

# Implementation Statement – DC assets

26 January 2024



ZPen

## 1. Background

In 2019, the government published regulations<sup>1</sup> which introduced new requirements for pension schemes like ZPen setting out the policies they need to explicitly include in their Statement of Investment Principles (SIP) (the document that sets out the investment principles and practices the Trustee follows when governing the Scheme's assets).

This expanded on legislation<sup>2</sup> which was introduced in 2018 for schemes with more than 100 members to disclose the risks of their investments, including the ones arising from environmental, social and governance (ESG) considerations. It also required the Trustee to disclose policies in relation to the stewardship of investments, including engagement with investee firms and the exercise of the voting rights associated with the investment.

Further to this, from 1 October 2020 the Trustee is required to produce an implementation statement setting out how it has acted on the principles it set out in the SIP, including how it takes account of the views which, in its opinion, members hold. This must cover policies on the exercise of voting rights related to its investments and engagement activities and state any use of the services of a proxy voter during the year. This document is intended to meet those requirements and will be included in the Scheme's Report and Accounts and published on [www.zpen.info](http://www.zpen.info).

The DC SIP in force during the Scheme year ended 30 June 2023 incorporated the SIP for the Scheme's default arrangements and was prepared in accordance with all relevant legislation in-force at the date of the approvals. The SIP outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the defined contribution (DC) assets (ZCashBuilder and legacy AVC arrangements) and the Trustee's policy for complying with Sections 35 and 36 of the Pensions Act 1995 and subsequent legislation.

### **Review of the DC SIP during the year**

The last review of the DC SIP took place in 2020 with the SIP being formally approved by the Trustee on 30 September 2020. Prior to formally approving the DC SIP on that date, the Trustee's investment and legal advisers reviewed the DC SIP to ensure it continued to comply with all legal requirements and to incorporate the Trustee's responsible investment strategy in line with investment regulations.

During the year the Trustee:

- Agreed its Stewardship priorities. These were discussed at the DC Committee in February 2023 and approved by the Trustee in March 2023. Further information is included in Section 3 of this Statement.
- Set its policy for the use of illiquid assets in the default strategies. This was discussed at the DC Committee meeting in February 2023 and approved by the Trustee in March 2023.
- Commenced the review of the DC SIP, including the default SIP. The updated SIP, which includes the Trustee's stewardship priorities and policy on illiquid assets, was approved on 26 September 2023.

This Statement covers the policies included in the DC SIP in effect on 30 June 2023.

### **How have the policies in the SIP been followed over the year?**

In the opinion of the Trustee, the policies set out in the SIP as at 30 June 2023 have been adhered to throughout the year for the Scheme. The rest of this statement explains how and the extent to which these policies have been adhered to.

<sup>1</sup> Occupational Pension Scheme (Investment and Disclosure) (Amendment) Regulations 2019

<sup>2</sup> The Occupational Pension Schemes (Investment and Disclosure) (Amendments) Regulations 2018 (now the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018)

## 2. How has the SIP been followed during the year?

### 2.1 Investment aims and objectives for the default arrangements

The Trustee has agreed the following investment objectives for the Scheme's DC default arrangements where members have not instructed their contributions to be invested elsewhere:

*To provide a good value lifestyle strategy which:*

- *is suitable for the majority of members who do not wish to make an active choice*
- *protects members against volatility in the approach to retirement*

To meet these aims and objectives the Trustee has established the following default options:

1. A lifestyle strategy for DC only members which targets 25% cash and 75% drawdown at retirement;
2. A lifestyle strategy for members with both DB and DC benefits which targets cash at retirement.

There have been no changes to the default arrangements during the year.

#### **To meet its policies for the default investment arrangements on:**

- Choosing and realising investments;
- The kind of investments held; and
- The balance between different kinds of investments, the Trustee:
  - continues to use lifestyle strategies as the default arrangements which
    - have a higher level of investment risk and expected return in the growth stage of the lifestyle strategies.
    - starts to reduce the level of investment risk and expected return by moving into less risky assets over the period 5 – 10 years from retirement
    - use passively managed pooled funds to reduce the fund charges paid by members.
  - uses a fund structure which allows it to make changes to the underlying funds, if required, with minimum disruption.
  - is invested in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.

The Trustee reviews changes in member choices, retirement behaviour and trends on a regular basis using reports produced by the internal Zurich pensions team. Over the Scheme year there were no material changes.

### 2.2 Investment aims and objectives for the investment options outside the default arrangements

The Trustee has agreed the following investment objectives for the Scheme's DC fund choices:

- To provide a range of funds and lifestyle strategies with the aim of helping members optimise their retirement income.
- To ensure the investment strategy structure and design is based on the membership profile, where practical to do so.
- To provide a range of lifestyle strategies which:
  1. are designed to generate income and capital growth whilst members are some years from retirement with the aim of helping members optimise their retirement income
  2. in the period approaching retirement, protect the capital value of investments as well as protecting members from volatility
  3. are aligned to how members are able to take their benefits and consistent with the pension flexibilities enabled by the 'freedom and choice' regulations.
- To provide a range of alternative investment options which:
  1. recognises that members have different needs and objectives
  2. enables members to invest in funds which provide real capital growth over the long term
  3. is appropriate for members' attitude to risk and proximity to retirement as members' investment needs and risk appetite change

4. caters for the needs of certain groups within the memberships that have ethical or religious beliefs
5. offers members a choice between active and passively managed funds.

To meet these aims and objectives the Trustee offers the following options:

- 3 lifestyle strategies which:
  - target the 3 options at retirement: drawdown, annuity purchase and cash.
  - use a passive global equity fund in the growth phase (Z Growth Fund) with the aim of generating growth whilst members are some time from retirement.
  - start switching to a lower risk fund 10 years from the target retirement age. This fund (Z Cautious Growth Fund) contains a mix of passively managed global equities and bonds with the aim of continuing to provide some growth whilst also offering some protection from market volatility.
  - have an allocation of 25% cash at retirement to reflect the expectation members will take 25% of their benefits as the tax free cash sum.
- a range of 13 investment funds which:
  - covers a range of asset classes and risk profiles to meet differing member needs and objectives over time.
  - includes funds catering for members religious or ethical beliefs and a fund targeting 'climate friendly' firms.
  - has a range of funds aiming to provide longer term growth including equity funds, property and mixed asset funds.
  - includes access to both active and passively managed funds.
- The Trustee reviews changes in member choices, behaviour, and trends on a regular basis using reports produced by the internal Zurich pensions team. Over the Scheme year there were no material changes.

### **2.3 How have other policies been met over the year?**

***Policies on choosing and realising investments, the kind of investments to be held and the balance between different kinds of investments.***

When the Trustee undertook its most recent performance and strategy review of the DC default arrangements in September 2020, it considered the investment risks set out in the SIP. It also considered a wide range of asset classes for investment, taking into account the expected returns and risks associated with those asset classes as well as how these risks can be mitigated.

**To meet its policies for the investment options outside default investment arrangements** the Trustee:

- Continues to invest in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.
- Offers a range of investment funds to members covering different asset classes to meet differing levels of risk.

***Policies on managing risk and expected returns***

The DC SIP outlines the key risks considered by the Trustee and the steps taken by the Trustee to mitigate each risk. The Trustee realises that in relation to DC benefits, the investment risk ultimately sits with the members, and acknowledges that it is not possible to mitigate all the risks at the same time. Risks are monitored on an ongoing basis with the help of the Trustee's DC investment adviser and the Trustee maintains a risk register, which is discussed regularly.

**To meet its policies** the Trustee:

- uses a range of pooled funds which:
  - are passively managed to reduce the risk of under-performance.
  - cover different asset classes to diversify risks and offer diversification to members. In particular, the Trustee makes use of equity and equity-based funds, which are expected to provide positive returns above inflation over the long term. These are used in the growth phase of the default option and are also made available within the self-select options. These funds are expected to produce adequate real returns over the longer term.
  - include currency hedging in the global equity fund to reduce currency risk.



- uses Scottish Widows as its platform provider. Scottish Widows is regulated by the Financial Conduct Authority and Prudential Regulation Authority and has to maintain adequate financial resources to ensure it can meet its liabilities as they fall due. At its meeting on 28 November 2022, the DC Committee received a paper from its DC advisers providing a high level review of the Scottish Widows Investment Only platform, noting that there are significant assets under management on the platform and Scottish Widows has demonstrated a clear commitment to the investment only business. The Committee noted its adviser's positive view of Scottish Widows as platform provider.
- offers lifestyle strategies targeted at each of the 3 options available to members at retirement.
- uses fund structures in the lifestyle strategies, including the two default arrangements, which enable the Trustee to make changes to the underlying funds with the minimum disruption, should the need arise.
- receives quarterly updates on the fund performance.
- commenced its triennial review of the default strategies.
- has confirmed with Scottish Widows that it has floating charges in place with all the investment managers it uses.

### ***Policy on responsible investment***

The Trustee recognises that members are long term investors and believes that incorporating ESG factors into investment decisions improves the long-term risk adjusted returns for them.

**Selecting managers:** the Trustee considered responsible investment as part of its investment review in 2020, including how to incorporate it into the default arrangements and investments options available outside the default arrangements. The outcome of this was that the Trustee took into account the way Legal & General Investment Management (LGIM) engages in stewardship activities and uses its size to engage with companies and influence them in its selection of a number of funds invested with LGIM. This includes funds used within both the default arrangements and the other investment options.

**Financially material considerations:** the Trustee recognises that in using pooled funds it has delegated consideration of stock-specific issues to the fund manager and that the choice of benchmark dictates the assets held by the investment manager who therefore has limited freedom to take account of ESG factors that may be deemed to be financially material. The Trustee:

- is aware of the risks of climate change and aims to understand the potential impact that climate risk factors may have on future investment returns.
- is supported by a Responsible Investment Champion who has access to resources and the global Zurich network of expertise.
- has nominated a responsible investment Trustee director who also sits on the DC Committee.
- agreed a DC Climate Change policy in June 2021. There has been no change to this policy over the year.

**Task Force on Climate Related Financial Disclosures (TCFD):** The additional climate change regulations under Section 175(2A) of the Pensions Act 1995 require pension schemes with assets exceeding £5bn to comply with the TCFD recommendations, applicable from 1 October 2021. In order to comply with the regulations the Trustee has agreed and published a TCFD report, describing governance, strategy, metrics and targets, and risk management of climate change risks and opportunities.

**Engaging with managers:** Because the Trustee uses Scottish Widows as a platform provider, the Trustee does not have a direct relationship with the DC fund managers; that relationship is held by Scottish Widows. The Trustee has found that direct meetings with Scottish Widows are the most effective way to engage on responsible investment and voting records, and the provision of data required for the TCFD report.

### ***Policy on asset managers***

**To meet its policies** the Trustee:

- is invested in pooled funds which offer daily dealing funds as far as possible to enable members to readily realise and change their investments.
- receives quarterly reports on fund performance, including updates from its investment adviser on any issues with individual funds or fund managers.

- recognises that in using passively managed pooled funds, the amount held in each fund is dictated by the index and the manager has limited freedom to minimise transaction costs and turnover of assets within each fund.
- receives and monitors transaction cost information on all funds with DC assets, including legacy AVC funds. This information is reported in the Chair's Statement.
- does not have an arrangement with the fund managers to provide incentives because the charges are met by the members through the Annual Management Charge.

The Trustee carried out an annual Value for Members assessment in September 2023 for the Scheme Year to 30 June 2023 to ensure the funds continue to provide members with good value for the charges paid. This analysis assessed a range of factors, including the fees payable to managers in respect of the DC Section, which were found to be reasonable when compared against schemes with similar sizes mandates. The outcome of the value for members assessment was that the Scheme provides good value for members. Further detail is reported in the Chair's Statement.

The fund managers within the default strategies were appointed in 2021 following the investment review which took place in 2020. As the Trustee uses pooled funds it has not set portfolio turnover targets for its managers.

### ***Voting, stewardship and engagement***

The Trustee aims to be a responsible steward of the DC assets and believes stewardship includes:

- The selection and appointment of asset managers that invest on behalf of the Trustee.
  - The Trustee took into account the way LGIM engages in stewardship activities and uses its size to engage with companies and influence them as part of its decision to select LGIM as a fund manager for Z Growth Fund. LGIM produce a quarterly ESG Impact Report which details its key activities over the period including engagement campaigns, key votes and work with policy makers.
- Asset allocation
  - The trustee recognises that in using pooled funds it has delegated consideration of stock-specific issues to the fund manager.
- Voting and engagement across all asset classes.
  - The DC assets are all in pooled funds so the Trustee has adopted a policy of delegating voting decisions and engagement with companies to the fund managers, who are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.
  - reviews engagement activity undertaken by the fund managers as part of its broader monitoring activity is engaged with its platform provider Scottish Widows as they own the primary relationship with the asset managers.

The Trustee agreed its stewardship priorities for the DC assets:

- Climate Change – the Trustee believes climate change to be a source of financial risk that could have a material impact on member outcomes over the short-, medium-, and long-term as a result of the impact of the physical and transition risks on markets and, therefore, investors.
- Diversity, Equality and Inclusion (DEI) – the Trustee believes that investees that are diverse and inclusive deliver better financial performance than firms with poor DEI practices, due to their ability to make better decisions, identify risks and opportunities more effectively, and their ability to appeal to a wider customer base.
- Corporate Transparency – the extent to which a company provides open and accessible information about its activities and decision-making processes to its stakeholders, including shareholders, employees, customers, suppliers, and the wider community.

**Member engagement:** The DC Committee includes company representatives who are able to collate and present member feedback.

- Caroline Taylor continues to attend the DC Committee meetings; Caroline is the National Secretary of Community and sits on the Employee Consultation Board.
- A member of the Pensions Support team (part of the ZPen team) attends each DC Committee meeting and feeds back member views collated during webinars and other contact with members.

- As part of the DC investment review, the Trustee acknowledged that members will have differing views on responsible investment and decided to offer a range of global equity funds so members who wish to can select the fund which best reflects their views on responsible investment. These funds are:
  - Z Growth Fund: a passively managed global equity fund which does not select stocks on responsible investment criteria but the underlying fund manager uses its size to engage with companies and influence them
  - LGIM Future World Fund: favours companies which are less carbon intensive or which earn green revenues. The fund excludes companies in controversial weapons and pure coal as well as those that haven't signed up to LGIM's Climate Impact Pledge. It can also choose to exclude companies that fail to meet LGIM's standard on low carbon transition and corporate governance standards.
  - L&G Ethical Fund: seeks to invest in global companies that demonstrate sustainability practices, but excludes firms in tobacco, weapons systems, components for controversial weapons and coal companies.

### 3. Stewardship: engagement and exercise of voting rights

#### Engagement

Z Growth Fund is managed by LGIM, who have provided the Trustee with information on its engagement activities with companies in which the fund is invested:

- 1,430 engagement activities were undertaken with 869 companies, including conference calls, face to face meetings and in writing.
- 453 (32%) of these activities were on Environmental issues of which 368 related to climate change.
- 555 (39%) of these activities were on Governance issues of which 238 related to remuneration.
- 295 (20%) of these activities were on Social issues of which 150 related to Diversity
- 127 (9%) of these activities were on other issues including Strategy and Company Disclosures.

#### Voting rights

The Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee does not direct how individual votes are exercised and the Trustee itself has not used proxy voting services over the year. The funds which include equities are set out in the tables below:

LGIM	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2022)	Further information on page:
Z Growth Fund & Z Cautious Growth Fund	LGIM 30/70 Global equity fund currency hedged	100% Z Growth Fund 55% Z Cautious Growth Fund	79.9%	85-87
L&G Ethical Global Equity Index	L&G Ethical Global Equity Index	100%	1.2%	87-89
LGIM Future World	LGIM Future World	100%	0.2%	89-91
<b>TOTAL</b>			<b>81.3%</b>	

BlackRock	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2022)	Further information on page:
BlackRock World ex-UK Equity Index Fund	BlackRock ACS World ex-UK Equity Tracker	100%	3.7%	91-92
BlackRock UK Equity Index Fund	BlackRock ACS UK Equity Tracker	100%	1.6%	92-93
<b>TOTAL</b>			<b>5.3%</b>	

Other fund managers	Fund	% of fund assets	% ZCashBuilder assets (@ 30 June 2022)	Further information on page:
HSBC Islamic Fund	HSBC Islamic Global Equity Index Fund	100%	0.8%	93-95
SW Managed Fund	SW Managed Fund	100%	1.0%	95
<b>TOTAL</b>			<b>1.8%</b>	



## LGIM Global Equity Market Weights (30:70) Index Fund – GBP 75% Currency Hedged

<b>Manager name: Legal and General Investment Management</b> <b>ZCashBuilder fund name: Z Growth Fund and 55% of Z Cautious Growth Fund</b>	
Total size of fund as at 30 June 2023	£3,943,706,231
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	Z Growth Fund: £372,987,684 Z Cautious Growth Fund: £37,126,724 <b>Total: £410,024,408</b> 79.9% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	5,005
Number of meetings eligible to vote	6,904
Number of resolutions eligible to vote	70,780
% of resolutions voted	99.90%
Of the resolutions on which voted, % voted with management	81.28%
Of the resolutions on which voted, % voted against management	18.12%
Of the resolutions on which voted, % abstained from voting	0.60%
Of the meetings in which the manager voted, % with at least one vote against management	60.20%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A: LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM which does not outsource any part of the strategic decisions. To ensure its proxy provider votes in accordance with its position on ESG, LGIM have put in place a custom voting policy with specific voting instructions.

	Vote 1	Vote 2
Company	Accenture	Shell Plc
Date of vote	1 February 2023	23 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.20%	2.11
Summary of the resolution	Resolution 1 f – Elect Director Shantanu Narayen	Approve the Shell Energy Transition Progress
How you voted	Against (against management recommendation)	Against (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.	
Rationale for the voting decision	Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	Climate change: A vote against is applied, though not without reservations. We acknowledge the substantial progress made by the company in meeting its 2021 climate commitments and welcome the company's leadership in pursuing low carbon products. However, we 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 the 1.5° trajectory.
Outcome of the vote	0.945%	80% (pass)
Implications of the outcome eg were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.	LGIM continues to undertake extensive engagement with Shell on its climate transition plans.
On which criteria has this vote been assessed as "most significant"?	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 (escalation of engagement by vote).	Thematic – Climate: LGIM is publicly supportive of so called "Say on Climate" votes. We expect transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5° scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.

## L&G Ethical Global Equity Index Fund

<b>Manager name: Legal and General Investment Management</b> <b>ZCashBuilder fund name: L&amp;G Ethical Global Equity Index</b>	
Total size of fund as at 30 June 2023	£980,074,109
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	£6,238,775 1.20% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	1,080
Number of meetings eligible to vote	1,176
Number of resolutions eligible to vote	16,644
% of resolutions voted	99.90%
Of the resolutions on which voted, % voted with management	81.69%
Of the resolutions on which voted, % voted against management	18.11%
Of the resolutions on which voted, % abstained from voting	0.20%
Of the meetings in which the manager voted, % with at least one vote against management	73.64%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A: 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. 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.

	Vote 1	Vote 2
Company	The Coca-Cola Company	Chubb Limited
Date of vote	25 April 2023	17 May 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.71%	0.24%
Summary of the resolution	Resolution 7 – Report on the Congruency of Political Spending with Company Values and Priorities.	Resolution 5.2 – Elect Director Michael P Connors
How you voted	For (against management recommendation)	Against (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	LGIM expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. While we appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. We 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.	Diversity: A vote against is applied due to the lack of gender diversity at executive officer level. LGIM expects executives officers to include at least 1 female.
Outcome of the vote	29.1% (Fail)	73.3% (Pass)
Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

	Vote 1	Vote 2
On which criteria has this vote been assessed as “most significant”?	Pre-declaration and Thematic – Lobbying: LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, we expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.	Thematic – Diversity: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.



## LGIM Future World Fund

Manager name: Legal and General Investment Management ZCashBuilder fund name: LGIM Future World	
Total size of fund as at 30 June 2023	£6,938,198,120
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	£887,668 0.2% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	1,415
Number of meetings eligible to vote	1,726
Number of resolutions eligible to vote	22,400
% of resolutions voted	99.93%
Of the resolutions on which voted, % voted with management	79.97%
Of the resolutions on which voted, % voted against management	19.82%
Of the resolutions on which voted, % abstained from voting	0.21%
Of the meetings in which the manager voted, % with at least one vote against management	70.16%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A: 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. 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.

	Vote 1	Vote 2
Company	Yum! Brands	Dell Technologies Inc
Date of vote	18 May 2023	20 June 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	0.61%	0.30%
Summary of the resolution	Resolution 5 – Report on Efforts to Reduce Plastic Use	Resolution 1.1 – Elect Director Michael S. Dell
How you voted	For (against management recommendation)	Withhold (against management recommendation)
Where you voted against management, did you communicate your intent to the company ahead of the vote?	LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	<p>The circular economy is a key component of LGIM's approach to nature, and we believe solving plastic pollution is critical in a just transition to net zero and nature-positive economies. As the filer of this resolution noted, the company has not aligned its packaging targets with key initiatives such as the Pew Report, which suggests that companies should commit to reducing at least one-third of plastic demand through elimination, reuse and new delivery models. Although the company published its Sustainable Packaging Policy, the policy does not make any reference to single-use plastics (but rather mentions "unnecessary packaging") and its disclosures do not seem to sufficiently address the regulatory risks and the risk of higher costs in case of inaction. Therefore, a vote FOR this resolution is warranted.</p>	<p>Board mandates: A vote against is applied because we have concerns regarding the time commitment required to manage all board positions and how this may impact their ability to remain informed and effectively contribute to board discussions. Joint Chair/CEO: A vote against is applied as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. WITHHOLD votes are warranted for Egon Durban for serving as a director on more than five public company boards. Shareholder rights: A vote against is applied because LGIM supports the equitable structure of one-share-one-vote. We expect companies to move to a one-share-one-vote structure or provide shareholders a regular vote on the continuation of an unequal capital structure. WITHHOLD votes are warranted for Michael Dell as his ownership of the supervoting shares provides him with voting power control of the company.</p>
Outcome of the vote	36.4% (Fail)	98.6% (Pass).
Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	LGIM will continue to engage with the company and monitor progress.	LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

	Vote 1	Vote 2
On which criteria has this vote been assessed as “most significant”?	Pre-declaration and Thematic – Nature: LGIM considers this vote to be significant as the circular economy is a key component of LGIM's approach to nature, and we believe solving plastic pollution is critical in a just transition to net zero and nature-positive economies.	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 (escalation of engagement by vote). Thematic – Investor Rights: LGIM considers this vote to be significant as it is in application of an escalation of our vote policy on the topic of one-share one-vote and our support for equality of voting rights.

## BlackRock World ex-UK Equity Tracker Fund

<b>Manager name: BlackRock</b> <b>ZCashBuilder fund name: BlackRock World ex-UK Equity Index</b>	
Total size of fund as at 30 June 2023	Information not available
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	£18,895,738 3.68% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	1,816
Number of meetings eligible to vote	1,948
Number of resolutions eligible to vote	24,238
% of resolutions voted	97.50%
Of the resolutions on which voted, % voted with management	89.14%
Of the resolutions on which voted, % voted against management	6.22%
Of the resolutions on which voted, % abstained from voting	0.5% (123 proposals)
Of the meetings in which the manager voted, % with at least one vote against management	6.28%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	We use Institutional Shareholder Services' (ISS) electronic platform to execute our vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, we work with proxy research firms who apply our proxy voting guidelines to filter out routine or non-contentious proposals and refer to us any meetings where additional research and possibly engagement might be required to inform our voting decision.

	Vote 1	Vote 2
Company	American Express Company	Santos
Date of vote	2 May 2023	3 May 2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Information not provided	Information not provided
Summary of the resolution	Elect Director: Thomas J Baltimore	Climate related lobbying
How you voted	Against	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock does not disclose its voting intentions in advance of shareholder meetings as it does not see its role to influence other investors. Its role is to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.	
Rationale for the voting decision	Vote against sitting CEO for serving on excessive number of public company boards which we believe raised substantial concerns about his/her ability to exercise sufficient oversight of this board.	This resolution was not supported as based on BlackRock's analysis, it was found to be overly prescriptive given that it seeks to direct the company's climate-related lobbying activities.
Outcome of the vote	Pass	Pass
Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	Further information can be found here: <a href="#">vote-bulletin-rio-tinto-may-2022.pdf</a> (blackrock.com)	Further information can be found here: <a href="#">vote-bulletin-santos-may-2022.pdf</a> (blackrock.com)
On which criteria has this vote been assessed as "most significant"?	Further information can be found here: <a href="#">vote-bulletin-rio-tinto-may-2022.pdf</a> (blackrock.com)	Further information can be found here: <a href="#">vote-bulletin-santos-may-2022.pdf</a> (blackrock.com)



## BlackRock UK Equity Tracker Fund

<b>Manager name: BlackRock</b> <b>ZCashBuilder fund name: BlackRock UK Equity Index</b>	
Total size of fund as at 30 June 2023	Information not available
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	£8,052,729 1.6% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	6,716
Number of meetings eligible to vote	651
Number of resolutions eligible to vote	10,037
% of resolutions voted	99.71%
Of the resolutions on which voted, % voted with management	96.71%
Of the resolutions on which voted, % voted against management	3%
Of the resolutions on which voted, % abstained from voting	0.15% (15 proposals)
Of the meetings in which the manager voted, % with at least one vote against management	18.13%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	BlackRock uses Institutional Shareholder Services' (ISS) electronic platform to execute its vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, it works with proxy research firms who apply its proxy voting guidelines to filter out routine or non-contentious proposals and refer to BlackRock any meetings where additional research and possibly engagement might be required to inform its voting decision.

	Vote 1	Vote 2
Company	Pendragon Plc	Metro Bank PLC
Date of vote	30 June 2023	26 April 2023
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	Information not available	Information not available.
Summary of the resolution	Re-election of Directors	Approve the Shell Energy Transition Progress Update (Management proposal)
How you voted	Against	For
Where you voted against management, did you communicate your intent to the company ahead of the vote?	BlackRock does not disclose its voting intentions in advance of shareholder meetings as it does not see its role to influence other investors. Its role is to send a signal to the company about how well it believes the board and management has done in delivering long-term shareholder value.	
Rationale for the voting decision	Voted against Nomination/Governance Committee member for failure to adequately account for diversity on the board.	This was supported in recognition of the company's disclosed energy transition plan to manage climate-related risks and opportunities and the company's progress against this strategy.
Outcome of the vote	Information not available	Pass
Implications of the outcome e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	Further information can be found here: <a href="#">vote-bulletin-barclays-may-2022.pdf</a> (blackrock.com)	Further information can be found here: <a href="#">vote-bulletin-shell-may-2022.pdf</a> (blackrock.com)
On which criteria has this vote been assessed as "most significant"?	Further information can be found here: <a href="#">vote-bulletin-barclays-may-2022.pdf</a> (blackrock.com)	Further information can be found here: <a href="#">vote-bulletin-shell-may-2022.pdf</a> (blackrock.com)

## HSBC Islamic Global Equity Index Fund

<b>Manager name: HSBC</b> <b>ZCashBuilder fund name: HSBC Islamic</b>	
Total size of fund as at 30 June 2023	\$2,569,284,681
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	£3,966,150 0.8% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	105
Number of meetings eligible to vote	107
Number of resolutions eligible to vote	1652
% of resolutions voted	95.7%
Of the resolutions on which voted, % voted with management	82.8%
Of the resolutions on which voted, % voted against management	17.2%
Of the resolutions on which voted, % abstained from voting	0.2%
Of the meetings in which the manager voted, % with at least one vote against management	72%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	We use the voting research and platform provider Institutional Shareholder Services (ISS) to assist with the global application of our own bespoke voting guidelines. ISS reviews company meeting resolutions and provides recommendations highlighting resolutions which contravene our guidelines. 10.2% of votes were contrary to recommendation of proxy adviser.

	Vote 1	Vote 2
Company	Alphabet Inc.	Amazon.com, Inc.
Date of vote	01/06/2022	25/05/2022
Approximate size of fund's holding as at the date of the vote (as % of portfolio)	6.81%	5.02%
Summary of the resolution	Shareholder proposal to seek disclosure of algorithmic systems.	Advisory vote to ratify named executive officers' compensation.
How you voted	For (against management recommendation)	Against
Where you voted against management, did you communicate your intent to the company ahead of the vote?	We communicate our thinking on the shareholder proposals well ahead of the AGM.	We discussed the proposals and our views at a meeting ahead of the AGM.
Rationale for the voting decision	Given the risks that could arise from the use of algorithms and increasing relevant legislation, the company should disclose more about the potential risks the company faces, the safeguards and procedures in place to mitigate them.	We have several concerns about the pay structure, including the high level of overall dilution from share schemes, a lack of performance element to executive pay, and a short vesting period.
Outcome of the vote	The shareholder proposal did not pass.	The resolution passed.
Implications of the outcome, e.g., were there any lessons learned and what likely future steps will you take in response to the outcome?	We will continue to engage on the issue along with other issues of concern and will likely vote against a similar proposal should we see insufficient improvements.	We will continue to engage on the issue along with other issues of concern and will likely vote against a similar proposal should we see insufficient improvements.
On which criteria has this vote been assessed as "most significant"?	The company has a significant weight in the portfolio and we voted against management.	The company has a significant weight in the portfolio and we voted against management.

## Scottish Widows Managed Fund

Manager name: Schroders ZCashBuilder fund name: Managed	
Total size of fund as at 30 June 2023	£184.46m
Value of ZCashBuilder assets at 30 June 2023 invested in this fund	£4,730,794 0.9% of ZCashBuilder assets
Number of equity holdings as at 30 June 2023	Information not provided
Number of meetings eligible to vote	1
Number of resolutions eligible to vote	7
% of resolutions voted	100%
Of the resolutions on which voted, % voted with management	100%
Of the resolutions on which voted, % voted against management	0%
Of the resolutions on which voted, % abstained from voting	0%
Of the meetings in which the manager voted, % with at least one vote against management	0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	0%

No information was provided on specific votes, but the following information was provided by the Schroders, who have been appointed by Scottish Widows to manage the fund:

### Overview for the process of deciding how to vote:

- As active owners, we recognise our responsibility to make considered use of voting rights. We therefore vote on all resolutions at all AGMs/EGMs globally unless we are restricted from doing so (e.g. as a result of share blocking).
- We aim to take a consistent approach to voting globally, subject to regulatory restrictions that is in line with our published ESG policy.

### What process was followed for determining the most significant votes?

#### Did any of your most significant votes breach the client's voting policy (where relevant)?

We believe that all resolutions when we vote against the board's recommendations should be classified as a significant vote, for example, votes against the re-election of directors, on executive remuneration, on material changes to the business (such as capital structure or M&A), on climate matters and on other environmental or social issues may all be more or less significant to different client stakeholders.



## Description of voting process LGIM

LGIM's voting and engagement activities are driven by ESG professionals and its assessment of the requirements in these areas seeks to achieve the best outcome for all its clients. LGIM's voting policies are reviewed annually and take into account feedback from its 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. LGIM also takes into account client feedback received at regular meetings and/or ad hoc comments or enquiries.

All voting decisions are made by LGIM's Investment Stewardship team and in accordance with its 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 voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's 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.

LGIM's Investment Stewardship team uses Institutional Shareholder Services' ("ISS") 'ProxyExchange' electronic voting platform to electronically vote. All voting decisions are made by LGIM and it does not outsource any part of the strategic decisions. Its use of ISS recommendations is purely to augment its 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 it receives from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, it has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM considers are minimum best practice standards that all companies globally should observe, irrespective of local regulation or practice. LGIM retains the ability in all markets to override any vote decisions, which are based on its 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 LGIM to apply a qualitative overlay to its voting judgement.

LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with its voting policies by the service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

Further information on LGIM's investment stewardship policies and activities can be found here: [Investment stewardship & governance | LGIM Institutional](#)

## Description of voting process BlackRock

BlackRock and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure it takes into account a company's unique circumstances by market, where relevant. BlackRock informs its vote decisions through research and engages as necessary. Its engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients.

BlackRock may also update its regional engagement priorities based on issues that it believes could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcomes discussions with its clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them.

As outlined in its Global Principles, BlackRock determines which companies to engage directly based on its assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive. Its voting guidelines are intended to help clients and companies understand its thinking on key governance matters. They are the benchmark against which BlackRock uses to assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock applies its guidelines pragmatically, taking into account a company's unique circumstances where relevant. BlackRock informs its vote decisions through research and engages as necessary.

Further information on BlackRock's Investment Stewardship Principles can be found here: [Global Corporate Governance & Engagement Principles \(blackrock.com\)](#)