple third-party data providers. If Insight identifies material ESG risks, they engage to better understand the issues. On government bonds, Insight engages directly with the Debt Management Office, and via industry wide groups, such as Sustainable Investment and Finance Association and the Institutional Investors Group on Climate Change. On ABS, Insight engages with originators, other asset managers and regulators to improve and standardise data. In 2023, Insight focused to improve data on its Mortgage Backed Securities (MBS), by requiring originators to fill questionnaires on the new deals. For the B&M credit portfolio, one example of engagement was in Q4 2023, when Insight held two engagement with Morgan Stanley (MS), to follow up MS' progress in implementing the suggested changes to its fossil-fuel financing and its sustainable financing framework, and to inquired whether MS is considering including facilitated emissions in sector-based targeting in line with its peers.MS has made some progress since its weak counterparty engagement questionnaire score. However, its disclosures are poor and the issuer has failed to set a clear escalation process for clients. Likewise, its sustainable finance framework is weak and Insight thinks. Insight organised a follow up engagement with MS' Global Head of Environment and Social Risk Management to discuss the company's Environmental and Social Risk Policy in more detail.

Royal London Asset Management (RLAM) - Buy & Maintain Credit
RLAM's approach to engagement considers the strategic, environmental, social and governance risk management of investee companies. Engagement carried out jointly with investment specialists and RI teams is especially effective for fixed income assets where ESG external data typically lacks. In 2023, RLAM engaged with 554 investee companies across all its portfolios. An example of engagement was with Electricite de France ("EDF"), as part of the CA100+ collaborative engagement, to discuss engagement priorities. These included 1) improving EDF's scope 3 emissions targets and reduction levers, 2) improving scope 1 emissions including expanding its renewable and nuclear plans, 3) improving offsetting, residual emissions, just transition, and CAPEX disclosures. The outcome was that EDF set new targets to reduce its scope 1 emissions from electricity generation by 60%, 70%, and 80% by 2025, 2030, and 2035, respectively, from a 2017 baseline. EDF also clarified its Net Zero by 2050 target, confirming that it includes scope 3 emissions (almost 80% of its current emissions) and entails reducing emissions by at least 90%, with the remaining 10% abated through quality carbon removal projects after 2030.