XPS Investment

Quarriers Pension Scheme

Statement of Investment Principles

December 2021

Contents

01 **Introduction**

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Quarriers Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Gerry Devenney of XPS Pensions Group and the Investment Adviser is XPS Investment (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with the employer, Quarriers ('the Employer') and the Advisers and have obtained and considered written advice. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and the administration of the Scheme. Where it is required to make an investment decision, the Trustees always receive advice from the Advisers first and they believe that this ensures that they are appropriately familiar with the issues concerned.

Given the size of the Scheme, the Trustees have decided the most cost effective way of investing the Scheme assets is to invest in pooled funds managed by two organisations, Legal and General Investment Management Ltd and Blackrock ("the Investment Managers"), rather than directly appointing an individual investment manager. Decisions about which pooled funds to invest in are made after receiving investment advice from the Advisers.

01.01 Declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed: **Date:** 23 September 2022

Name: Mike Kennedy, Director, ProPensions Limited

For and on behalf of the Trustees of the Scheme.

02 **Scheme Governance**

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the relevant Advisers. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustees have decided not to appoint an Investment Sub-Committee to deal with investment matters.

03 **Investment Objectives**

The investment objectives of the Scheme are:

> The acquisition of suitable assets of appropriate liquidity which have a reasonable expectation of generating sufficient income and capital growth to meet, together with contributions from the Employer, the cost of the current benefits when due which the Scheme provides, as set out in the Trust Deed and Rules.

> To limit the risk of the assets failing to meet the liabilities over the long term, by considering the liability profile of the Scheme when setting the asset allocation policy.

> To minimise the long-term costs of the Scheme to the Principal Employer by seeking to maximise the return on the assets whilst having regard to the objectives shown above.

> To adhere to the provision contained within the Scheme's Statement of Funding Principles.

The Trustees believe the investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used by the Scheme Actuary.

Based on the structure set out in Appendix C, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in guidelines, agreements and pooled fund documentation with each Investment Manager.

The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the Trustees or governing the pooled funds in which the Scheme is invested.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection / deselection criteria.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

04 **Asset Allocation Strategy**

The Trustees have taken the view that the investment objective is best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. equities, property, high-yield corporate bonds and 'rotational' funds) and "off-risk" assets (e.g. fixed and index-linked gilts and high quality corporate bonds as well as bond based liability hedging funds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the profile of the liabilities, the perceived relative value of the different asset classes and the perceived risk to the primary investment objective arising from any shortfall in the funding of the Scheme. The current benchmark and target allocation is set out in Appendix C and any changes in such allocations will only be made after receiving written advice from the Investment Advisers that such allocation remains consistent with the investment objectives.

Due to the size of the fund, the Trustees have decided to use pooled index funds to invest the Scheme's assets. The Trustees have also taken the view that active investment management within asset classes is unlikely to deliver sufficient excess returns to justify the additional cost and risks.

04.01 Rebalancing Policy

The Trustees, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme on a quarterly basis via the governance report. If the actual allocation moves further than -/+5% from the 58%/42% (on-risk:off risk) strategic allocation, the Trustees will make a decision as to whether to switch assets back to the strategy following consideration of advice.

On occasion, ad-hoc disinvestment may be required from the Scheme assets to meet the cost of administering member benefits, for example where regular Scheme cashflows held in the Trustees' bank account are insufficient to pay the regular pension payroll or to pay member benefit settlement requests (such as transfer values or pension commutation). In such circumstances, the Trustees instruct the Advisers to prepare the relevant investment manager forms, subject to the required Trustee approval, to enable the disinvestment of the required funds from the Scheme assets in such proportions that the strategic allocation remains within the margins detailed above.

04.02 Rates of Return

The target rates of return for each asset class are detailed in Appendix B.

04.03 Diversification

The Trustees have sought to achieve diversification by investing in pooled funds which have investment restrictions i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers. Generally speaking each asset class would expect to have different issuers and therefore add to the diversification of the Scheme. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

Asset Allocation Strategy
continued

04.04 Suitability

The Trustees have taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives.

The Trustees have chosen to hold a significant portion of the Scheme's assets in pooled funds invested in LDI funds and bonds (the 'off-risk' assets) to provide some degree of matching with the Scheme's liabilities. A corporate bond fund has been selected in order to benefit from the higher expected long-term returns over fixed interest gilts and the Trustees consider the additional credit risk to be consistent with the investment objectives.

The aim of the return-seeking assets (e.g. equity funds) is to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

Recognising that non-sterling investments carry an element of currency risk the Trustees have a policy of holding substantially all of the assets in Sterling-denominated investments, to match the Scheme's liabilities.

04.05 Liquidity

All of the non-cash assets are held in pooled funds with frequent dealing dates.

05 **Strategy Implementation**

The Trustees have decided to invest only in passively managed funds.

05.01 Mandate and Performance Objectives

The Trustees have received advice on the appropriateness of each pooled fund that the Scheme is invested in from the Advisers and believe them to be suitable to meet the Scheme's investment objectives. The benchmark for each fund currently held and its objectives are set out in Appendix B.

05.02 Manager Agreement

The scheme is invested in pooled funds and as such there is no formal agreement between the Trustees and an individual fund manager relating to investments in each asset class.

05.03 Diversification

The assets are invested in pooled funds with diversification requirements. Further diversification is achieved by investing in funds offered by two or more Investment Managers and the strategy ensures diversification across all asset classes. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved.

05.04 Custody

Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.

06 **Monitoring**

06.01 Pooled Funds

The Trustees will monitor the performance of the funds against their stated performance objectives.

The Trustees, or the Advisers on behalf of the Trustees, will regularly review the performance of the funds to satisfy themselves that the funds remain suitable.

If the Trustees are not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustees' requirements, they will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

06.02 Investment Managers

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustees receive regular performance monitoring reports from the Investment Adviser which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the Trustee's selection and deselection criteria that the Investment Adviser is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate.

These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee's meetings as requested.

The Investment Adviser has also carried out a review of how well the Trustee's guidelines in relation to ESG factors are incorporated into each Investment Manager's processes and the Trustees will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Adviser to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Adviser to be appropriate for the particular asset class and fund type.

06.03 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

06.04 Other

The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

07 **Fees**

07.01 Funds

The Trustees will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry for passive funds. The current fee basis for each of the funds is set out in Appendix B.

The Trustees are aware of the investment manager policy regarding soft commission arrangements. Information about the investment manager's fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

07.02 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

07.03 Custodian

There is no custodian appointed directly by the Trustees.

07.04 Trustees

Whilst the professional Trustee is paid for its services, none of the other Trustees are paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend appropriate training, meetings with their Advisers and the periodic Trustees' meetings.

08 **Risks**

The Trustees recognise a number of risks involved in the investment of assets of the Scheme:

i. The risk of failing to meet the objectives as set out in Section 3 – the Trustees will regularly monitor the investments to mitigate this risk.

ii. The risk of adverse consequences arising through a mismatch between the Scheme's assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target.

iii. Risk of lack of diversification of investments – addressed through investing in pooled funds with diversification requirements and through the asset allocation policy.

iv. Risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds with frequent dealing dates.

v. Underperformance risk – addressed through monitoring closely the performance of each fund and taking necessary action when this is not satisfactory. This risk is mitigated through investing predominantly in passively managed funds.

vi. Organisational risk – addressed through regular monitoring of the Investment Manager and the Advisers.

vii. Sponsor risk – the risk of the Employer failing to meet any deficit reduction contributions, ceasing to exist etc. which for reasons of prudence, the Trustees have taken into account when setting the asset allocation strategy. This risk is, in part, mitigated by a contingent asset agreement with the Employer. The agreement is updated, as and when required, to reflect (a) any sales, with the Trustees' approval, of properties included in the contingent asset agreement, (b) incorporation of replacement properties in respect of those sold and (c) additional properties. The Trustees also regularly receive updates from the Employer regarding the Employer covenant i.e. the ability and willingness of the Employer to support the Scheme.

The Trustees will keep these risks under regular review.

09 **Other Issues**

09.01 Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

09.02 Environmental, Social and Governance issues ("ESG")

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors and believe there can be financially material risks relating to ESG and climate change. Reflecting this, the Trustees have delegated the ongoing monitoring and management of ESG risks to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take into consideration ESG factors and climate change risks within their decision-making recognising that how they do this will be dependent on the asset class characteristics.

The Trustees will take their views on ESG factors and climate change into account in any future investment manager selection exercises for the underlying investments that the Scheme makes. Further to this, the Trustees will monitor the ESG integration practices of the managers they are invested in to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

09.03 Voting rights

For the Scheme's investments in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustees have delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to vote whenever it is practical to do so. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees. If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation and the investment mandate guidelines provided, then the Trustees may consider terminating the relationship with that Investment Manager.

Appendix A Responsibilities

Trustees

The Trustees of the Scheme are responsible for, amongst other things:

i. Determining the investment objectives of the Scheme and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.

iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.

v. Assessing the quality of the performance and process of the pooled funds by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.

vi. Selecting pooled funds which are consistent with the investment strategy after consultation with the Advisers.

vii. Assessing the ongoing effectiveness of the Advisers.

viii. Consulting with the Employer when reviewing investment policy issues.

ix. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

x. Informing the Advisers of any changes to Scheme benefits, significant changes in membership.

Investment Adviser

The Investment Adviser will be responsible for, amongst other things:

i. Participating with the Trustees in reviews of this SIP.

ii. Advising the Trustees how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustees of any changes in the funds that could affect the interests of the Scheme.

iv. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current pooled funds and advising on the selection of new funds.

v. Advising the Trustees as to the appropriate split between on-risk and off-risk assets.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

Appendix A
Responsibilities
continued

ii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iii. Advising the Trustees of any changes to contribution levels and funding level.

Appendix B
Pooled Funds

The Trustees invest in pooled funds with two Investment Managers: Legal & General Investment Management ('LGIM') and BlackRock.

LGIM

Asset Classes	Fund	%	Investment Style
Diversified Growth Fund	Diversified Fund	58.0	Active and Passive

BlackRock

Asset Classes	Fund	%	Investment Style
Liability Driven Investment (LDI)	LMF Fixed and Index Linked Gilt Funds	30.0	Passive
Corporate bonds	Corporate Bond Index All Stocks	12.0	Passive

Expected Returns and Performance Monitoring

The Trustees have received advice on the appropriateness of the Investment Managers' target returns, benchmarks and risk tolerances from the Investment Adviser and believe them to be suitable to meet the Scheme's investment objectives.

The Investment Managers' stated objectives are "to perform in line with the relevant recognised indices" i.e. the benchmarks as set out below:

LGIM

Fund	Benchmark Index
Diversified Fund	FTSE Developed World Index (50% hedged to GBP)

BlackRock

Fund	Benchmark Index
LMF Fixed and Index Linked Gilt Funds	Respective Leveraged Fixed and Index Linked Gilt Benchmarks
Corporate Bond Index All Stocks	i-Boxx £ Non-Gilts Index

Appendix B Pooled Funds continued

Fees

The investment management fees paid to the Investment Managers are as follows (these do not include additional expenses or performance related fees):

LGIM

LGIM do not charge a flat fee per annum as Quarriers Pension Scheme has invested more than £25 million with LGIM. They do, however, have ad valorem charges based on the average value of the Scheme's holdings as follows:

Asset Class	Annual Management Charge ("AMC") % p.a.	
	First £25m	Over £25m
Diversified Fund		

BlackRock

Fund	AMC % p.a.		
	First £15m	Next £85m	Thereafter
Corporate Bonds Index All Stocks			
	All funds		
LMF Fixed and Index Linked Gilt Funds			

Appendix C
Current Asset Allocation

Having considered advice from the Advisers, and also having due regard for the objectives, the current liabilities of the Scheme together with their expected timing, the risks of and to the Scheme and the covenant of the Employer, the Trustees have decided upon the following benchmark allocation as being the basis for measuring investment performance:

Asset Class	**Benchmark Index**	**Benchmark allocation (%)**
Diversified Growth Fund	LGIM Diversified Fund	58.0
Corporate Bonds	Corporate Bond Index All Stocks	12.0
LDI	LMF Fixed and Index Linked Gilt Funds	30.0

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Quarriers Pension Scheme Implementation Statement for the year ended 31 October 2022

Purpose

This Implementation Statement provides information on how, and the extent to which, the Trustees of the Quarriers Pension Scheme ("the Scheme") have followed their policy in relation to the exercising of rights (including voting rights) attached to the Scheme's investments, and engagement activities during the year ended 31 October 2022 ("the reporting year"). In addition, the statement provides a summary of the voting behaviour and most significant votes cast during the reporting year.

Background

During the year to 31 October 2022, the Trustees agreed to implement a new investment strategy which sought to reduce the risk in the asset portfolio by increasing the LDI allocation and so increase the liability hedge. This was implemented in the second quarter of 2022. The Statement of Investment Principles currently in force, which reflects these changes, was signed on 23 September 2022.

The Trustees' policy

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors and believe there can be financially material risks relating to ESG and climate change. Reflecting this, the Trustees have delegated the ongoing monitoring and management of ESG risks to the Scheme's investment managers. The Trustees require the Scheme's investment managers to take into consideration ESG factors and climate change risks within their decision-making recognising that how they do this will be dependent on the asset class characteristics.

The Trustees will take their views on ESG factors and climate change into account in any future investment manager selection exercises for the underlying investments that the Scheme makes. Further to this, the Trustees will monitor the ESG integration practices of the managers they are invested in to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

The Trustee's policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Investment work and Manager selection exercises during the year

One of the main ways in which this updated policy is expressed is via manager selection exercises: the Trustees seek advice from XPS on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

During the reporting year, the Trustees reviewed their investment strategy in consultation with the sponsoring Employer, increasing the LDI allocation in the asset portfolio to increase the liability hedge, maintaining the same expected return whilst reducing risk in the portfolio.

Ongoing governance

The Trustees, with the assistance of XPS, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this statement.

Further, the Trustees have set XPS the objective of ensuring that any selected managers reflect the Trustees' views on ESG (including climate change) and stewardship.

Beyond the governance work currently undertaken, the Trustees believe that their approach to, and policy on, ESG matters will evolve over time based on developments within the industry and, at least partly, on a review of data relating to the voting and engagement activity conducted annually.

Adherence to the Statement of Investment Principles

During the reporting year the Trustees are satisfied that they followed their policy on the exercise of rights (including voting rights) and engagement activities to an acceptable degree.

Voting activity

The main asset class where the investment managers will have voting rights is equities. The Scheme has exposure to equities as part of the strategy for the LGIM Diversified Fund in which the Scheme invests. Therefore, a summary of the voting behaviour and most significant votes cast by the relevant investment manager organisation is shown below (note that the commentary is sourced directly from LGIM)).

LGIM Diversified Fund (sourced from LGIM)

LGIM Diversified Fund
The manager voted on 99.75% of resolutions of which they were eligible out of 99,646 eligible votes.
Investment Manager Client Consultation Policy on Voting
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Our voting policies are reviewed annually and take into account feedback from our clients. Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as we continue to develop our voting and engagement policies and define strategic priorities in the years ahead. We also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.
Investment Manager Process to determine how to Vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with our relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures our stewardship approach flows smoothly throughout the engagement and voting process

and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

How does this manager determine what constitutes a 'Significant' Vote?
As regulation on vote reporting has recently evolved with the introduction of the concept of 'significant vote' by the EU Shareholder Rights Directive II, LGIM wants to ensure we continue to help our clients in fulfilling their reporting obligations. We also believe public transparency of our vote activity is critical for our clients and interested parties to hold us to account. For many years, LGIM has regularly produced case studies and/ or summaries of LGIM's vote positions to clients for what we deemed were 'material votes'. We are evolving our approach in line with the new regulation and are committed to provide our clients access to 'significant vote' information. In determining significant votes, LGIM's Investment Stewardship team takes into account the criteria provided by the Pensions & Lifetime Savings Association (PLSA) guidance. This includes but is not limited to: • High profile vote which has such a degree of controversy that there is high client and/ or public scrutiny; • Significant client interest for a vote: directly communicated by clients to the Investment Stewardship team at LGIM's annual Stakeholder roundtable event, or where we note a significant increase in requests from clients on a particular vote; • Sanction vote as a result of a direct or collaborative engagement; • Vote linked to an LGIM engagement campaign, in line with LGIM Investment Stewardship's 5-year ESG priority engagement themes. We provide information on significant votes in the format of detailed case studies in our quarterly ESG impact report and annual active ownership publications. The vote information is updated on a daily basis and with a lag of one day after a shareholder meeting is held. We also provide the rationale for all votes cast against management, including votes of support to shareholder resolutions. If you have any additional questions on specific votes, please note that LGIM publicly discloses its vote instructions on our website at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

Does the manager utilise a Proxy Voting System? If so, please detail
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. Our use of ISS

recommendations is purely to augment our own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that we receive from ISS for UK companies when making specific voting decisions.

To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what we consider are minimum best practice standards which we believe all companies globally should observe, irrespective of local regulation or practice.

We retain the ability in all markets to override any vote decisions, which are based on our custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows us to apply a qualitative overlay to our voting judgement. We have strict monitoring controls to ensure our votes are fully and effectively executed in accordance with our voting policies by our service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform us of rejected votes which require further action.

Top 5 Significant Votes during the Period			
Company	Voting Subject	How did the Investment Manager Vote?	Result
Prologis, Inc.	Resolution 1a - Elect Director Hamid R. Moghadam	Against	92.9%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Apple Inc.	Resolution 9 - Report on Civil Rights Audit	For	53.6%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Union Pacific Corporation	Resolution 1e - Elect Director Lance M. Fritz	Against	91.7%
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
NextEra Energy, Inc.	Resolution 1j - Elect Director Rudy E. Schupp	Against	85.9%

LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.			
Microsoft Corporation	Elect Director Satya Nadella	Against	94.7%
LGIM will continue to vote against combined Chairs and CEOs and will consider whether vote pre-declaration would be an appropriate escalation tool.			

Signed: , Chair of Trustees

Date: 17 February 2023