

# Parker Hannifin Pension & Death Benefit Plan Defined Contribution (DC) Section

## Implementation Statement

Covering the period from 1 July 2023 to 30 June 2024

### Purpose of this statement

This implementation statement has been produced by the Trustee of the **Parker Hannifin Pension & Death Benefit Plan ("the Plan")** to set out the following information for its DC section over the year to **30 June 2024**:



how the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year;



the voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes;



A summary of any changes to the Statement of Investment Principles (SIP) over the period;



A description of how the Trustee's policies, included in their SIP, have been followed over the year.



### Conclusions

In reviewing the activities of the past year, the Trustee believes that the policies set out in the Statement of Investment Principles ("SIP") have been effectively implemented.

A significant proportion of the Scheme's investment managers have demonstrated transparency in their voting and engagement activities, and the Trustees believe that these activities reasonably align with the with the stewardship priorities of the Scheme.

However, not all managers were able to provide all the voting and engagement information requested. The Trustee will continue to engage with the managers to encourage them to improve the availability and quality of data; however, the Trustee has selected new managers (implemented post year-end) that are considered an improvement in this regard.

## Stewardship policy

The Statement of Investment Principles (SIP) in force during the period describes the Trustee's stewardship policies on the exercise of rights (including voting rights) and engagement activities. The SIP in place during the year was approved in August 2023.

To enable the Trustee to make high quality decisions, the fact-finding and analysis involved in preparing this statement was delegated to the Trustee's independent investment advisor.

The Trustee has established voting principles with their managers. These principles include researching companies, identifying any issues and then engaging with them as necessary. The Trustee focus its reporting around voting and engagement on the following priorities identified:

- Climate change
- Diversity, Equity & Inclusion

After the period end, the SIP was updated with effect from September 2024, reflecting the Trustee's illiquids policy and changes to the strategy that were implemented in September 2024. The Plan's SIP has been made available online here: [Statement of Investment Principles](#)

## How voting and engagement/stewardship policies have been followed

The Trustee believes that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
- The Trustee reviewed the stewardship and engagement activities of the managers in place during the period at their 5 December 2023 meeting. The Trustee found that stewardship carried out by BlackRock was not in line with their expectations. This partially informed the manager selection exercise undertaken by the Trustee during the year, with the Plan moving away from the BlackRock passive equity funds. Sustainability, including voting and engagement, was a key criteria in the manager selection process.
- As part of ongoing monitoring of the Plan's investment managers, the Trustee uses ESG ratings provided by its investment consultant to assess how the Scheme's investment managers take account of ESG issues.
- Having reviewed the above in accordance with their policies, the Trustee is comfortable the actions of the fund manager is in alignment with the Plan's stewardship policies.

## How the SIP has been followed over the year

The Trustee updated the Plan's SIP in August 2023. Alongside, creating separate SIPs for the DB and DC sections respectively, an important change relating to the stewardship policy reflected the Trustee's decision to set stewardship priorities (see above). In the Trustees' opinion, the Statement of Investment Principles has been followed over the year in the following ways:



## Policies on investment strategy

### Policy 1

*To offer a suitable default strategy for members and a selection of core funds for members to self-select.*

The Trustee commenced a review of its default strategy prior to the period covered by this statement. During the period, the Trustee built on the membership analysis and initial strategic asset allocation recommendations received from its investment consultant. This included additional analysis on different investment strategies for members approaching retirement in order to choose a strategy best suited to the Plan's membership. Then, in March 2024, the Trustee undertook a manager selection exercise to select new investment managers for the strategy the Trustee had chosen. The strategy updates were implemented post year end in September 2024.

The Trustee reviewed the suitability of the self-select fund range and decided to make changes in line with their objective to support members with different attitudes to risk and different plans for accessing their benefits. These updates were implemented post year end in September 2024.

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### Policy 2

*To manage the expected volatility of the returns achieved in order to control the level of volatility in the value of members' pensions pots*

In the default strategy, emphasis is placed on medium to higher risk funds (i.e. investment largely in growth assets) in search of long-term inflation-protected growth whilst the member is a long way off accessing their retirement savings, switching progressively to lower risk assets as the member's target retirement date approaches so as to protect the value of the retirement savings relative to the way in which they are expected to be accessed.

The Trustee completed a review of the default strategy over the year, with the new strategy diversifying across more asset classes. For example, an allocation was added to Multi Asset Credit. The updated strategy also looks to reduce volatility as the member approaches retirement with additional diversification and careful consideration around the duration of the bonds held. The strategy updates were implemented post year end in September 2024.

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### Policy 3

*To reduce the risk of the assets failing to meet projected retirement income levels*

The lifestyle structure described above is consistent with prioritising growth when members are younger to improve their projected retirement income levels. However, as members approach retirement, the Trustee has chosen to reduce volatility to reduce the probability of members experiencing a shock in terms of the income level they could expect during retirement.

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#### Policy 4

*To achieve good member outcomes net of fees and subject to acceptable levels of risk*

The Trustee prioritises value over cost when selecting investments for members. They recognise that net returns are more important than low costs. This has supported the inclusion of active management in the strategy. However, the Trustee recognises that, all else being equal, lower fees are better for their members. The Trustee successfully negotiated lower fees across all stages of the default strategy, while also investing in funds that the Trustee believes are more likely to achieve good outcomes for the members.

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### Policies on monitoring manager and advisor performance

#### Policy 1

*To evaluate each of the Plan's investment managers by considering performance, the role it plays in helping to meet overall long-term objectives, risk, the need for diversification, and liquidity*

The Trustee receives a performance report on a quarterly basis from its platform provider. The Trustee's investment consultant provides a supplementary report each quarter, and a more detailed assessment annually. This monitoring captures both short-term and long-term performance and benchmarks tailored to members. The Trustee receives fund ratings from its investment consultant.

As part of the default strategy review and self-select funds review, the Trustee decided that several funds held were not suitable for their long-term objectives and chose replacements.

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#### Policy 2

*To monitor the suitability of the objectives for the Plan and performance (net of fees) against these objectives at least every three years and also when there is any significant change in the investment policy, underlying economic conditions or the profile of the members*

The Trustee completed a full review of the default strategy and self-select options over the year.

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#### Policy 3

*To monitor the Scheme's advisors*

The Trustees have set objectives for their investment advisor in line with requirements. Feedback has been provided to Barnett Waddingham.

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## Policies on financially material and non-financial considerations

### Policy 1

*To consider financially material considerations, including ESG, when selecting and monitoring funds and managers*

The Trustee considers the investment managers' approach to ESG and climate related risks when selecting new funds, including taking advice from their investment consultant. Several new funds were chosen during the period (and introduced after the period end, in September 2024). All existing and new mandates are rated "Acceptable" or "High Conviction" for Sustainable Investment by Barnett Waddingham.

The Trustee receives an annual Sustainable Investment Monitoring Report from their investment consultant. The Report provided during the year highlighted the potential to improve sustainability both in terms of portfolio construction and, reflecting observations on the quality of the incumbent manager (BlackRock), stewardship. These observations contributed to the Trustee's decision to choose new managers; for instance, the decision to replace the BlackRock equity funds with LGIM's Future World equity fund range).

### Policy 2

*Aligning Plan assets with net zero greenhouse gas emissions by 2050 where practicable is expected to help reduce the risks to the Plan from climate change*

Alongside the annual Sustainable Investment Monitoring Report, which enables the Trustee to monitor emissions for the Plan's DC assets, the Trustee considered this policy as part of its manager selection exercise. This contributed to the Trustee's choice of the LGIM funds highlighted above, as well as the M&G Sustainable Total Return Credit Fund.



## Policies on voting and engagement

### Policy 1

*To encourage managers to improve their voting and engagement practices*

As part of the annual implementation statement the Trustee reviews the voting and engagement of the Plan's managers. Concerns around stewardship reporting by BlackRock were identified by the Trustee's investment advisor, who liaise with the managers on the Trustee's behalf. As above, this contributed to the Trustee deciding to move away from the BlackRock.



## Policies on manager arrangements

### Policy 1

*To ensure that the managers' investment approaches are consistent with the Trustee's policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies.*

As set out above, the Trustee carries out regular monitoring of managers, covering performance as well as receiving updated views on the managers from their investment consultant. The manager selection recommendations received by the Trustee during the period made explicit reference to Plan-specific principles as well as their investment advisor's general principles for good quality fund management.

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### Policy 2

*The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. The impact of these costs is reflected in performance figures provided by the investment managers, which the Trustee assess managers against, and hence do not explicitly monitor portfolio turnover.*

Portfolio turnover and transaction costs are captured by the Trustee's investment advisor's fund ratings. The Trustee considers total costs of the investments as part of the Value for Member assessment annually.

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**Prepared by the Trustees of the Parker Hannifin Pension & Death Benefit Plan  
November 2024**

## Voting Data

This section provides a summary of the voting activity undertaken by the investment managers within the Plan's default strategy on behalf of the Trustee over the year to 30 June 2024. Voting data is not available for the Corporate Bond, Gilts and Cash funds due to these funds having no voting rights.

Manager	BlackRock			BNY Mellon
Fund name	ACS 30:70 Global Equity Tracker Fund	ACS UK Equity Tracker Fund	ACS World ex UK Tracker Fund	Real Return Fund
Structure	Pooled			
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.			
No. of eligible meetings	5,202	1,055	1,579	71
No. of eligible votes	56,663	14,456	18,307	1,059
% of resolutions voted	97%	96%	99%	99%
% of resolutions abstained <sup>1</sup>	1%	1%	0%	0%
% of resolutions voted with management <sup>1</sup>	92%	96%	81%	94%
% of resolutions voted against management	7%	3%	18%	6%
Proxy voting advisor employed	BlackRock use ISS electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting. BlackRock do not follow any single proxy research firm's voting recommendations in most markets. In certain markets, they work with proxy research firms who apply BlackRock's proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where their input is required to inform a voting decision.			ISS
% of resolutions voted against proxy voter recommendation	0%	0%	0%	5%

Manager	HSBC		LGIM
Fund name	Islamic Global Equity Index Fund	Diversified Fund	FTSE4Good Developed Equity Index Fund (Formerly Ethical Equity Fund)

<sup>1</sup> As a percentage of the total number of resolutions voted on. Totals may not add up to 100%. Numbers are subject to rounding.

Note: segregated mandates allow the Trustees to engage with managers and influence their voting behaviour. Pooled fund structures result in limited scope for the Trustees to influence managers' voting behaviour.

Manager	HSBC	LGIM	
Structure	Pooled		
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustee to influence the manager's voting behaviour.		
No. of eligible meetings	106	10,172	1,187
No. of eligible votes	1,681	105,146	16,699
% of resolutions voted	95%	100%	100%
% of resolutions abstained <sup>1</sup>	0%	1%	0%
% of resolutions voted with management <sup>1</sup>	78%	76%	82%
% of resolutions voted against managementError! Bookmark not defined.	21%	23%	18%
Proxy voting advisor employed	HSBC use the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of their own bespoke voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene HSBC's guidelines.  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 they do not outsource any part of the strategic decisions. To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.		
% of resolutions voted against proxy voter recommendation	1%	14%	14%

<sup>1</sup> As a percentage of the total number of resolutions voted on. Totals may not add up to 100%. Numbers are subject to rounding.

Note: segregated mandates allow the Trustees to engage with managers and influence their voting behaviour. Pooled fund structures result in limited scope for the Trustees to influence managers' voting behaviour.





## Significant votes

The Trustee has communicated their stewardship priorities to their investment managers via their investment consultant. However, they did not communicate what they consider to be the most significant individual votes in advance of those votes being taken.

BNY Mellon, HSBC & LGIM have provided a selection of votes which they believe to be significant. The Trustees selected three of the most significant votes for each fund, where 'most significant' denotes the votes most associated with the stewardship priorities of the Scheme. Where there are multiple votes that relate to these priorities, the Trustee has selected the votes from the three largest stock holdings.

Significant vote information provided by BlackRock was limited. This is something we have noted to them and are working with them to improve. We have selected a significant vote available from their website, relating to a stewardship priority of the Plan.

Where the managers have not provided significant votes that align with the Trustee's stewardship priorities, the Trustee has selected three votes for each fund by considering 'most significant' votes to be those for which there was sufficient data and commentary.

Where data is not provided, the investment consultant acts on the Trustee's behalf to feedback to managers and encourage improvements in industry data standards and transparency over time.

A summary of the significant votes provided is set out below.

### BlackRock ACS 30:70 Global Equity Tracker Fund

Significant vote 1	
Company name	Tesla
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.52%
Summary of the resolution	Shareholder Proposal Regarding Reporting on Harassment and Discrimination Prevention Efforts
How the manager voted	For
Rationale for the voting decision	BlackRock supported the shareholder proposal regarding reporting on harassment and discrimination prevention efforts because, in their view, greater disclosures on this issue, which they deem material to the long-term financial interests of shareholders, would help investors better assess risks at the company.
Criteria on which the vote is considered "significant"	This vote is in line with the Plan's Stewardship Priority of diversity, equity and Inclusion.
Outcome of the vote	The resolution failed to pass

<b>Implications of the outcome</b>	Tesla subsequently made some enhancements to its disclosures, such as reporting on types of complaints received and employee training initiatives.
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Not provided
<b>Relevant stewardship priority</b>	Diversity, Equity and Inclusion

### BlackRock ACS UK Equity Tracker

<b>Significant vote 1</b>	
<b>Company name</b>	<b>Shell</b>
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	8.15%
<b>Summary of the resolution</b>	<b>Approve Shell Energy Transition Strategy</b>
<b>How the manager voted</b>	For
<b>Rationale for the voting decision</b>	BlackRock supported this management proposal because, in their view, Shell has provided and continues to provide a clear assessment of its plans to manage material climate-related risks and opportunities and continues to demonstrate progress against its Energy Transition Strategy.
<b>Criteria on which the vote is considered "significant"</b>	Not provided by manager. However, this vote is in line with the Plan's Stewardship Priority of Climate Change.
<b>Outcome of the vote</b>	The resolution passed
<b>Implications of the outcome</b>	BlackRock note that Shell has made several adjustments to its climate-related targets due to developments in energy markets and the strategic shift in its power business. For example, Shell retired its 2035 net carbon intensity (NCI) target of 45% because of uncertainty regarding the pace of the global low-carbon transition. Shell also adjusted its 2030 NCI reduction target from 20% to 15-20%, based on lower expected growth in total power sales for the period as it prioritizes value over volume in its power business, focusing on commercial customers more than retail customers. BlackRock views these adjustments as reasonable and in the interest of shareholders given that they reflect, and provide transparency into, Shell's efforts to manage climate-related risks and opportunities in its business model.
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Not provided

Relevant stewardship priority	Climate Change
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### BlackRock ACS World Ex UK Equity Tracker

Significant vote 1	
Company name	Westpac Banking
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.10%
Summary of the resolution	Approve Transition Plan Assessments
How the manager voted	For
Rationale for the voting decision	A vote FOR this proposal is warranted, as additional information on the company's efforts to reduce its carbon footprint and align its operations would allow investors to better understand how the company is addressing new financing with its climate transition plan.
Criteria on which the vote is considered "significant"	Not provided by manager. However, this vote is in line with the Plan's Stewardship Priority of Climate Change.
Outcome of the vote	Withdrawn
Implications of the outcome	Not provided
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	Not provided
Relevant stewardship priority	Climate Change

### HSBC Islamic Global Equity Fund

	Significant vote 1	Significant vote 2	Significant vote 3
Company name	NVIDIA Corporation	Amazon.com, Inc.	Broadcom Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	7.8%	6.1%	2.2%
Summary of the resolution	Elect Director Stephen C. Neal	Elect Director Jonathan J. Rubinstein	Elect Director Eddy W. Hartenstein

<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	HSBC voted against these appointments as they have concerns about insufficient gender diversity of the boards.		
<b>Criteria on which the vote is considered "significant"</b>	The companies have a significant weight in the portfolio and HSBC voted against management.		
<b>Outcome of the vote</b>	The resolution passed	The resolution passed	The resolution passed
<b>Implications of the outcome</b>	HSBC will likely vote against a similar proposal should they see insufficient improvements.		
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	No	No	No
<b>Relevant stewardship priority</b>	Diversity, Equity and Inclusion	Diversity, Equity and Inclusion	Diversity, Equity and Inclusion

#### BNY Mellon Real Return Fund

	Significant vote 1	Significant vote 2	Significant vote 3
<b>Company name</b>	Shell Plc	The Goldman Sachs Group, Inc.	The Goldman Sachs Group, Inc.
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	1.8%	0.9%	0.9%
<b>Summary of the resolution</b>	Shareholder resolution to Advise Shell to Align its Medium-Term Emissions Reduction Targets Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement	Report on Clean Energy Supply Financing Ratio	Report on Pay Equity

How the manager voted	Against	For	For
Rationale for the voting decision	BNY Mellon did not support a shareholder proposal for a report on GHG (greenhouse gas) emission-reduction targets aligned with the Paris Agreement as they believed the company has disclosed enough information for shareholders to assess the related risks. Moreover, the company has disclosed a partial Scope 3 target which is considered an appropriate response to the proponent's asks.	BNY Mellon supported a shareholder proposal asking for a report on clean energy supply financing ratio as they believe the ratio will help shareholders assess how the bank is capitalizing on clean energy opportunities and aligning itself with the net zero by 2050 pathway.	BNY Mellon supported a shareholder proposal asking for a report on pay equity as the requested adjusted and unadjusted median pay gap statistics may allow shareholders to evaluate and measure the company's progress towards reducing pay inequities more fully.
Criteria on which the vote is considered "significant"	As a significant GHG emitter, it is critical for Shell to have a credible transition plan.	BNY Mellon determined this vote as significant owing to the rarity of a shareholder proposal receiving significant support.	BNY Mellon determined this vote as significant owing to the rarity of a shareholder proposal receiving significant support.
Outcome of the vote	The resolution failed to pass	The resolution failed to pass	The resolution failed to pass
Implications of the outcome	While BNY Mellon do find some merits to the proponent's asks and legitimate concerns, aligning Scope 3 targets at Shell to a 1.5 degree scenario would mean a significant loss of customers to competitors. Such a decision is best in the hands of management, and the disclosure of a partial Scope 3 target shows some responsiveness from the company to their concerns, tackling mainly the emissions it directly has control of. Shareholders have signalled a significant buy-in to management's strategy	BNY Mellon deemed this vote to be material as climate transition is a risk (and opportunity as well) for the bank. Further, in their view, the remit of this proposal aligns with shareholder's interests. The ask of the proposal is to disclose a clean energy financing to fossil fuel financing ratio to assess financing of the clean energy transition. This would provide investors with a more complete and more accurate figure to evaluate a bank's alignment with their net-zero goals. BNY Mellon will continue to engage with the bank to try and make their climate transition plan more robust.	BNY Mellon deemed this vote to be significant as, in their view, the requested adjusted and unadjusted median pay gap statistics should help them measure the company's progress towards reducing pay inequities in detail. This proposal should also help them assess if pay inequity on top of unequal access to opportunity, might be one of the reasons that they have seen recent departures of senior women leaders from the bank. BNY Mellon will continue to highlight their stance on this issue through our voting action.

<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	Not provided	No	No
<b>Relevant stewardship priority</b>	Climate Change	Climate Change	Diversity, Equity and Inclusion

### LGIM Diversified Fund

	<b>Significant vote 1</b>	<b>Significant vote 2</b>	<b>Significant vote 3</b>
<b>Company name</b>	<b>Apple Inc.</b>	<b>Shell Plc.</b>	<b>Apollo Global Management, Inc.</b>
<b>Approximate size of fund's holding as at the date of the vote (as % of portfolio)</b>	0.4%	0.3%	0.2%
<b>Summary of the resolution</b>	<b>Shareholder resolution on Report on Risks of Omitting Viewpoint and Ideological Diversity from Equal Employment Opportunities ("EEO") Policy</b>	<b>Approve the Shell Energy Transition Strategy</b>	<b>Elect Director A.B. Krongard</b>
<b>How the manager voted</b>	Against	Against	Against
<b>Rationale for the voting decision</b>	Shareholder Resolution - Environmental and Social: A vote AGAINST this proposal is warranted, as the company appears to be providing shareholders with sufficient disclosure around its diversity and inclusion efforts and non-discrimination policies, and including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	Climate change: A vote against is applied. LGIM acknowledge the substantive progress the company has made in respect of climate related disclosure over recent years, and they view positively the commitments made so far. Nevertheless, the revisions made to the Net Carbon Intensity (NCI) targets, coupled with the ambition to grow its gas and LNG business this decade, mean LGIM expect the	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.

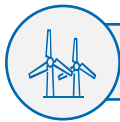
		<p>company to better demonstrate how these plans are consistent with an orderly transition to net-zero emissions by 2050. LGIM seek more clarity regarding the expected lifespan of the assets Shell is looking to develop, the level of flexibility in revising production levels against a range of scenarios and tangible actions taken across the value chain to deliver customer decarbonisation.</p>	
<b>Criteria on which the vote is considered "significant"</b>	<p>Thematic - Diversity: LGIM views diversity as a financially material issue for our clients, with implications for the assets they manage on their behalf.</p>	<p>Thematic - Climate: LGIM is publicly supportive of so called "Say on Climate" votes. They expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5C scenario. Given the high-profile nature of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.</p>	<p>Thematic - Diversity: LGIM views gender diversity as a financially material issue for their clients, with implications for the assets they manage on their behalf.</p>
<b>Outcome of the vote</b>	The resolution failed to pass	The resolution passed	The resolution passed
<b>Implications of the outcome</b>	<p>LGIM will continue to engage with our investee companies, publicly advocate their position on this issue and monitor company and market-level progress.</p>		
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	<p>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 their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics</p>		
<b>Relevant stewardship priority</b>	Diversity, Equity and Inclusion	Climate Change	Diversity, Equity and Inclusion

## LGIM FTSE4Good Developed Equity Index Fund

	Significant vote 1	Significant vote 2	Significant vote 3
Company name	Bank of America Corporation	Novartis AG	Verizon Communications Inc.
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.6%	0.5%	0.4%
Summary of the resolution	Report on Clean Energy Supply Financing Ratio	Reelect Joerg Reinhardt as Director and Board Chair	Elect Director Shellye Archambeau
How the manager voted	Against	For	Against
Rationale for the voting decision	Shareholder Resolution - Climate change: A vote in favour of this proposal is applied. LGIM believe that banks and financial institutions have a significant role to play in shifting financing to funding the green transition. LGIM expects the company to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.	Diversity: a vote FOR is applied following engagement with the company.	Diversity: A vote against is applied as LGIM expects a company to have at least one-third women on the board.  Joint Chair/CEO: A vote against is applied as LGIM expects companies to respond to a meaningful level of shareholder support requesting the company to implement an independent Board Chair.
Criteria on which the vote is considered "significant"	Pre-declaration and High-Profile Meeting: This shareholder resolution is considered significant as LGIM believes that banks and financial institutions have a significant role to play in shifting financing away from 'brown' to funding the transition to 'green'. LGIM expects companies to be undertaking appropriate analysis and reporting on climate change matters, as they consider this issue to be a material risk to companies.	Thematic - Diversity: LGIM views diversity as a financially material issue for their clients, with implications for the assets LGIM manage on their behalf.	Thematic - Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.  Thematic - Board Leadership: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of the combination of the board chair and CEO.



<b>Outcome of the vote</b>	Not provided	Passed (96% voted for)	Passed
<b>Implications of the outcome</b>	LGIM will continue to engage with our investee companies, publicly advocate their position on this issue and monitor company and market-level progress.		
<b>If the vote was against management, did the manager communicate their intent to the company ahead of the vote?</b>	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with their investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics		
<b>Relevant stewardship priority</b>	Climate Change	Diversity, Equity and Inclusion	Diversity, Equity and Inclusion



## Engagement

The investment managers may engage with investee companies on behalf of the Trustees. The table below provides a summary of the engagement activities undertaken by each manager during the year for the relevant funds.

Engagement activities are limited for the Scheme's cash funds due to the nature of the underlying holdings, so engagement information for these assets have not been shown.

### BlackRock

Fund name	ACS 30:70 Global Equity Tracker Fund	ACS UK Equity Tracker Fund	ACS World ex UK Tracker Fund	iShares Corporate Bond Index Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	Not provided	Not provided	1,380	179
Number of entities engaged on behalf of the holdings in this fund in the year	Not provided	Not provided	910	84
Number of engagements undertaken at a firm level in the year	3,599	3,599	3,599	3,599

### BNY Mellon

### HSBC

### LGIM

Fund name	Real Return Fund	Islamic Global Equity Index Fund	Diversified Fund	FSTE4Good Developed Equity Index Fund
Number of engagements undertaken on behalf of the holdings in this fund in the year	16	82	4,197	921
Number of entities engaged on behalf of	9	34	2,810	573

the holdings in this  
fund in the year

Number of  
engagements  
undertaken at a firm  
level in the year

37

2,140

5,003



### Examples of engagement activity undertaken over the year to 30 June 2024

#### BlackRock

##### Tesla

Over the past several years, BlackRock has been engaging with Tesla, discussing the company's governance structure, board independence, compensation practices, executive share pledging, disclosures of climate-related risks and opportunities, and approach to human capital management. In January 2024, Chancellor Kathaleen McCormick of the Delaware Court of Chancery ruled in favour of a shareholder derivative lawsuit invalidating CEO Elon Musk's \$55.8 billion compensation package. The board subsequently formed a Special Committee in February 2024 to evaluate the topic of reincorporation. In March 2024, the Committee's remit was expanded to include determining whether Tesla should hold another ratification vote of the 2018 CEO Performance Award, which it ultimately decided in favour of.

#### BNY Mellon

##### Unilever

BNY Mellon met with Unilever via the Healthy Markets investor coalition as a continuation of previous engagement efforts around nutrition and the second meeting following Unilever's public disclosure of their reporting on six nutritional profiling models. While the targets and strategy remains the same, there has been a 15 months shift in timelines for the next round of disclosures. The company had already announced its 2022 data won't be published. However, following the meeting, BNY Mellon received confirmation that the next iteration of data will be published in 2024 (with 2023 data), which will allow monitoring of progress towards the company's 2028 target of 85% healthy serving of its total portfolio.

#### HSBC

##### Apple

HSBC engaged with Apple on working conditions and workforce disclosure, following concerns about ongoing reported incidents around human rights violations. They have engaged with representatives from the company, discussed AGM matters with those representatives and, as part of a collaborative initiative, wrote to the company requesting additional reporting on key environmental areas such as water. The company continues to investigate allegations when they arise and assess their auditing of supply chains. They have also conducted unannounced audits and assessments as part of a scaled-up programme.

#### LGIM

##### Heidelberg

LGIM's engaged with Heidelberg regarding its cement production. The cement industry needs to decarbonise significantly for the world to reach net zero, and the sector is included within the 'climate critical' sectors of LGIM's Climate Impact Pledge. The company believes it has an industry-leading decarbonisation policy as well as first mover advantage in carbon capture and storage (CCS). During Q3 2023, LGIM participated in

discussions with Heidelberg's management team to discuss the progress and economic viability of the company's planned CCS projects. LGIM will continue to engage with the company as well as others in the cement industry on their decarbonisation targets and trajectory.